

# AGENDA

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**Meeting:** Wiltshire Pension Fund Committee

**Place:** County Hall, Bythesea Road, Trowbridge, BA14 8JN

**Date:** Thursday 26 March 2020

**Time:** 10.30 am

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Please direct any enquiries on this Agenda to Jessica Croman, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718262 or email [jessica.croman@wiltshire.gov.uk](mailto:jessica.croman@wiltshire.gov.uk)

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## Membership:

Cllr Steve Allsopp  
Cllr Tony Deane (Chairman)  
Cllr Brian Ford  
Cllr Simon Jacobs

Cllr George Jeans  
Cllr Gordon King  
Cllr Christopher Newbury

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## Substitutes:

Cllr Derek Brown OBE  
Cllr Matthew Dean  
Cllr Sarah Gibson  
Cllr Gavin Grant

Cllr Robert Jandy  
Cllr Bob Jones MBE  
Cllr Fleur de Rhé-Philippe MBE  
Cllr Ian Thorn

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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

# AGENDA

## Part I

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

1 **Membership**

To note any changes to the membership of the Committee.

2 **Apologies for Absence**

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

3 **Minutes** (*Pages 9 - 20*)

To confirm the Part 1 minutes of the meeting held on 17 December 2019.

4 **Review of Actions Log** (*Pages 21 - 34*)

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 19 March 2020 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 23 March 2020. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior

to the meeting and made available at the meeting and on the Council's website.

8 **Minutes and Key Decisions of the Local Pensions Board** *(Pages 35 - 46)*

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 13 February 2020.

9 **Minutes and Key Decisions of the Investment Sub Committee** *(Pages 47 - 50)*

To consider the Part 1 minutes, and recommendations arising, from the Investment Sub Committee meeting held on 27 February 2020.

10 **Business Continuity**

To consider the Fund's response to the current situation regarding COVID-19 and proposals to ensure its continued operation.

11 **Training Plan Review** *(Pages 51 - 52)*

To receive a report from the Governance and Performance Manager updating members on the plan for this year and providing further details of the training and qualifications undertaken by officers.

12 **Scheme, Legal, Regulatory and Fund Update** *(Pages 53 - 58)*

To receive a report from officers updating the Committee on various developments.

13 **Key Performance Indicators (KPIs)** *(Pages 59 - 72)*

To receive a report summarising the latest KPIs for the period 1 October 2019 to 31 December 2019.

14 **Data Improvement Plan Update** *(Pages 73 - 76)*

To receive a report setting out the progress of the Fund's data improvements since the plan was approved 12 months ago.

15 **Business Plan** *(Pages 77 - 90)*

To receive a report reviewing the progress of actions set for 2019/2020 and proposing new actions for the 2020/2021.

16 **Budget 2020/21** *(Pages 91 - 102)*

To receive a report proposing the Fund's budget for 2020/2021 for approval by the Committee. This will include the forecast spend for 2019-2020 and approval of the Local Pension Board budget for 2020/2021.

17 **Pension Fund Risk Register** *(Pages 103 - 110)*

An updated Risk Register will be brought to the Committee for its consideration, including an explanation of the Fund's business continuity arrangements.

18 **Member Effectiveness Review**

To receive a verbal update from the Governance and Performance Manager regarding the member effectiveness review.

19 **External Audit Report** (*Pages 111 - 116*)

To receive an update on the progress of external audits.

20 **Revised Cessation Statement** (*Pages 117 - 130*)

Following a recent change to the LGPS Regulations (on 20 March 2020 but backdated by 2 years) in relation to cessations, we are required to make a change to our FSS. The proposed changes will be presented.

21 **Treasury Management Strategy** (*Pages 131 - 136*)

To receive a report from officers outlining the current Treasury Management Strategy.

22 **Look Forward Plan Review**

To consider the draft plan for 2020/21.

23 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on Thursday, 16 July 2020.

24 **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.

25 **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 26-32 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**

- 26      **Final Valuation Report** *(Pages 137 - 190)*
- To receive a presentation by Hymans Robertson of the final valuation report and a review of the process, including the level of data quality.
- 27      **Brunel Pension Partnership Update and Business Plan** *(Pages 191 - 242)*
- To receive a report by the Investment Manager on the progress of the implementation of the Brunel Pension Partnership budget and business plan.
- 28      **Investment Quarterly Progress Report**
- Three confidential reports are circulated updating the Committee on the performance of the Fund's investments. These were considered by the Investment Sub-Committee at its meeting on 27 February 2020 and are circulated for information only.
- 29      **Minutes and Key Decisions of the Investment Sub Committee** *(Pages 243 - 252)*
- To confirm the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 27 February 2020.
- 30      **Minutes and Key Decisions of the Brunel Oversight Board** *(Pages 253 - 260)*
- To consider the finalised and draft minutes of the most recent meeting of the Brunel Oversight Board.
- 31      **Brunel Infrastructure Update**
- To receive an update on the assurance framework surrounding the Brunel Infrastructure Portfolio.
- 32      **Minutes** *(Pages 261 - 274)*
- To confirm the Part 2 (confidential) minutes of the meeting held on 17 December 2019.

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## Wiltshire Pension Fund Committee

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

**Present:**

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

**Also Present:**

Cllr Richard Britton

Anthony Fletcher

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**88     Membership**

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

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

Cllr Richard Britton was in attendance.

**90     Apologies for Absence**

Apologies were received from:

Howard Pearce (Chairman of the Local Pensions Board)

Barry Reed (Local Pension Board Member)

Cllr Brian Ford (Swindon)

Cllr Robert Jandy (Swindon)

**91     Minutes**

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

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

The minutes were amended from:

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

To:

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

## **RESOLVED**

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

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

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

### 93 **Declarations of Interest**

There were no declarations of interest.

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

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

### 95 **Public Participation**

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

Jane Laurie gave a three minute statement.

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

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

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

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

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

**RESOLVED**

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

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

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

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

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

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

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

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

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

## 98 **Fund Benchmarking**

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

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

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

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

## **RESOLVED**

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

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

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

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

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

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

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

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

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

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

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

## **RESOLVED**

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

### 100 **Budget Monitoring Report**

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

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

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

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

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

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

## **RESOLVED**

**The committee noted:**

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

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

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

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

## **RESOLVED**

**The risk register was noted**

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

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

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

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

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

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

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

## **RESOLVED**

**The committee noted the report.**

### 103 **Administration Strategy**

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

## **RESOLVED**

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



104 **Communication Strategy**

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

**RESOLVED**

**The committee approved the Communication Strategy.**

105 **Annual Training Review**

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

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

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

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

**RESOLVED**

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

**The officer training policy was approved.**

106 **Audit Plan 2020-2021**

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

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

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

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

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

## **RESOLVED**

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

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

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

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

Cllr George Jeans left the meeting at 13:15.

## 107 **Contract Management Review**

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

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

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

**RESOLVED**

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

Cllr Christopher Newbury left the meeting at 13:55.

108 **Date of Next Meeting**

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

109 **Urgent Items**

There were no urgent items.

110 **Exclusion of the Public**

**RESOLVED**

**To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 111-114 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

111 **Brunel Pension Partnership update**

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

112 **Investment Quarterly Progress Report**

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

**RESOLVED**

**The Committee approved the ISC recommendations.**

113 **Investment Sub-Committee Minutes**

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

**RESOLVED**

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

114 **Brunel Oversight Board Meeting Minutes**

No meeting of the Brunel Oversight Board had taken place.

(Duration of meeting: 10.35 am - 2.15 pm)

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

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

Wiltshire Pension Fund Committee - Actions Log						
Minute reference	Section	Meeting Action	Task owner	Target date for completion		Date completed
71 (12/12/18)	Declarations of Interest	Democratic Services to audit & chasing the non-return of Declaration forms by Members	DS	Not specified		
13 (14/03/19)	Data Improvement Plan	To provide a update (metrics) on the data improvement of the Plan in 12 months time	AC	31/03/20	In 26/03/2020 meeting pack	
49 (18/07/19)	Investment	Mercer would be asked to provide a copy of their Climate change report 2017.	JD	31/03/20		
49 (18/07/19)	Investment	The Committee requested that within the next ISS the Fund's position on Climate Change should adopt a more prominent position within the document.	JD	31/07/20		
60 (03/10/19)	Actuarial	Officers to review data queries raised during the valuation process and identify themes	AC	31/12/19		
64 (03/10/19)	Administration	Officers to implement the strategy to improve the issuance of member Benefit Statements	AC	31/08/20		
65 (03/10/19)	Governance (Audit)	Officers to sample test responses from Managers in accordance with the auditor's recommendation	RB	31/07/20		
72 (03/10/19)	Administration (AVCs)	Officers would report the results of their AVC reviews annually to Committee on an exception basis & that future reporting should focus on funds primarily used by members	RV	24/09/20		
72 (03/10/19)	Administration (AVCs)	Future AVC reporting should recommend whether AVC investment choices need to altered	RV	24/09/20		
73 (03/10/19)	Investment (Alternative Employer Investment Strategy)	To introduce a separate employer investment strategy as outlined & to apply with effect from 1 April 2020 for relevant employers (or sooner if an employer requests)	JD	24/09/20		
73 (03/10/19)	Investment (Alternative Employer Investment Strategy)	Officers to onboard appropriate employers and to moving employers between the main and alternative investment strategy	JD	24/09/20		
73 (03/10/19)	Investment (Alternative Employer Investment Strategy)	For officers to wait until they see what the take up is before exploring the possibility of introducing a further alternative investment strategy where they consider it would appear to be beneficial for employers and the Fund	JD	24/09/20		
86 (25/10/19)	Valuation results	To liaise with employer bodies to finalise employer contribution rates in line with Funding Strategy Statement. Update the Committee on the outcome of the employer liaison	AC	26/03/20	In 26/03/2020 meeting pack	
96 (17/12/19)	LPB (Minutes)	Local Pensions Board meeting recommendations of 14/11/19 were accepted, except the Minue 76. Members requested the receipt of an updated report	JD	26/03/20		

98 (17/12/19)	Governance (Fund Benchmarking)	The committee agreed for officers to discuss benchmarking issues with Brunel and informally with other Funds	AC/JD	24/09/20	Officers intention is to add benchmarked KPIs against other Funds each year following the publication of future Annual Report and Accounts	
112 (17/12/19)	Investment Quarterly Progress Report	Allocations to private equity and private debt should be implemented by making commitments to Brunel's portfolio, pending a presentation from Brunel at the next meeting	JD	26/03/20		
112 (17/12/19)	Investment Quarterly Progress Report	A request should be made to Brunel to set up an emerging market multi-asset portfolio	JD	26/03/20		

## Wiltshire Pension Fund Committee

	18/07/19	26/09/19	03/10/19	25/10/19	17/12/19	26/03/20
<b>Investment Quarterly Progress Report</b>	Q4 2018/19	Q1 2019/20	Q2 2019/20	Valuation meeting	Q2 2019/20	Q3 2019/20
<b>Consultations / Pension News updates</b>	✓	✓	✓		✓	✓
<b>Risk Register</b>	✓	✓	✓		✓	✓
<b>KPMG Auditors 31/10/18 Deloitte 1/11/18</b>	Interim Report		Final Report			
<b>Internal (SWAP) Audit</b>	✓		✓			
<b>Draft Accounts</b>	✓					
<b>Draft Annual Report</b>	✓					
<b>Budget</b>						✓
<b>Budget Monitoring</b>		✓	✓		✓	✓
<b>Budget Outturn</b>	✓	✓	✓		✓	✓
<b>Corporate Governance Update PIRC contract ceased 31/03/2019</b>			PIRC ceased			
<b>Investment Strategy Review / Asset Allocation Review</b>			✓			✓
<b>Treasury Strategy</b>						✓
<b>Officers Training Update</b>		✓			✓	
<b>CIPFA Business Update, MJ Hudson update</b>		✓				
<b>Club Vita update</b>		✓				
<b>CIPFA Benchmarking</b>	✓				✓	

Business Plan						✓
Pension Website demo						
Statement of Investment Principles		✓	✓			✓
Admin Authority Discretions Policy		✓				
Cessation Policy	✓					
Performance Indicators	✓	✓	✓		✓	✓
Communication Policy			✓		✓	
Administration Strategy			✓		✓	
Funding Strategy Statement	✓			✓		✓
Governance Compliance Statement						
Administration Strategy Performance	✓	✓	✓		✓	✓
Advisers performance Review		✓			✓	
Committee performance Review		✓				
Consider Flight Path monitoring			✓			✓
Review individual employer investment strategies			✓			
Monitor performance against Record Keeping targets		✓			✓	
Actuarial Valuation	✓		✓	✓		✓
Members Hand Book						
Members Self-service update	✓					



<b>GMP Reconciliation/ Rectification Project</b>		✓				
<b>LGPS Reform Update</b>		✓	✓		✓	
<b>Members Training Plan update</b>		✓			✓	
<b>Update on review of Pension Payroll services</b>	✓					
<b>Update on review of ESG arrangements</b>			✓			
<b>Update review of Employers data submission</b>			✓			
<b>Review Actions from previous meetings</b>	✓	✓	✓		✓	✓
<b>LPB Report - Review recommendations</b>	✓					

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**Wiltshire Pension Fund Committee**

Meeting:	16/07/20	24/09/20	17/12/20	11/03/21	Q2 2021	Guidance comments
<b>GOVERNANCE - Committee Specific</b>						<b>Comments</b>
Confirmation of annual election of Chair & Vice Chair	✓				✓	Annual appointments made by Full Council
Review Committee's Terms of Reference (if and as required)						This review should be in conjunction with the Board & ISC's ToR review to ensure continuity. Lasted reviewed in
Fund's annual budget setting				✓		Prior to 31st March each year
Budget Monitoring	✓	✓	✓	✓	✓	Quarterly spend & allocation of costs review against budget
Budget Outturn	✓				✓	Annual actual review of financial pension fund spend against the previous year's budget
Committee Annual Training Plan Update	✓				✓	To be completed following each Scheme year for subsequent inclusion in the Fund's AR&A
Training Item relevant to agenda	✓	✓	✓	✓	✓	To be consistent with Member's training & development strategy
Members Hand Book	✓					Confirmation that the Committee should adopt the Hyman's standard rather than continue to draft its own

Committee effectiveness review						3 year plan last raised with the Committee on 12/12/2018. The Committee should also compare itself against its own core functions.
Forward Work Plan Review	✓	✓	✓	✓	✓	Officers to update the next Scheme year's plan in time for the new Scheme year. Annual reviews to therefore be undertaken in Q1
<b>GOVERNANCE - Fund Specific</b>						<b>Comments</b>
Scheme Legal, Regulatory & Fund	✓	✓	✓	✓	✓	Quarterly update by the Head of Pensions
Review of Risk Register	✓	✓	✓	✓	✓	Quarterly review. Request risks to be added, approve changes made by officers and review recommendations made by the LPB
Fund update & comments on minutes of ISC & Board	✓	✓	✓	✓	✓	Amongst other purposes Members should use the minutes to identify risks which can be added to the register
LPB Report - Review recommendations	✓				✓	Ensure that Committee minutes during the past year have either actioned the recommendations, or comment on why the recommendations were not accepted
Review Governance Compliance						4 year plan last approved on 21/06/2018
Review tPR Code of Practice 14 annual internal assessment	✓				✓	Expected to become tPR Code of Practice 15 during 2020

Review Fund Training Programme			✓			Complete 3 year training plan last approved on 12/12/2018. Annual reviews undertaken in Q4 each year
Actuarial Valuation						Next valuation currently due 31/03/2022
Club Vita update			✓			As at 31st August each year & to be submitted by 1st week of October to Hymans. Purpose - statistical analysis
Review the Fund's Annual Report & Accounts	✓				✓	To ensure CIPFA compliance requirements have been applied. Deadline 31st July, publication by 1st December
Approve Internal Audit Report scope				✓		Annually covers Key Controls & Pension Fund Transfers. Every two years Code of Practice 14
Monitor Internal Audit Report		✓				Audit recommendations actioned
Monitor External Audit Report		✓				Audit recommendations actioned
Input to Annual External Audit Plan			✓			Committee to liaise with the Audit Committee concerning the scope of Deloitte's audit
Input to Annual Internal Audit Plan			✓			Committee to liaise with the CLT concerning the scope of SWAP's audit
Treasury Strategy				✓		Annual review of strategy. To include performance report of short-term cash investments & setting of preferred bank account balance to maintain business cashflow needs

Review external advisor appointments effectiveness, processes & controls			✓			Committee to receive an annual update from the Board on the effectiveness of the Fund's advisers
Review internal SLA effectiveness, processes & controls			✓			Covers services connected with the Wiltshire Council recharge. Namely, Legal, Procurement, IG, Payroll, Treasury Management, Internal & External Audit, Democratic Services, FM, ICT, HR & Communications
Review Actions from previous meetings	✓	✓	✓	✓	✓	Address primarily during pre-meeting planning meeting
<b>GOVERNANCE - Fund Plans, policies &amp; strategies</b>						<b>Comments</b>
Review Business Plan						3 year plan last approved on 24/03/2019
Review Pension Administration Strategy						3 year plan last approved on 17/12/2019
Review Communication strategy						3 year plan last approved on 17/12/2019
Review Data Improvement Plan				✓		2 year plan last approved on 24/03/2019
Review Admin Charging Policy				✓		2 year plan last approved on 12/12/2018
Review Admin Authority Discretions	✓					4 year plan last approved in December 2015
Review Cessations policy						3 year plan last approved in September 2018
Review Funding Strategy Statement	✓					3 year plan last approved on 17/12/2019
Review Compliance with FRC stewardship code	✓				✓	Annually reviewed. Updated Stewardship Code to be released in 2020

Review Investment Strategy Statement	✓				✓	Annually reviewed
<b>ADMINISTRATION</b>						<b>Comments</b>
Review employers compliance (data)		✓		✓		Incorporate with ABS review process & update on Fund's Data Improvement Plan.
Review Fund fraud risk prevention and mitigation measures		✓				Completed every 2 years and will be an update of the Fund's NFI & Certificate of Existence exercises
Review Fund website contents/resilience			✓			To also cover Cyber Security reporting on an annual basis
Receive an annual report of an complaint & IDPR cases, including a review of the Fund's procedures	✓					To cover Muse Advisory & annual confirmation of the appointment of an adjudicator by each Employer
Review Fund Communications (employers/members)		✓				To provide templates of key Fund documentation & evidence its compliance
Review of Data Security & Business Recovery			✓			Report set out the arrangements in place & when they were last tested
Review GMP reconciliation process			✓			Annual update of SAP & Altair reconciliations, plus GMP Rectification process
Committee KPIs to monitor	✓	✓	✓	✓	✓	Quarterly Administration performance reporting
Benchmark KPIs in Annual Report & Accounts information with other Funds			✓			Annual Report & Accounts must be disclosed each 1st December

Review of Annual Benefit Statement process		✓		✓		Percentage issued, action plan to issue outstanding ABSs & process improvement review
Members Self-service update		✓				Progress report on take up and functional developments
<b>INVESTMENT PERFORMANCE &amp; RISK</b>						<b>Comments</b>
Investment Quarterly Progress Report	✓	✓	✓	✓	✓	Provided by each Investment Manager & the Investment Adviser Mercer who summaries the information and offers an independent assessment of the market generally
Review Investment performance against Fund's benchmarking criteria	✓				✓	To be presented in conjunction with the draft Annual Report & Accounts
Investment Strategy Review / Asset Allocation Review			✓			Annual review of strategy document last updated in December 2019. To cover topical changes relating to BPP & ESG
Review individual employer investment strategies			✓			Monitoring the alternative investment strategy for certain employer, not covered by the main strategy
Governance update relating to BPP				✓		In terms of the investment oversight arrangements, manager research function &
Cost transparency of BPP, Managers & the Custodian	✓				✓	To be presented in conjunction with the draft Annual Report & Accounts



Independent Adviser market update				✓		To provide an independent annual report to members on the financial markets, BPP & the governance arrangements of both entities
Flight Path monitoring				✓		In relation to the financial performance of the Fund
Flight Path monitoring				✓		In relation to the ESG, SRI & Climate change arrangements

<b>Total number of Agenda Items:</b>	<b>23</b>	<b>17</b>	<b>22</b>	<b>20</b>	<b>19</b>
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## Local Pension Board

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**MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 13 FEBRUARY 2020 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Cllr Richard Britton, Holbrook, Rod Lauder, Mike Pankiewicz and Howard Pearce (Chairman)

**Also Present:**

Cllr Simon Jacobs, Paul Smith, Mark Spilsbury and Cllr Brian Ford

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**1 Membership**

The Fund Governance & Performance Manager reminded the Board that the Chairman, Howard Pearce, would be stepping down on 31 March 2020 and Sarah Holbrook on the 23 February 2020.

Sarah Holbrook was thanked for her service to the Board since 2016 & for her work in securing its purpose as part of the oversight structure of the Fund.

The Board was informed that Paul Smith was due to be appointed as Sarah's replacement at Full Council on 25 February 2020 and that Mark Spilsbury was due to replace Howard once his term had been completed.

**2 Election of Vice-Chair**

**Resolved**

**To elect Mike Pankiewicz as the Vice-Chairman of the Local Pension Board for the forthcoming year.**

**3 Apologies**

Apologies were received from Barry Reed and Ian Jones.

**4 Minutes and action-tracking**

The Governance and Performance Manager informed the Board that a sub-plan had been prepared regarding the Payroll and Pension database reconciliation. A letter had been sent to the Scheme Advisory Board for further guidance and the team were awaiting its response.

It was noted that the development of a formal record of fund delegations and controls was still in process. The team would press ahead with this area of work once the Local Pension Board and Committee Terms of Reference had been approved and as such the action was to be kept live.

In response to a question from the Chairman it was noted that officers had produced metrics to compare the carbon footprint of the funds with the Environment Agency. It was also noted that officers had set up a compliance framework in order to monitor the Fund's MiFID II compliance and that this would be discussed in more detail under Item 17.

## **Resolved**

**The minutes of the Local Pension Board held on 14 November 2019 were agreed as a correct record and signed by the Chairman.**

### **5 Declarations of Interest**

There were no declarations of interest.

### **6 Chairman's Announcements**

The Chairman reiterated the role of the Board as a non-decision making body that seeks to support the Pension Fund in being compliant with legislation and regulations.

### **7 Public Participation and Councillors Questions**

There were no members of the public present.

### **8 Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee**

Regarding the Wiltshire Pension Fund Committee minutes, it was noted that the Terms of Reference for the Wiltshire Pension Board and Wiltshire Pension Fund Committee had been resubmitted to the Constitutional Focus Group. A number of amendments had been requested by the CFG and officers were working with Legal Services to implement these changes before the documents were submitted to the Standards Committee.

The Head of Pensions Administration and Relations explained that officers were progressing well in agreeing new employer contribution rates with employers. This was a time-consuming process in part due to complicated risk sharing arrangements and some employers planning to cease participation in the Fund. It was recommended that an appraisal be carried out once the process had been completed to understand how it could be improved upon in the future.

It was noted that officers had broken down the budget into three categories. Historically it had been broken down into two categories – investments and administration - but it would now include a governance and oversight section.

This would allow a greater degree of cost comparisons with other funds which budget in this way and with SF3 reporting.

The Governance and Performance Manager responded to a query from the Board and confirmed that training relevant to MiFID II compliance had been incorporated into the members training strategy for 2020/21. Where required, substitute members would be included in the self-certification of competence process. The Chairman recommended that it should be made a requirement that substitute members be compliant too should they need to substitute for a member.

### **Resolved**

- 1. The minutes of the Wiltshire Pension Fund Committee held on 17 December 2019 and the Investment Sub Committee held on 28 November 2019 were noted.**
- 2. The Board recommended that substitute Committee members ensure that they are MiFID II compliant should they need to stand in for a member.**

## **9 Scheme, legal, regulatory and Fund update**

The Head of Pensions Administration and Relations introduced a report on the latest Scheme, legal, regulatory and fund developments for the Board's information.

Regarding the Good Governance Project, it was noted that Hymans-Robertson had now released its report on Phase II which outlined several specific recommendations. It was now holding a series of discussions in which there was an opportunity to give feedback on these proposals. While funds were largely in agreement with the recommendations, some did raise concerns over the practicality of some. Importance was given to the fact that there had been opposing views on how governance should operate at national level, and these recommendations resembled somewhat of a compromise. There seemed to be a desire to move swiftly to Phase III and while any timeframe remains ambiguous, guidance could be made available within the next few months.

An update was also given on the i-Connect project. It was noted that the Fund now had seven employers fully onboard and was now focused on Wiltshire Council and the academies it services the payrolls for (which accounted for 1/3 of the Fund's membership). The team had decided to make the data changes needed in light of the McCloud case before employers were on the i-Connect system to save on time and resources. Once implemented, the Fund would be receiving monthly data updates from the system which would reduce officer workload, particularly at year end, and ensure benefit statements were sent out quickly.

In response to a question from the Board it was noted that following the McCloud case members enrolled in the Scheme pre-2012 and who remained in the Scheme post 1 April 2014 would see their pension reviewed. National

guidance on the implications of the case remained unclear and much of the Fund's work had been done independently based on assumptions about what data would be required to prepare. Employers were encouraged to retain the data of its employees until the situation becomes clearer. The Chairman recommended that the Fund contact the Scheme Advisory Board for guidance on how to advise members on how they will be affected by the case.

The Chairman underlined the importance of the proposed revision to the UK Stewardship Code and encouraged officers to review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC in a timely manner.

It was noted that the Fund had now launched its new employer website as per the Business Plan. It would feedback its progress to the next Board meeting.

### **Resolved**

- 1. To note the Scheme, legal, regulatory and fund update.**
- 2. Officers to contact the SAB to ask for guidance on how to keep members updated on the McCloud case implications.**
- 3. Officers to feedback on employer's reception to the new employer website at the next Board meeting.**

## **10 Training Plan Review**

The Governance and Performance Manager gave a verbal update on 2019/20 Member training.

It was noted that where a new member had been enrolled in the last 12 months they should have attended the LGA's Fundamentals training & the officer induction & completed tPR toolkit training within the first six months. tPR toolkit should be completed online and once completed certificates should be forwarded to the Governance and Performance Manager to be recorded. Members were also encouraged to inform the Governance and Performance Manager of any other training they had completed for incorporation into the Board's Annual Report.

### **Resolved**

**To note the Training Plan Review update.**

## **11 Business Plan**

The Head of Pensions Administration and Relations introduced a report on the progress of the actions set for 2019/20 and the proposals for new actions for 2020/21.

It was noted that officers had agreed in 2019 to set actions for one year at a time only, despite the plan running from 2019 until 2022. This approach was partly in recognition of the difficulty in setting specific actions for a period of up

to three years and in response to feedback that the development of key events may not be reflected in triennial action setting. Moreover, the approach is to focus only on actions which are improvements, developments and changes - business as usual actions would not be covered even though they make up the vast majority of work in the section.

It was explained that Appendix 1 showed the Fund's progress of the desired actions for 2019/20. Most actions were complete, or would be completed in the 2019/20 period, although some had been carried forward for the reasons stated in the Appendix.

In response to a query from the Board it was noted that the Fund's administration had been only minorly affected by Wiltshire Council's recent IT issues. Administration was reliant mainly on a reliable internet connection and its main system was held offsite. It did, however, raise more general concerns regarding the Fund's business continuity plan and its general resilience to IT issues. It was noted that officers planned to scrutinise its software provider, Aquila Heywood, and Wiltshire Council to determine the processes and measures in place should any issues surface.

The Head of Pensions Administration and Relations was asked to comment on work regarding the regular monitoring of employer covenant strengths and monitoring of active membership numbers of small employers to prompt the start cessation discussions prior to crystallisation events. It was noted that those who had joined in the last ten to fifteen years were required to provide a guarantor upon joining the Fund, but historical employers had not always been required to do so. The Fund had experienced employers' financial failings before but in all cases to date, a guarantor arrangement had been in place so the Fund was protected. It was recommended that officers continued its solvency analysis on the Business Plan and ensure a framework be created.

In response to a question from the Board it was noted that the analysis of GMP-related pension in payment issues and the agreement of a final approach on GMP rectification had not been completed due to delays in gaining an agreement from the Scheme Advisory Board and due to a key staff absence. The Fund was also awaiting a response from the Scheme Advisory Board which would influence what it does at policy level.

The Board noted that the plan was ambitious in its objectives. Officers were encouraged to be clear and precise in their resource management. It was noted that the officers planned to request additional funding from the budget and had made some savings which would cover some additional resources.

## **Resolved**

**To note the Fund's progress against the actions from 2019/20 and the proposed actions from 2020/21.**

## 12 **Board Budget Setting**

The Head of Pensions Administration and Relations introduced a report proposing the Local Pension Board's budget for 2020/21 in advance of approval of the overall budget at the next Wiltshire Pension Fund Committee meeting.

It was explained that the budget had been kept largely the same as the previous year. The overall proposed budget for 2020/21 was £27,400. This was a continuation of the total budget for 2019/20.

It was noted that the underspend in 2019/20 was due to lower than expected spending on consultancy services and training. However, a similar amount had been left in the 2020/21 budget for both as there was a reasonable chance that it would be needed. It was explained that consultancy services comprised of the commissioning of research and/or analysis and the attendance of advisors at meetings.

In response to a question from the Board, it was noted that the proposed spend on insurance in the 2020/21 budget was £2,800. As volunteers, members had a personal liability and as such insurance was required. This was a niche insurance area with no real history of claims which may explain why premiums appeared relatively expensive. It was recommended that the Fund keep these arrangements under review and engage with the Brunel family and other South West funds to ensure pricing is reasonable and consistent with others. Moreover, the Chairman advised that the National Scheme Advisory Board should be able to provide some guidance and could perhaps undertake a national procurement exercise. Alternatively, officers could engage with Norfolk Pension Fund for guidance.

### **Resolved**

- 1. To agree the draft Local Pension Board's budget and recommend to the Wiltshire Pension Fund Committee that this is included in the Fund's administration budget for 2020/21.**
- 2. To propose that the Local Pension Board monitor their budget on a quarterly basis. The Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Wiltshire Pension Fund Committee.**
- 3. Officers to circulate to members a copy of the scope of the Board's insurance cover.**
- 4. Officers to approach Wiltshire Council's Insurance team to enquire about cover provided by alternative providers.**

## 13 **Risk Register Update**

The Fund Governance & Performance Manager introduced a report presenting the Risk Register for Wiltshire Pension Fund for review by the Board. The new risks identified were discussed, as below.



New risks included an over reliance by the Fund potentially being placed on the Pension Regulator to combine and rationalise the existing Code of Practices in a new Code of Practice 15, without consequence on the Fund's operations.

In addition, it was explained that fixed income portfolios were currently being scoped by Brunel, in collaboration with clients. There was a minor risk that the resulting portfolios may not be an exact fit with Wiltshire's existing portfolios, which was being mitigated by active engagement with Brunel, in order to ensure that the Fund's investment strategy will be implemented properly and in line with the agreed transition timetable.

The risks that had been changed or need to be recategorized were discussed, as below.

Guidance from officers and the Fund's Independent Advisor had largely mitigated non-MiFID II compliance. A self-assessment return had been completed by members, certifying their competence to maintain professional client status & a member training strategy for 2020/21 included MiFID II relevant training. The Fund had also set out its approach to fulfilling the Fund's governance obligations associated with MiFID II. However, it was recommended that risk PEN049 should remain an amber risk until the Fund had been audited.

It was noted that a regular dashboard of KPIs monitoring the Fund's activities was now being brought to the Board and Wiltshire Pension Fund Committee each quarter and that a new Pension Administration Strategy document would further enhance the flow of KPI information to members. As a result, it was agreed that this risk could be reduced from an amber to green rating.

There were two risks that were recommended to be removed from quarterly presentation to the Committee which were.

The implementation of Brexit causing investment volatility. As 31<sup>st</sup> January had now passed the risk should be removed, however if trade negotiations create a risk a new risk could be created relevant to the impact of those negotiations.

The failure to procure & manage service providers appropriately had reduced as it was explained that a contract management framework had been developed by officers, including regular reporting to members which had mitigated the risk.

The Board enquired about the ability of Brunel to deliver its objectives. The Fund Investment and Accounting Manager explained that Brunel would be attending the Investment Sub Committee on a regular basis going forward, and it was noted that it would be necessary to challenge Brunel on performance and delivery of value for money. It was noted that rigorous performance monitoring would be brought to Committee to allow ongoing scrutiny.

## **Resolved**

**To note the Risk Register and recommend the changes/actions made by officers with the exception of Risk PEN049 which should remain Amber & Risk PEN048 which should be amended to include a monitoring & reporting timetable of BPP.**

### 14 **Quarterly Update on Key Performance Indicators**

The Head of Pensions Administration and Relations introduced a report on the Wiltshire Pension Fund's key performance indicators for review by the Board.

It was noted that to meet the goal of improving the quality of KPI reporting three changes were made in the previous quarter. These were the inclusion of a trend graph for the Disclosure Regulations, the inclusion of the missing Disclosure Regulations for starters and the alignment of the Admission strategy KPIs in line with the new strategy.

The Fund was operating below its desired targets for most cases but were meeting most disclosure requirements. This was mainly due to a mixture of slow submissions by employers, which means the Fund is already outside of its required timeframe by the time it receives the information, and Fund processing speed, as well as the inefficiency of the previous starter process. Officers recognised the need to increase resourcing in the benefits team and are gradually reviewing processes to improve efficiency and meet desired timeframes. It was noted that this was an administration issue rather than a customer service issue.

In response to a query from the Board it was noted that because of the Fund's performance regarding deferments and refunds and starters processes, the Fund was potentially open to sanctions should the regulator decide to enforce them. This would be in the form of a fine or a timeframe in which performance would need to be improved.

Comparative analysis of KPI monitoring at other funds remained limited. KPIs were presented in different ways and the standard ones were not well specified. The Chairman explained that the Scheme Advisory Board were going to do some comparisons in this area which would prove useful to officers.

## **Resolved**

**To note the current situation and the Fund's plans for improvement.**

### 15 **Data Retention Strategy Update**

The Governance and Performance Manager introduced a written update on the data retention strategy.

It was noted that the Fund engaged with the Actuary concerning the requirements of the Actuary's ongoing data needs to ensure those needs were

incorporated into the strategy. The Actuary provided no feedback in connection with their own requirements and consequently officers saw no conflict with the Fund's proposed strategy. In respect of the six-year, plus current year term raised by Hyman's to be consistent with HMRCs payroll data retention requirements, officers agreed that it would be prudent to extend the Fund's strategy concerning the minimising of data from four to seven years. Records eligible for deletion would continue to occur only after 15 years had passed.

The Governance and Performance Manager clarified the Fund's position regarding the duration of retained data. In effect the Fund would observe the "last payment of benefits plus fifteen years" definition in all cases for the purposes of the Fund's data retention strategy and saw no justification to adopt the "100 years from date of birth" definition in any scenario it had considered. In reaching this decision the Fund concluded that the "100 years from date of birth" definition could be seen as being inconsistent with the spirit of GDPR 2016.

### **Resolved**

**To endorse the recommendation made by officers concerning data retention.**

## **16 Member Effectiveness Review**

The Governance and Performance Manager gave a verbal update on the member effectiveness review. Members were encouraged to refer to the conversation held under Minute 8 regarding the Terms of Reference for the Wiltshire Pension Board and Wiltshire Pension Fund Committee.

### **Resolved**

**To note the progress of the member effectiveness review.**

## **17 MiFID II Compliance Strategy**

The Governance and Performance Manager introduced a report on the MiFID II compliance strategy.

It was noted that, in order to maintain the Fund's "Professional Investor" status, good governance arrangements had to be set in place to ensure members selected to oversee the Fund's investment matters continue to discharge their duties and responsibilities in accordance with the regulations. There had been limited national guidance on the practical steps that need to be taken so a best practice approach had been adopted.

Proposed arrangements therefore included an internal annual audit of compliance with MiFID II, a policy in connection with the Fund's compliance which will be included with the Investment Strategy Statement and ensuring that the Council's constitution was consistent with the requirements of MiFID II.

It was recommended that BPP be made aware of the Fund's arrangement and agree to any implementation of MiFID II compliance. It was noted that this will be discussed at the next meeting of the Investment Sub Committee.

### **Resolved**

- 1. To endorse the arrangements set out within the report concerning the Fund's compliance with MiFID II and the maintenance of its "Professional Investor" status.**
- 2. To raise the Fund's MiFID II arrangements with BPP for their acceptance.**

## **18 External Audit Report**

The Head of Pensions Administration and Relations introduced a report on the position of external audits.

An update was given on last year's audit. Deloitte had not yet completed the final audit paper due to some outstanding issues in Wiltshire Council's audit and hoped that this would be published at the end of the month.

The Board highlighted Deloitte's recommendation regarding a full reconciliation of Altair and SAP Payroll to provide further assurance that payments made to pensioners cast and provide the basis for a monthly reconciliation of cumulative balances. It was noted that a streamlined process is being created but its implementation had been affected by key staff absence.

In response to a question from the Board it was noted that disaster recovery plan testing was generally the responsibility of the Council's IT department. However, the Fund had an oversight responsibility to ensure that IT have an effective plan in place. Moreover, the Fund was working with its pensions administration database provider to determine an approach to test the disaster recovery testing of the Altair platform.

### **Resolved**

- 1. To note the update.**
- 2. Officers to liaise with Wiltshire Council's IT dept, & Heywood's concerning the essential oversight arrangements that the Fund should develop.**

## **19 Forward Work Plan Review**

The Governance and Performance Manager gave a verbal update on the forward work plan for 2019/20.

It was noted that officers had reformatted the forward work plan for 2020/21 to align with the new budget planning structure, be consistent with all Board

responsibilities within the Terms of Reference & create a comments column to provide additional background notes to members.

**Resolved**

**To note the update.**

20 **How did the Board do?**

The Board members agreed that the meeting had been very constructive and informative with excellent reports. The officers involved were praised for their hard work.

21 **Urgent items**

There were no urgent items.

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

The next meeting of the Local Pension Board would take place on 21 May 2020.

The forward work plan was noted.

23 **Exclusion of the Public**

There were no members of the public present.

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

**Resolved**

**The Part 2 minutes of the of the Wiltshire Pension Fund Committee held on 17 December 2019 and the Investment Sub Committee held on 28 November 2019 were noted.**

25 **Minutes**

**Resolved**

**The Part 2 minutes of the Local Pension Board held on 14 November 2019 were approved.**

26 **Close**

The Vice-Chairman thanked the outgoing Chairman for all his hard work for Wiltshire Pension Board over the years. It was noted that the Chairman had been vital in establishing its role as a non-decision making body that seeks to support the Pension Fund in being compliant with legislation and regulations.

The Board also extended its thanks to the Chairman and wishes him all the best for the future.

(Duration of meeting: 10.00 am - 12.45 pm)

The Officer who has produced these minutes is Craig Player of Democratic Services, direct line 01225 713191, e-mail [craig.player@wiltshire.gov.uk](mailto:craig.player@wiltshire.gov.uk)

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

## Investment Sub-Committee

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**MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 27 FEBRUARY 2020 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Cllr Tony Deane (Chairman), Cllr Brian Ford, Cllr Simon Jacobs and Cllr Gordon King

**Also Present:**

Cllr George Jeans and Cllr Philip Whitehead

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1 **Membership**

There were no changes to the membership.

2 **Apologies**

There were no apologies.

3 **Minutes**

**Resolved**

**The part 1 minutes of the meeting held on the 11 November 2019 were approved.**

4 **Declarations of Interest**

There were no declarations of interest.

5 **Chairman's Announcements**

There were no Chairman's announcements.

6 **Public Participation and Councillors Questions**

No formal questions had been submitted and no members of the public were present.

7 **Date of next meeting**

The next meeting of the ISC would be held on the 2 July 2020.

8 **Urgent items**

There were no urgent items.

9 **Exclusion of the public**

**Resolved**

**It was agreed 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 10 – 16 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 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**

Jenny Devine, Head of Pension Fund Investments, introduced the report and gave an update on investment progress throughout the quarter.

**Resolved**

**The Committee noted the report and the progress that was being made towards implementing responsible investment related issues.**

11 **Investment Manager Database**

The Head of Pension Investments introduced the report and members of the committee had the opportunity to ask questions.

12 **Responsible Investment Quarterly Update**

The Head of Pension Investments introduced the report noting that a press release on the transition to low carbon equities was published on the 27 January 2020 which coincided with Brunel's launch of their climate change policy press release in which Wiltshire was mentioned. Discussions took place on how WPF would report their progress on climate change analysis.

**Resolved**

**The Committee noted the report and the progress that was being made towards implementing responsible investment related issues.**

13 **Accounting Update**

Cllr Simon Jacobs gave an update explaining that the external auditors, Deloitte, had completed testing on the accounts and were in the final stages of signing off the accounts.



The committee thanked Deborah Hindson, Interim Director Finance & Procurement, for all of her hard work noting that they were delighted that she was staying for an additional month to oversee some projects and wished her all the best for the future.

14 **Minutes**

**Resolved**

**The part 2 minutes of the meeting held on the 11 November 2019 were approved.**

15 **Partners Group Presentation**

The committee received a presentation from Partners Group on their infrastructure portfolio and had the opportunity to ask questions.

The committee broke for lunch at 12.50pm and resumed the meeting at 13.20pm.

Cllr Simon Jacob left the meeting at 12:50pm.

16 **Brunel Presentation**

The committee received a presentation from Brunel on their private markets portfolios and had the opportunity to ask questions.

(Duration of meeting: 10.30 am - 2.40 pm)

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

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## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

26 March 2020

### Training Plan Update

#### Purpose of the Report

1. To outline to the Pension Fund Committee the arrangements in respect of the Fund's officer training plan for 2020-21.

#### Background

2. As outlined in the Director of Finance & Procurement's (s151 Officer) written statement within the Scheme Administration Report of the Fund's Annual Account Report & Accounts, all training strategies, including the officer training strategy will be subject to periodic review. In December 2019 the Committee approved the officer training policy to be implemented for the period April 2020 to March 2023.
3. Whilst there is no statutory obligation for officers to undertake training, it is recognised as good practice for officers charged with any financial decision-making on behalf of the pension fund to collectively possess the requisite knowledge and skills necessary to discharge their duties and make the decisions required.

#### Considerations for the Committee

4. During 2020-21 it is intended that officer training will follow a similar format to Committee and Board members in that each officer will be asked to complete a self-assessment survey following which an individual training plan will be agreed at their objective setting appraisal meeting. Each officer will be expected to manage their own training & development throughout the year, however they will be supported by their line manager, as required.
5. Qualification based training – The table below sets out the approximate number of directly related qualifications currently held by Wiltshire Pension Fund officers;

Qualification	Numbers of Staff
CIPP* (Certificate level)	5
CIPP* (Degree level)	3
Chartered Insurance Institute (CII)	1
Chartered Accountant (CIPFA)	1
Chartered Accountant (ACA)	1
Accounting Technician (ATT)	2
Chartered Alternative Investment Analyst (CAIA)	1
PRINCE2 Project Managers	2
<b>Total</b>	<b>16</b>

\*Chartered Institute of Payroll Professionals (although note these are pension qualifications)

6. In addition to officers with qualifications, there are 2 officers currently studying for their CIPP certificate level qualification & 2 further officers progressing towards their CIPP degree level qualification. On completion of the certificate level study this will mean that with a current staffing level of 32 officers administering the Fund 56% of officers will have a formal relevant pensions qualification.
7. Where a formal qualification has been obtained, it is noted that in line with Council policy officers are expected to fund their own continued membership of the professional body in which they obtained their qualification & in turn continued professional development.
8. In support of any formal technical related qualifications officers will also undertake training & development consistent with the change management requirements of the Fund. Typically such training will be of a functional rather than a technical nature to support the new software employed by the Fund as well as changes in procedure.
9. As part of the Fund's 2020-21 budget setting exercise provision has been made within the budget to sponsor officer training in accordance with the arrangements outlined above.

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

10. Not applicable.

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

11. There are specific financial considerations associated with the paper as it is for information purposes only. An allowance for training costs forms part the budget setting process approved by Committee.

#### **Legal Implications**

12. There are no material legal implications from this report.

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

13. There are no known implications at this time.

#### **Proposals**

14. The Committee is asked to note the officer training plan update for 2020-21.

Andy Cunningham  
Head of Pensions, Administration & Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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

## Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	<a href="https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html">https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html</a>	No change since the last meeting	<p>A 'final' consultation on this topic closed on 3 July 2019. The main proposal is that all employer costs (pension and non-pension) are capped at £95k when an employee leaves on grounds such as a compromise agreement or redundancy. For redundancy, the statutory redundancy payments must be paid so other benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply).</p> <p>The consultation is not clear on how this would work in Schemes such as the LGPS. It is likely that LGPS Regulations would need to be changed such that an employee who leaves aged 55 over on redundancy grounds would face some reductions to their pension. For non-redundancy cases, existing employer discretions may become limited.</p> <p>Furthermore, the likely implementation date is also not clear.</p>	PEN021
MHCLG	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>	No change since the last meeting	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation.	PEN040
	<i>Changes to the Local Valuation Cycle and the Management of Employer risk</i> Consultation	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf</a>	Updated	<p>This consultation covers the following areas:</p> <ol style="list-style-type: none"> <li>1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle.</li> <li>2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles.</li> <li>3). Proposals for flexibility on exit payments.</li> <li>4). <a href="#">Proposals for further policy changes to exit credits</a></li> <li>5). Proposals for policy changes to employers required to offer LGPS Membership.</li> </ol> <p>Section 5 proposes giving greater flexibility for further education corporations, sixth form college corporations and higher education corporations concerning membership of the LGPS and is the most surprising part of this proposal; current employees would be protected but future employees could be ineligible.</p>	PEN044

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>The consultation closed on 31 July 2019 and officers responded accordingly.</p> <p>The Government has now responded to section 4 of this consultation and has passed amendments to the LGPS Regulations which will apply from 20 March 2020 but have retrospective effect to 14 May 2018. Further information on this can be found on the paper proposing a revised cessation policy.</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>	No change since the last meeting	Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of mid 2020s	PEN038
<b>Financial Reporting Council</b>	Proposed revision to the UK Stewardship Code	<a href="https://www.frc.org.uk/investors/uk-stewardship-code">https://www.frc.org.uk/investors/uk-stewardship-code</a>	No change since the last meeting	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on <b>24<sup>th</sup> October 2019</b> which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>Officers will now review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC, but 31 March 2021.</p>	None
<b>Scheme Advisory Board (SAB)</b>	Academies' review	<a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a>	No change since the last meeting	<p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" 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>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
	Cost cap mechanism & McCloud case	<a href="#">Summary by Osborne Clarke (our external legal advisers)</a>	Minor update	<p>The planned changes to the LGPS from 1 April 2019 were cancelled due to an on-going court case (referred to as the McCloud case) which looks likely to result in material changes to the LGPS and all other public service schemes.</p> <p>The Government asked to appeal against the conclusion from the original court case, but its appeal was turned down in early July 2019 which means changes are necessary.</p> <p>The SAB decided to await the outcome to the court case before making any changes. No changes are expected for some time, possibly until late 2020.</p>	PEN042
	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	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>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.</p> <p>Aon Hewitt has recently produced a detailed report which is available on the SAB website which outlines its finding 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.</p>	None
	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	<p>Hymans-Robertson, on behalf of the SAB, has now released its report on phase II which outlines a number of specific recommendations.</p> <p><i>Hymans Robertson and SAB are now moving towards Phase III of the project. Before that occurs, there are series of roundtable discussions taking place where there is an opportunity to give feedback to the Phase II proposals.</i></p>	None
	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	<p>The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p>	PEN039

Organisation	Subject	Link	Status	Comments	Risk Ref
	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>	None
Wiltshire Pension Fund	Miscellaneous Updates	None	Updated	<p>a). <u>Terms of reference:</u> The proposed Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee have now been amended and were re-submitted to the Constitutional Focus Group in early January for a second time. However, due to a number of miscellaneous changes being requested, a further draft is needed before they are returned to the Focus Group for a third time. The ToR will then progress to the Standards Committee and Full Council for approval later in 2020.</p> <p>The Local Pension Board ToR have only had relatively minor changes while the Committee ToR have been updated to bring them up to a similar level of detail to the LPB.</p> <p>b). <u>Triennial valuation update:</u> All contribution rates are agreed at a final report will be presented to Committee on 26 March 2020</p> <p>c). <u>I-connect:</u> The Fund has seven employers fully onboarded and the project team are now fully focussed on Wiltshire Council and the academies which it does the payroll for (this will increase coverage to over 30 of the active membership).</p> <p>d). <u>New employer website:</u> We have launched a new employer website in early February, as per the business plan.</p> <p>e). <u>End to end process reviews:</u> The main project manager is currently absent from work which has slowed the progress of these reviews although officers still hope to go live with the new starter process shortly and to undertake a review of the leaver/refund process as this is worse-performing area in the KPIs.</p>	None





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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
26 March 2020

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### **ADMINISTRATION 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 order to 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-focussed 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.

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

4. As part of the goal to continually improve the quality of KPI reporting, the following changes have been made to this quarter (the first two were requested by the Local Pension Board):
  - a). The inclusion of a trend graph for the Disclosure Regulations (see Appendix 1, chart);
  - b). Inclusion of the missing Disclosure Regulations KPI for starters;
  - c). Officers have revised methodology for the Disclosure Regulations for deferrals and refunds in recognition that the previous methodology was incorrect after we sought clarification from the LGA – this change has improve figures and we have applied retrospectively to have a like with like comparison; and
  - d). Alignment of the Administration Strategy KPIs in line with new Administration Strategy.

#### **Conclusions**

##### **General comments**

##### **Disclosure Regulations (Appendix 1)**

5. The table in appendix 1 shows the Fund is generally performing well against these targets with the exception of the following two processes:
  - a). Deferrals and refunds: This measure continues to be low even with the corrected methodology. However, officers are currently making changes to the process which we significantly increase the Fund's compliance against this measure and, with time, will also increase efficiency (this will visible in the next set of KPIs).

Furthermore, the Committee is asked to note that Fund processing speed has been effected by an approximate 60% increase in leavers and refund cases being set up in 2019 compared to 2018. Without such an increase, timeframes and backlogs would be improved and materially decreased respectively. Increased resourcing is proposed in the budget for 2020-2021 to address overall these demands, particularly while it takes time to realise the benefits of increased efficiency.

Actions:

iii). Officers plan to change the leaver and refund process so that it provides the required disclosure information soon after receipt, even if the actual processing occurs some time later. Other changes to process will also make the process more efficient.

iv). The Fund is seeking to apply more resource to this area using a mixture of internal resource (reassigning responsibilities) and new external resource (subject to budgetary approval).

b). Starters: Whilst there are no material backlogs with starter set-ups, the previous process was inefficient and caused delays; i-Connect will automatically set up starters, and a new process is also in place which should help reduce pressures elsewhere.

tPR Common and Conditional Data percentages (Appendix 2)

6. There are no change in these figures since the last meeting however we obtained and included two charts which show how the Fund compares against other Funds on a like with like basis. Our scores were 97.9% (Common) and 95.4% (Conditional) are above average and top quartile compared against peers in both cases which is reassuring on a relative level although further absolute improvement is still desired.

Administration Strategy KPIs – Fund (Appendix 3)

7. Chart 1 shows the Fund is operating below its desired targets for most cases mainly for the same reasons as outlined in paragraph 5. Officers intend to increase resourcing in the benefits team and are gradually reviewing processes to improve efficiency and meet our desired timeframes. The initial focus is on the compliance (disclosure) measures.

Administration Strategy KPIs – Employers (Appendix 4)

8. In the majority of cases, employers provide retirement information before the date the member retires. Employer performance also appears to be fairly consistent across different employers.

9. The submission time for leavers and refunds are significant with over half the leavers being submitted over two months late. Table 2 also shows considerable variation across the major employers for leavers and refunds (which are submitted together).

10. Employers timeliness should improve with the use of i-Connect, Wiltshire Council will be going live shortly will makes up a material proportion of the active membership.

11. Further onboarding on to i-Connect will force employers to submit more quickly. We anticipate that over 50% of the active membership covered by 31 March 2020 and over 30% by 31 March 2019. Officers are also currently implementing escalating procedures to chase employers for later submissions.

Environmental Impact

12. There is no environmental impact from this report.

**Financial Considerations**

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

**Risk Assessment**

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

**Legal Implications**

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

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

16. There are no implications at this time.

**Proposals**

17. The Committee is asked to note the current situation and the Fund's plans for improvement.

**Andy Cunningham**

Head of Pensions Administration and Relations

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

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## APPENDIX 1 Table 1: Disclosure Requirements (CIPFA template)

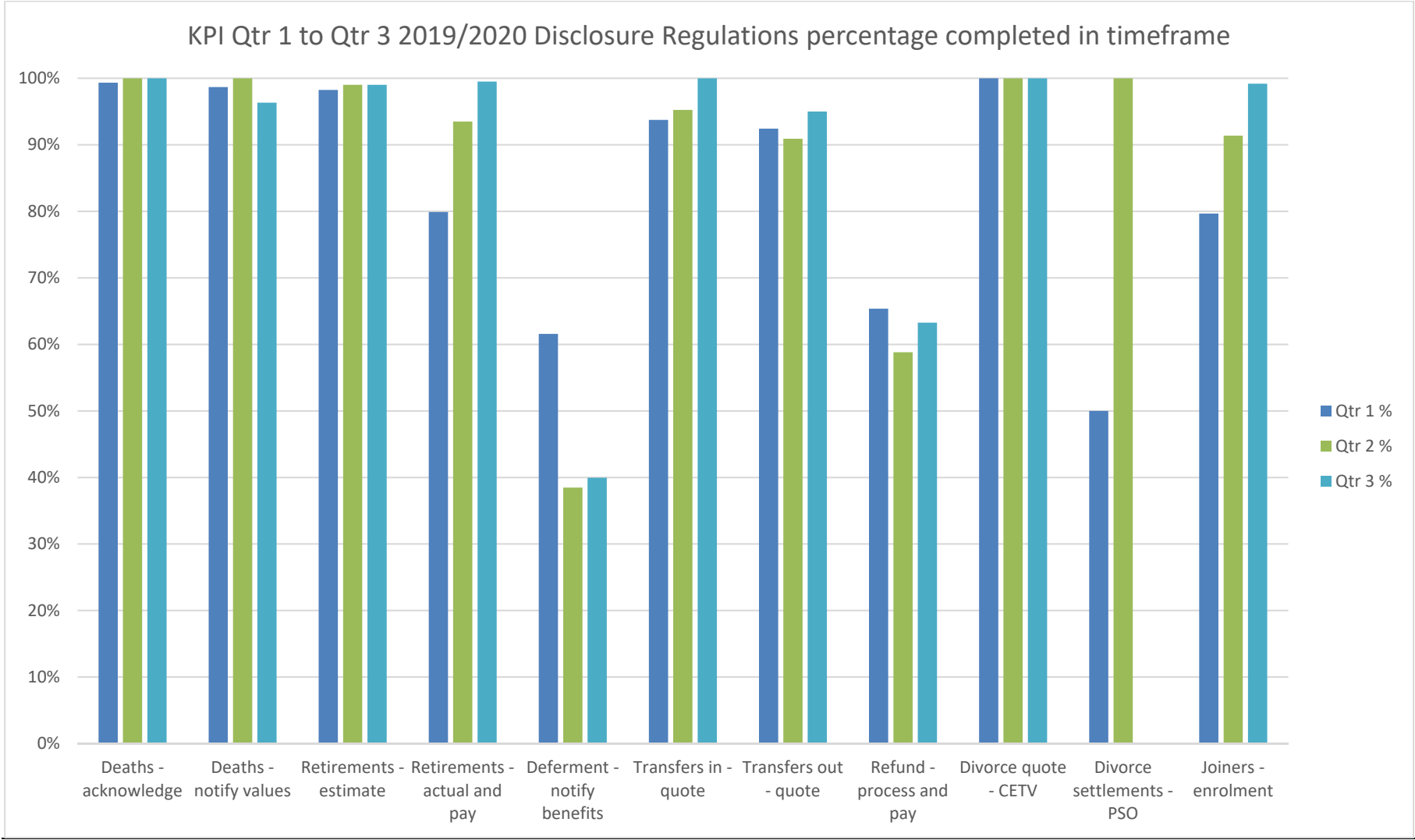
### Benefit Administration Key Performance Indicators

#### Disclosure Regulations

Period 01/10/2019 to 31/12/2019

Process		Legal Requirement	%	No. cases within Leg Req
Deaths - initial letter acknowledging death		2 months	100%	98
Deaths - letter notifying amount of dependants pension		2 months	96%	94
Retirements - letter notifying estimate of retirement benefits	<b>Active</b>	2 months	n/a	n/a
	<b>Deferred</b>		n/a	n/a
	<b>Total</b>		99%	349
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	<b>Active</b>	2 months	99%	116
	<b>Deferred</b>		100%	171
	<b>Total</b>		99%	287
Deferment - calculate and notify deferred benefits		2 months	40%	122
Transfers in - letter detailing transfer quote		2 months	100%	18
Transfers out - letter detailing transfer quote		2 months	95%	127
Refund - process and pay a refund		2 months	63%	112
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	100%	65
Divorce settlements - letter detailing implementation of pension sharing order		3 months	0%	0
Joiners - notification of date of enrolment		2 months	99%	1762

# APPENDIX 1, Chart 1: Disclosure Requirements

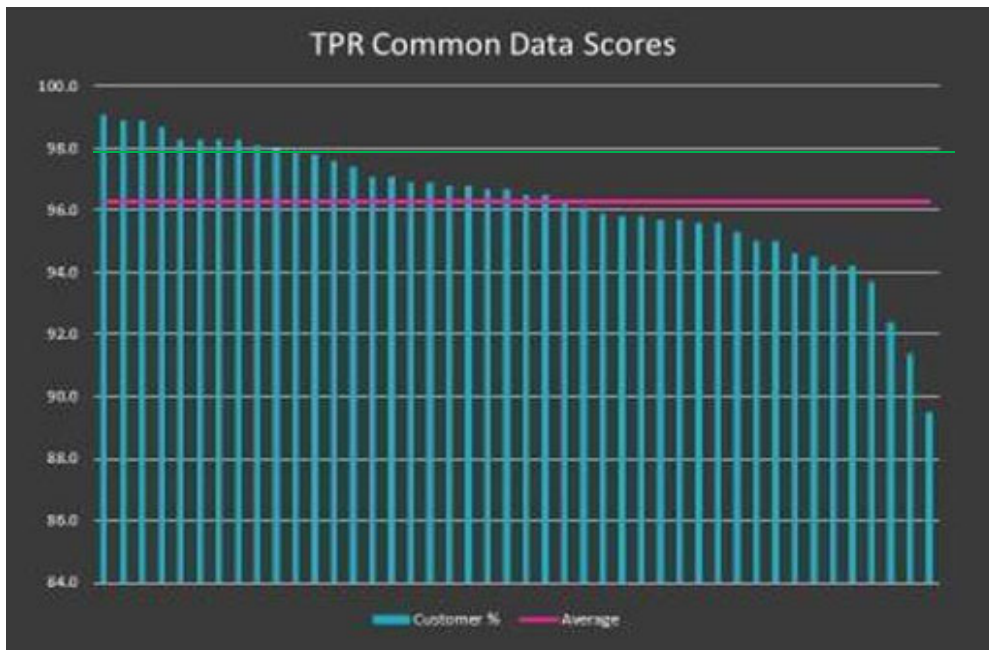


## APPENDIX 2: tPR Data Quality scores

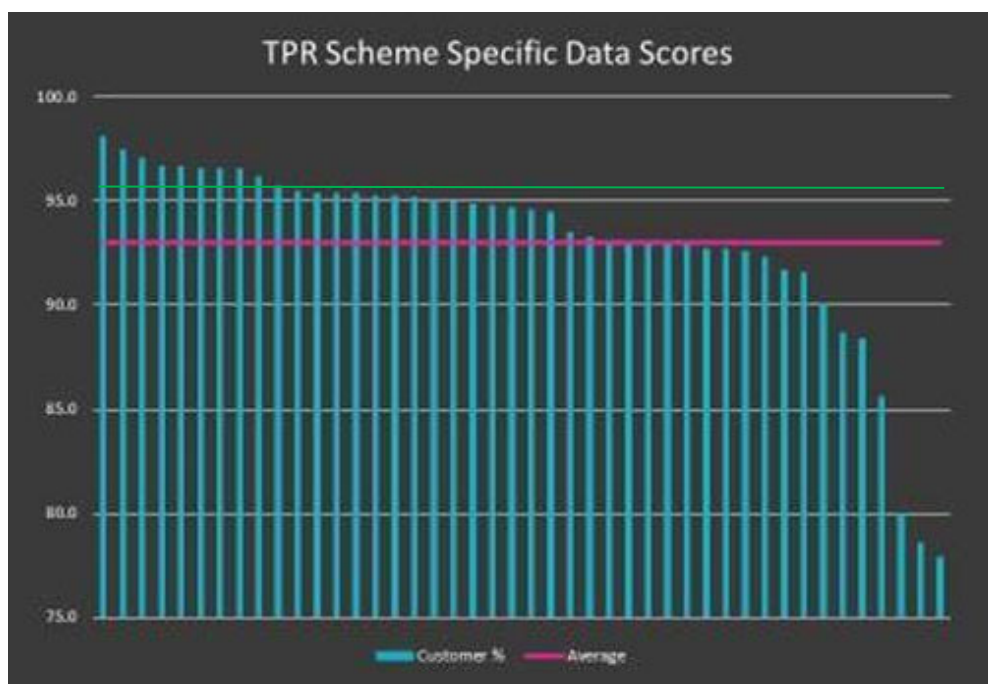
a). tPR Common Data Percentage Breakdown (At 11 October 2019)  
Total score = 97.9% (from 94.2%)

b). tPR Conditional Data Percentage  
Total score = 95.4%

The charts below show scores across Heywood clients which used the Heywood data quality report on like with like methodology basis.



Wiltshire Pension Fund





## APPENDIX 3: Administration Strategy KPIs - Fund (Table 1)

### Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

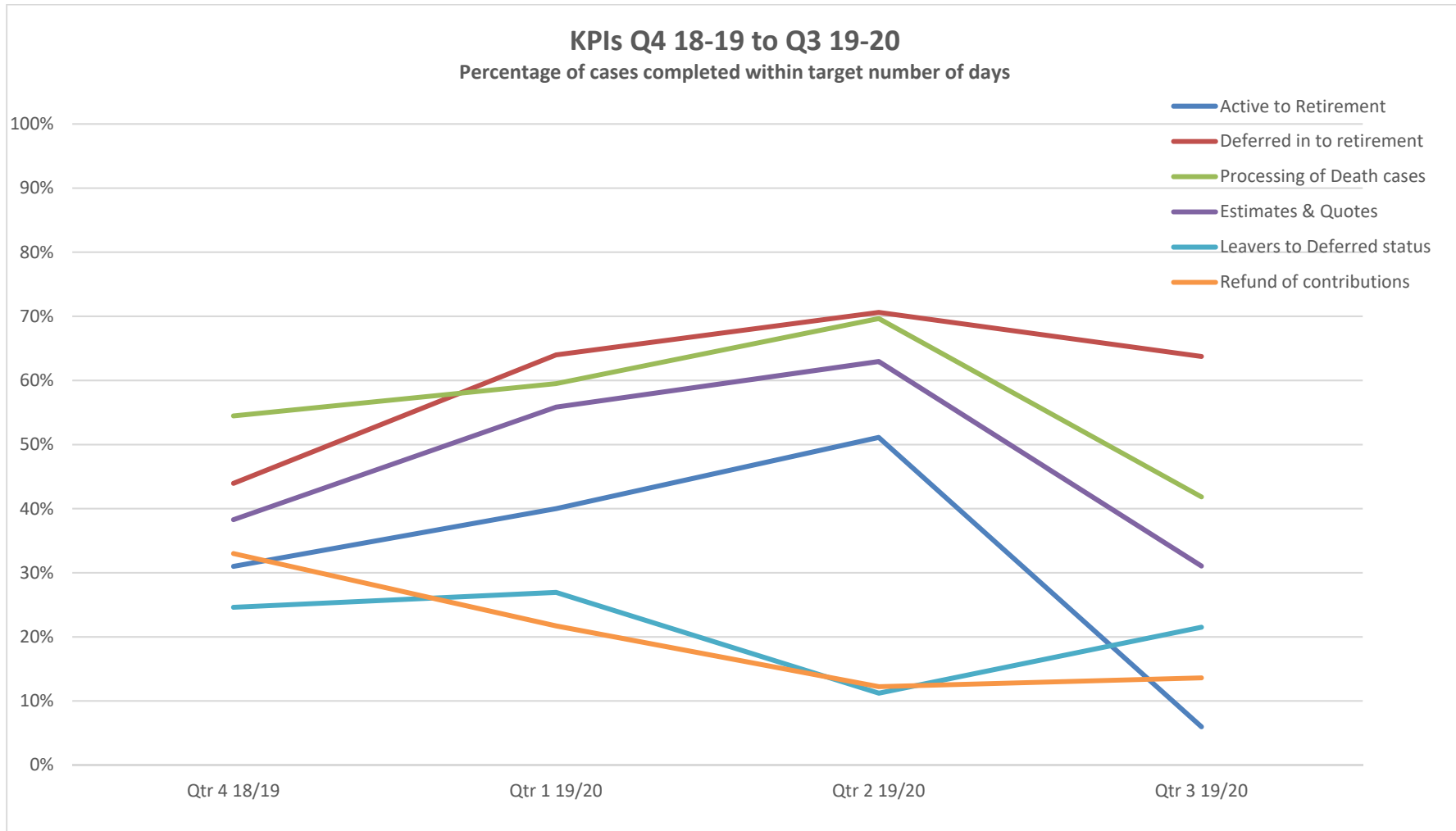
Administration Strategy

Period 01/10/2019 to 31/12/2019

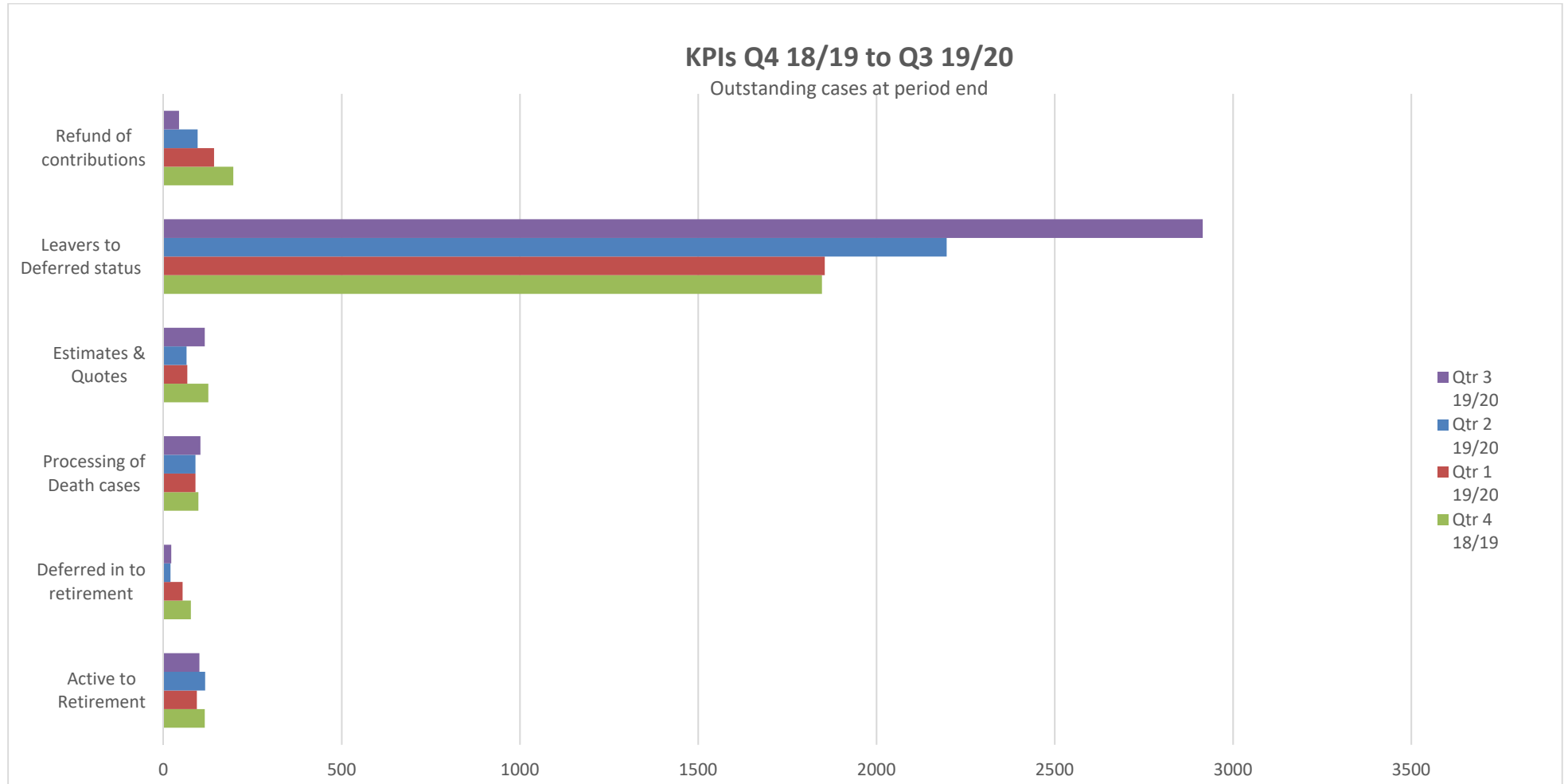
Type of case	Created cases in period	Open cases at period end	Percentage against membership	Completed cases time to complete						Total	Timescales	
				0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 + days		Admin Strategy % on target	Admin Strategy working days
<b>Active to Retirement*</b>	95	101	0.45%	7	20	29	23	30	8	117	6%	5
Deferred in to retirement	182	22	0.07%	109	34	25	3	0	0	171	64%	5
Processing of Death cases	118	104	0.13%	41	38	7	5	3	4	98	42%	5
Benefit Estimates	464	116	0.51%	49	60	84	91	62	5	351	31%	10
<b>Leavers to Deferred status</b>	1606	2915	12.94%	32	18	8	5	46	184	293	22%	20
<b>Refund of contributions*</b>	25	44	0.20%	19	7	2	3	12	148	191	14%	10
<b>Grand Total</b>	<b>2490</b>	<b>3302</b>		<b>257</b>	<b>177</b>	<b>155</b>	<b>130</b>	<b>153</b>	<b>349</b>	<b>1221</b>		
<b>Percentage</b>				<b>21%</b>	<b>14%</b>	<b>13%</b>	<b>11%</b>	<b>13%</b>	<b>29%</b>			

\*Note: The case types highlighted have had a reduction in the target working days.

### APPENDIX 3: Administration Strategy KPIs - Fund (Chart 1)

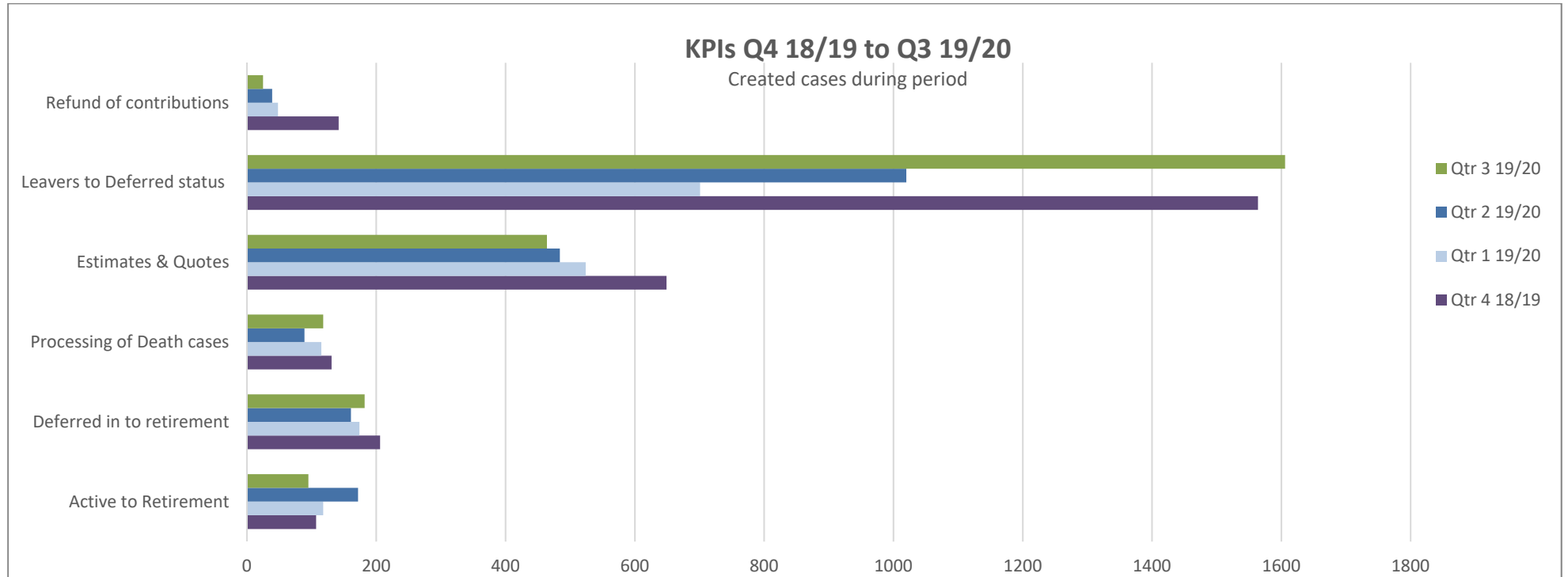


## APPENDIX 3: Administration Strategy KPIs - Fund (Chart 2)

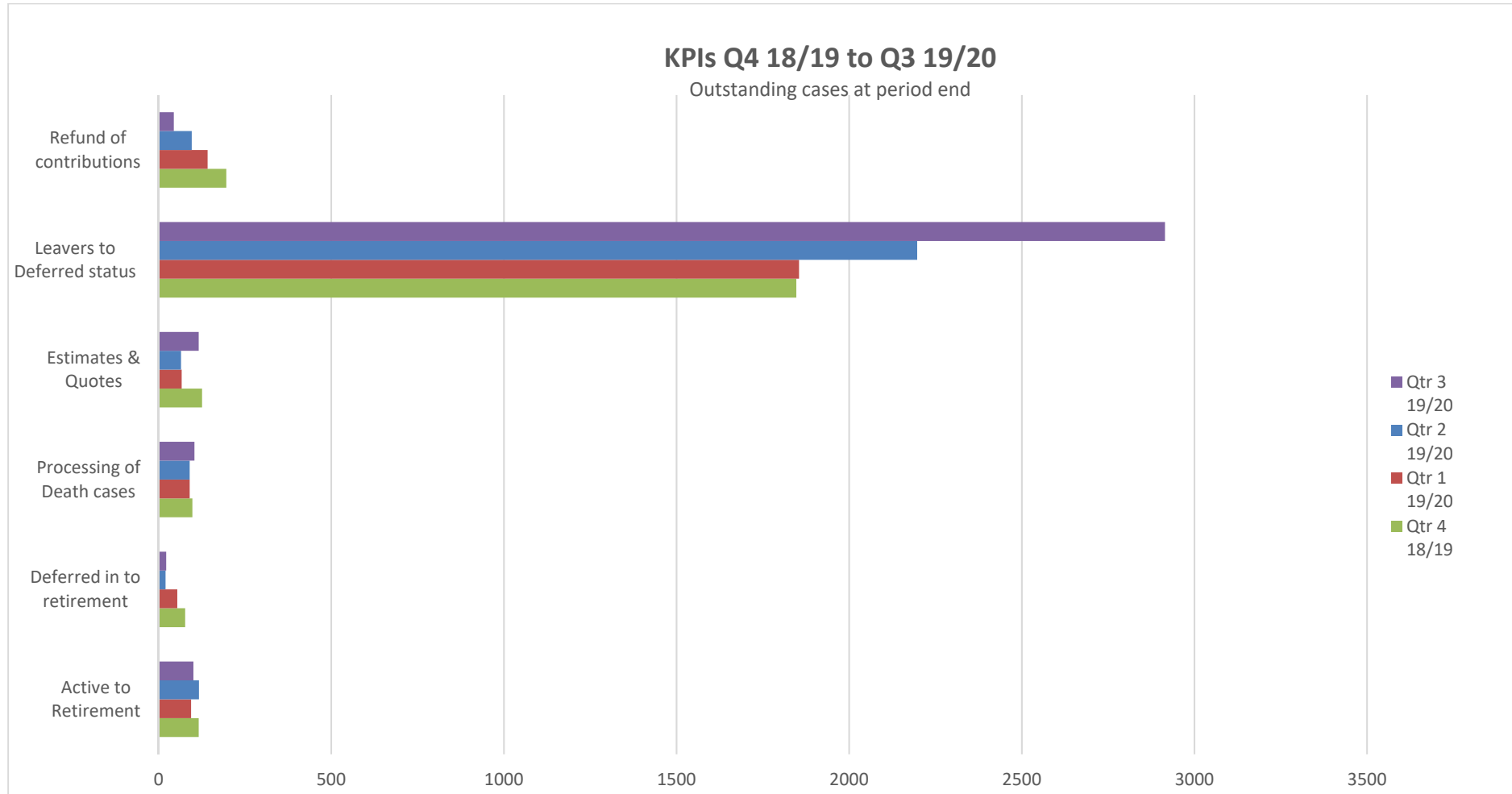


**Note:** Leaver to Deferred Status includes cases which will be later determined to be refund of contributions.

### APPENDIX 3: Administration Strategy KPIs - Fund (Chart 3)



## APPENDIX 3: Administration Strategy KPIs - Fund (Chart 4)



## APPENDIX 4: Administration Strategy KPIs - Employers (Table 1)

Employer Key Performance Indicators

Administration Strategy

Period 01/10/2019 to 31/12/2019

Type of case	Time to advise							Total	Timescales	
	In Advance	Target - 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>	71	6	15	2	7	7	9	117	61%	-2
<i>Leavers</i>	29	17	9	13	13	54	158	293	28%	20
<i>Refund of contributions</i>	14	4	7	11	8	33	114	191	23%	20
<b>Grand Total</b>	<b>114</b>	<b>27</b>	<b>31</b>	<b>26</b>	<b>28</b>	<b>94</b>	<b>281</b>	<b>601</b>		
<b>Percentage</b>	<b>19%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>	<b>5%</b>	<b>16%</b>	<b>47%</b>			
<i>*Revised Administration Strategy target</i>										

## APPENDIX 4: Administration Strategy KPIs - Employers (Table 2)

### 5 Largest "Managed" Employers

Employer	Managed Records	Time to advise - Retirements							Total	Admin Strategy	Admin Strategy
		In Advance	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	working days
Wiltshire Council	34,154	31	4	9	0	3	0	5	52	60%	-2*
Swindon Borough Council	15,721	12	2	2	1	2	4	1	24	50%	-2*
Police Civilians	2,840	3	0	0	0	0	0	0	3	100%	-2*
White Horse Federation	1,922	2	0	0	0	1	0	0	3	67%	-2*
Wiltshire College	1,859	3	0	0	0	0	0	0	3	100%	-2*
Others	18,263	19	1	4	1	1	3	3	32	59%	-2*
		<b>46</b>	<b>6</b>	<b>11</b>	<b>1</b>	<b>5</b>	<b>4</b>	<b>6</b>	<b>117</b>		
		<b>39%</b>	<b>5%</b>	<b>9%</b>	<b>1%</b>	<b>4%</b>	<b>3%</b>	<b>5%</b>			

\*Revised timeframe

Employer	Managed Records	Time to advise - Leavers							Total	Admin Strategy	Admin Strategy
		In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	working days
Wiltshire Council	34,154	1	1	0	0	0	26	83	111	2%	20
Swindon Borough Council	15,721	4	11	6	7	5	11	8	52	63%	20
Police Civilians	2,840	0	1	0	1	3	3	0	8	63%	20
White Horse Federation	1,922	2	1	0	2	2	1	2	10	70%	20
Wiltshire College	1,859	2	1	0	0	0	1	3	7	43%	20
Others	18,263	20	2	3	3	3	12	62	105	30%	20
		<b>29</b>	<b>17</b>	<b>9</b>	<b>13</b>	<b>13</b>	<b>54</b>	<b>158</b>	<b>293</b>		
		<b>10%</b>	<b>6%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>18%</b>	<b>54%</b>			

		Time to advise - Refunds								Admin Strategy	Admin Strategy
Employer	Managed Records	In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +	Total	% on target	working days
Wiltshire Council	34,154	5	0	1	1	0	10	54	71	10%	20
Swindon Borough Council	15,721	5	1	0	3	3	12	9	33	36%	20
Police Civilians	2,840	0	1	0	0	3	0	0	4	100%	20
White Horse Federation	1,922	0	0	1	1	1	1	1	5	60%	20
Wiltshire College	1,859	2	0	3	1	0	0	2	8	75%	20
Others	18,263	2	2	2	5	1	10	48	70	17%	20
		<b>14</b>	<b>4</b>	<b>7</b>	<b>11</b>	<b>8</b>	<b>33</b>	<b>114</b>	<b>191</b>		
		<b>7%</b>	<b>2%</b>	<b>4%</b>	<b>6%</b>	<b>4%</b>	<b>17%</b>	<b>60%</b>			



## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
26 March 2020

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

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

1. The purpose of this report is to provide an update on the progress of the Data Improvement Strategy & Plan to Committee.

#### **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. Last year, the Fund put in place in strategy which represented a formalisation and summary of existing and new initiatives to improve the Fund's data quality.
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.
8. The current strategy can be found on our website:  
<https://www.wiltshirepensionfund.org.uk/media/4559/wpf-data-improvement-strategy-and-plan.pdf>

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

9. Officers have provided a summary of progress against the strategy, broken down but the categories referred to in paragraph 5.

#### **Obtaining good quality data**

10. Since the implementation of the plan, officers have fully onboarded 10 employers on to i-Connect and will be onboarding around twenty-thirty more over the next month (including the largest one). As per the Business Plan actions for 2020-2021, officers are also

entering a three-stage validation process (including pre-submission validations to help employers check data before sending) and have implemented a strategy relating to checking of employer data. Submission forms and spreadsheets are also being reviewed.

11. In the last year, the Fund has launched a new, dedicated employer website with detailed technical information, advice and links to training information. We have also implemented a rolling training plan and webinars to help employers access the information they need to fulfil their data submission requirements.
12. Last autumn, the Fund introduced a new administration strategy including an approach to escalating employer data submission processes. These are now being followed to better identify and raise issues with employers to a successful conclusion.

### **Maintaining good quality data**

13. With the introduction of i-Connect, a large number of data checks are being implemented in line with each employer submitting their monthly returns to help ensure good quality data is maintained after the initial pre-onboarding i-Connect checks are complete. We are also moving from a approach of more adhoc data reconciliations to a data reconciliation programme.
14. The remaining actions in 5b of the strategy are continuing and the Fund will also be undertaking a 'member existence check' for overseas pensioners this year (i.e. checking the members are still alive). We already have a robust process in place with a third party person tracing organisation for UK-based pensioners, which perform regular checks against death registers, but a different approach is required for overseas pensioners due to complications in identifying deaths in other countries.

### **Improving data quality**

15. In addition to the items above, which will help with data quality improvements, the Fund continues to have officers working overtime to help clear backlogs and undertaking a mass mailout for aggregation tasks and tidy up of workflows allocations. This will make it easier to segregate and assign work as appropriate for officers' knowledge and experience.
16. Officers have also been in contact with a third party firm to provide backlog support although this option is expensive and officers wish to complete the work outlined in paragraph 15 first to make it easier to allocate work to a third party as appropriate.

### **Measuring success**

17. The Fund set out three measures of success within the strategy:
  - a). tPR common and conditional data scores: These are reporting with the KPI pack, and as shown in the appendix of this quarter's KPI pack the Fund is already top quartile compared to a sample of peers (approximately a third of LGPS Funds). Whilst further improvement is required, this shows good performance on a relative level.
  - b). KPIs: The regulatory (lower) hurdle, is outlined in the Disclosure Regulation targets. Most scores are already high and two remaining ones are likely to materially improve over the next quarter due to a change in methodology as a part of wider process review. Improvement will then focus on the more aspirational targets set out in the Administration Strategy. Additional resource has been requested to help make improvements, particularly as workloads have risen.

c). Annual Benefit Statements: The 2019 submission rate was lower than hoped (at c95% of actives) due to a number of issues and dual-running of the valuations. A revised end of year process, including a number of pre-end of year data cleansing exercises and the new escalation policy, means the Fund is targeting 99% for this year. The submission deadline is the 31 August each year so the outcome will be available after that date.

### **Financial Implications**

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

### **Risk Assessment**

19. 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**

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

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

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

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

22. There are no known implications at this time.

### **Proposals**

23. The Committee is asked to note the progress against the Data Improvement Strategy and Plan.

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

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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
26 March 2020

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### **BUSINESS PLAN ACTIONS**

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

1. The purpose of this report is to provide an update on the Fund's Business Plan actions for 2019-2020 and propose new actions for the 2020-2021.

#### **Background**

2. The Fund put into place a new business plan for the period 2019-2022 in early 2019. The Business Plan outlined the new vision of the Fund and themes which were identified to help meet that vision.
3. In a change from previous business plans, officers only set actions for one year at that point in time with the intention of setting further actions a year at a time in line with each annual budget.
4. Importantly, officers have excluded all business as usual work and only included improvements, development and changes. The vast majority of staff time is taken up undertaking business as usual work but this will not change materially from year to year so this is not included in the Business Plan.
5. The approach of setting actions for one year is partly in recognition of the difficulty in setting specific actions for a period of up to three years into the future and also in response to feedback that the development of key events may not be reflected if triennial action setting was used.

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

6. The Fund's progress of the desired actions for 2019-2020 are shown in **Appendix 1**. Most actions were complete, or will be completed with the 2019-2020 period, although some were not due the reasons identified in this Appendix. Where this is case, the action has been carried forward in all cases.
7. The Fund has identified 42 desired actions (included carried forward actions) for the period 2020-2021 and these are shown in **Appendix 2**. Furthermore, officers have amended the action template for 2020-2021 to help identify priority levels and the level of resource required (subject to budgetary approval). To a certain extent the actions are aspirational as the the ability to achieve these are dependent on business as usual workloads and resourcing levels available.

#### **Conclusions**

8. The completion of the actions shown to Appendix 1 to date shows good progress although much further progress is still needed to continuing the movement towards the Fund's vision hence the presence of a large number of actions in Appendix 2.

#### **Environmental Impact**

9. There is no environmental impact from this report.

### **Financial Considerations**

10. There are no immediate financial considerations although some actions will require additional funding and this will form part of the budget.

### **Risk Assessment**

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

### **Legal Implications**

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

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

13. There are no implications at this time.

### **Proposals**

14. The Committee is requested to **note** the Fund's progress against the actions from 2019-2020 and **approve** the actions for 2020-2021.

### **Andy Cunningham & Jennifer Devine**

Head of Pensions Administration and Relations & Head of Pensions Investments

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

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No	Vision Theme	Action	Progress at 27 January 2020
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.	Complete
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.	Complete
3	Embracing Technology	<u>E-payslips</u> : To complete the rollout of e-payslips by inviting new and existing pensioner members to sign up.	Complete
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).	Started but not complete due to key staff absence. Action rollover to 2020/2021
5	Embracing Technology & Outstanding customer service and stakeholder relationships	Rollout a new enhanced employer website with access to online training materials and webinars	Complete
6	Innovative and secure Funding approaches	Implement separate employer investment strategies in conjunction with the 2019 triennial valuation.	Target 30 April 2020, nearly complete
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.	Complete
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.	On target (nearly complete)
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	On target (due date moved to July 2020 in line with changes to the stewardship code and RI workshops being held by Brunel)
10	Working with other Funds to deliver investment pooling	Complete the transition of assets to the Brunel high alpha equities portfolio. Monitor fee savings and ensure that Brunel are effectively held to account.	Complete
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.	Complete

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.	Complete. Follow on action added for 2020/2021
13	Lean processes, high performing and efficient with a culture of continuous improvement	Set up a formal process for monitoring the performance of all supplier and adviser contracts.	Complete
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.	Complete
15	Innovative and secure Funding approaches	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.	Mostly complete, target date of 31 March 2020.
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.	Complete
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.	On-going
18	Robust and Accurate Service Delivery	Complete the analysis of GMP-related pension in payment issues and agree a final approach on GMP rectification.	Not complete due to delays gaining agreement from SAB and a key staff absence (Rollover to 2020/2021)
19	Robust and Accurate Service Delivery	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.	Not complete due to large increase in workloads (Rollover to 2020/2021)
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.	Complete further developed needed now in 2020/2021.
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.	Complete but subject to final approval steps



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.	Complete
23	Effective governance, employer and staff training	<u>Employer Training</u> : The Fund will create a new, comprehensive training plan for all employers within the Fund. The plan will aim to make available a mixture of training approaches including presentations, webinars, 1-1 employer meetings and telephone calls. The plan will be proportionate to employer sizes, needs and their location.	Partially complete – but further progress needed on webinar, 1-1 meetings/phone call set up. Rolled over to 2020/2021.
24	Effective governance, employer and staff training	<u>Governance Training</u> : The Fund will implement its three-year training strategy for all members approved by both the Committee & the Board. The strategy aims to ensure that members have sufficient knowledge & understanding to carry out their duties and are compliant with the LGPS Regulations, tPR Code of Practice 14, Data Protection legislation & MiFID II. In addition, it aims to address the CIPFA guidance on training standard.	Complete
25	Effective governance, employer and staff training	<u>Staff Training</u> : The Fund will finalise a new modular based, onboarding process and policy for all new staff covering. For existing staff, it will put in place an annual plan to maintain and enhance knowledge and understanding through training as part of team meetings and other, separate bitesize sessions.	New staff – done. Existing staff – further development needed, rolled over to 2020/2021



No	Vision theme	Action	Expected Service Benefits	Resourcing Requirement	Resourcing Level Required	Service Priority	Target timeframe
1	Effective governance, employer and staff training	<b>Employer Training:</b> a). To produce and add a series of pre-recorded webinars, training material to the new employer website. b). To produce and instigate a programme of 1-1 employer liaison based on employer needs and performance.	Improved employer experience, such as improved decision-making and time-saved, better quality and more timely data submissions	Existing staff time/immaterial costs: Communications Manager and Employer Relationship Manager	Medium	Medium	30/11/20
2	Effective governance, employer and staff training	<b>Review and update staff onboarding process :</b> Align staff training so that there is greater consistency in the approach to training for all new operational staff	Consistent application of processes, new staff being able to add value to the service quicker and increased staff satisfaction/morale.	Existing staff time/immaterial costs: Communications Manager, Benefits Manager and Systems Manager	Low	Medium	31/10/20
3	Effective governance, employer and staff training	<b>Staff Training Policy:</b> Implement the Staff training policy by adding job-level training plans. Introduce TEC, a new training system for using Altair.	More knowledgeable and skilled staff will perform their roles more effectively.	Existing staff time/immaterial costs: Communications Manager, Benefits Manager and Systems Manager	Medium	Medium	31/10/20
4	Embracing Technology	<b>i-Connect Rollout:</b> Rollout of i-Connect to cover at least 40% of employers and at least 50% of the active membership	*Improved efficiencies, controls and data quality. *Substantial time-saving on current end of year processes. *Improved KPIs	Existing staff time: Project team & Data and Systems team. Costs include some additional recruitment (see action 11)	High	High	31/03/21
5	Embracing Technology	<b>MSS Phase II enhancements:</b> Introduce new document upload and download facility, consider adding additional calculator and make other presentational improvements.	Improved customer experience, administrative and process time-savings (electronic instead of post) and increased data security.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Medium	Low	31/12/20

6	Embracing Technology	<b>MSS Sign-up rates:</b> Improve MSS take up to above 30% of active membership (in line with industry norms)	In line with our Communications Strategy on digital communications, less reliance on paper communications which saves time and money and creates simplicity for mass communications.	Existing staff time/immaterial costs: Communications Manager and Projects Team	Low	Medium	31/03/21
7	Embracing Technology	<b>Rollout online Annual Benefit Statements: Upload</b> Annual Benefits Statement on to all members MSS accounts.	*More time is available to produce the statements by the statutory deadline as no allowance for printing time is required.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Low	Medium	31/08/20
8	Embracing Technology	<b>E-Communication improvements:</b> Remove the production of all paper member annual newsletters (except those who have opted in to paper communications) and move to system of communication by electronic means as and when required	*More frequent and timely communications due to ease of sending and removal of all material costs. *Administrative cost savings. *Significant savings in paper and postage, positive impact on the Fund's carbon footprint.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Low	Medium	31/12/20
9	Embracing Technology	<b>SQL reporting:</b> Implement access to SQL reporting from the Pension Administration Software and train staff to run reports using SQL	*Much improved reporting capabilities, easier to use and to recruit staff with existing knowledge of a widely-used reporting tool. *Improved access to data, time saved and greater assurance over reporting accuracy.	Potential small training cost plus time commitment from staff being trained.	Medium	Medium	31/08/20
10	Embracing Technology & Thriving Team and Fluid	<b>Staff realignment:</b> Undertake a work and staff realignment process so ways of working align with the way i-Connect will operate.	*Streamlining of processes enabled by having staff undertaking all aspects of the process.	Management time	Medium	High	30/09/20

11	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Recruit additional staff:</b> To deal with a range of historical issues and in reflection of increasing workloads (over 50%) through higher scheme membership (10% increase in 3 years) and changes to legislation.	<ul style="list-style-type: none"> <li>*Greater adherence to required timeframes.</li> <li>*Reduction in backlogs.</li> <li>*Support to deliver required Fund improvements as outlined in this plan.</li> <li>*Improved customer service</li> </ul>	<ul style="list-style-type: none"> <li>*Management time plus investment in training</li> <li>*Cost of additional salaries will be a net increase although there will be some offset through removal of subscriptions and licenses no longer needed.</li> </ul>	Medium	High	31/08/20
12	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Introduce a Performance Dashboard for Fund Management</b>	Improved Management Information to allow managers to make data-driven decisions on workload management and identifying areas for improvement.	Fund Governance and Performance Manager & Data and Systems Team	Medium	Medium	31/03/21
13	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Review and improve End of Year Process (for remaining non-i-Connect users)</b>	<ul style="list-style-type: none"> <li>*Save officer time and limit the impact of End of Year processing on other regular work.</li> <li>*Improved level of ABS sent on time.</li> </ul>	Data & Systems Team	Low	High	31/07/20
14	Lean processes, high performing and efficient with a culture of continuous	<b>Automate payment instructions</b> (roll forward of Action 4 from 2019/2020)	*Efficiency improvement and more timely and controlled payments from the time a process is complete.	Projects and Benefits Team	Medium	Low	31/12/20
15	Lean processes, high performing and efficient with a culture of continuous	<b>End to end process project</b> : Complete reviews of all high volume processes (Leavers, Refunds, Starters & Retirements). Roll forward of action 12 from 2019/2020 actions	*More efficient, lean processes with better controls and improved communications.	Projects Team	High	High	31/03/21
16	Lean processes, high performing and efficient with a culture of continuous	<b>Introduce automation software</b> : Nova Sail or equivalent Council software.	*Efficiency improvements to automate repetitive, low skilled, time-consuming processes.	Projects Team and Data and Systems Team	Medium	Low	31/03/21

17	Management of Investments	<b>Implement MiFID II Policy &amp; procedures</b> ensure continued compliance and embed processes into Investment Strategy Statement	Regulatory obligation	Investment and Accounting Team	Low	Medium	30/06/20
18	Management of Investments	<b>Implement interim investment portfolios</b> to match risk/return requirements before capital can be deployed into private markets	No cash drag on investment returns, ability to successfully implement strategic asset allocation	Investment and Accounting Team	High	High	30/09/20
19	Management of Investments	<b>Review and update the Investment Strategy Statement</b> to bring it in line with the new Strategic Asset Allocation, progress made in investment pooling, and updated responsible investment policies	Improved clarity for members of Committee and fund members about how we manage our investments	Investment and Accounting Team	Medium	High	30/09/20
20	Management of Investments	<b>Develop Fund's approach to Responsible Investment:</b> develop reporting to Committee, complete carbon footprinting exercise, and incorporate new RI policies in the investment strategy statement	Improved engagement with Committee members and investment managers on responsible investment issues	Investment and Accounting Team	Medium	High	31/03/21
21	Working with other Funds to deliver investment pooling	<b>Ongoing monitoring:</b> monitor fee savings and costs, ensure that Brunel are held to account	Strong governance around the Fund's investments, and management of the risk that savings via pooling are not achieved	Investment and Accounting Team	High	High	31/03/21
22	Working with other Funds to deliver investment pooling	<b>Private markets:</b> make initial commitments to private markets portfolios and develop methods of measuring success in early years	Assurance that investments are being made in line with expectations and are being properly managed	Investment and Accounting Team	Medium	High	31/03/21
23	Working with other Funds to deliver investment pooling	<b>Multi asset credit:</b> work with client group to ensure that MAC portfolio is appropriately spec'd and is implemented in line with agreed timescales	Assurance that investments are being made in line with expectations and are being properly managed	Investment and Accounting Team	Medium	High	31/12/20

24	Working with other Funds to deliver investment pooling	<b>Property:</b> work with Brunel to define what success will look like for this portfolio, and define reportable metrics for Committee to enable the decision to be made on when to commit to this portfolio	Assurance that investments are being made in line with expectations and are being properly managed	Investment and Accounting Team	Medium	Medium	31/12/20
25	Strong accounting controls	<b>Complete the Fund's account and annual report in line with CIPFA guidance.</b>	Statutory requirement	Investment and Accounting Team	High	High	31/07/20
26	Outstanding Customer Service and stakeholder relationships	<b>Produce a new website for scheme members</b>	*Improved information for Scheme Members on the website which should lead to a reduction in calls and email queries and a saving in time when responding to queries.	Communications Manager and Projects Manager	High	Low	31/03/21
27	Outstanding Customer Service and stakeholder relationships	<b>Customer Service Policy and KPIs:</b> Produce a customer service policy and produce and monitor customer service based KPIs (e.g. customer satisfaction, time to answer calls/emails, website)	*Ability to align, develop and improve the service after consideration of customer feedback and requirements	Communications Manager	Medium	High	31/12/20
28	Robust and accurate service delivery	<b>Implement Data Retention strategy actions</b> (employers and Fund)	Efficient working practices and compliance with regulatory requirements	Fund Governance and Performance Manager & Data and Systems Team	Medium	High	31/12/20
29	Robust and accurate service delivery	<b>Second line reviews:</b> Start a programme of internal second line reviews of internal processes to check for compliance with regulations, effective controls and adherence to procedures, policies and strategies.	Raise standards of working practice, assist the development of the procedure manual & address staffing concerns.	Fund Governance and Performance Manager and Technical and Compliance Manager plus support from the rest of the team.	Medium	Medium	30/06/20
30	Robust and accurate service delivery	<b>Work Management:</b> Make further improvements to the new auto-task allocation system and the management of work to ensure that work is prioritised in line with the Pension Administration Strategy	Optimising prioritisation of tasks in align with Administration Strategy.	Benefits Team and Data and Systems Manager	Medium	Medium	30/06/20

31	Robust and accurate service delivery	<b>Knowledge Hub and procedures</b> : Complete first six sets of explanatory notes and refined procedures (Roll forward of Action 20 from 2019/2020)	Improved controls and understanding from the team.	All of the team.	Medium	Medium	31/12/20
32	Robust and accurate service delivery	<b>McCloud case data preparation</b> : Update all part-time percentage histories from 1 April 2014 to date for all relevant active members and obtain and hold for all other members (waiting the outcome of the legislation)	Compliance with pending legislation	Data & Systems Team and Employers Administrators	High	Medium	31/03/2021 (or in line with i-Connect onboarding date if
33	Robust and accurate service delivery	<b>Annual Benefit Statements</b> : Improve percentage of active ABSs sent by the deadline to 99%.	Improved service to customers and greater compliance with regulation.	Data & Systems Team and Employers Administrators	High	High	31/08/20
34	Robust and accurate service delivery	<b>GMP Reconciliation</b> : Finalisation of policy on GMP reconciliation and begin adjustments to payments (Roll forward of Action 18 from 2019/2020)	Compliance with legislation and ensuring the correct pensions are in payment	Projects team and Technical and Compliance Manager	High	High	31/12/20
35	Robust and accurate service delivery	<b>Backlog reductions</b> : Improve Fund Disclosure target processing times of deferreds and refunds to >50% (Roll forward of Action 19 from 2019/2020).	Improve KPIs and compliance and better customer service.	Projects Team and Data and Systems Team. Employer administrators	High	High	31/03/21
36	Robust and accurate service delivery	<b>Cessation Policy enhancements</b> : In response to existing issues concerning McCloud and cessation surpluses	Ensuring the cessation processes produce fair employer outcomes.	Head of Pensions Administration and Relations and Actuary.	Medium	High	31/07/20
37	Robust and accurate service delivery	<b>Peer-checking policy</b> : a). Extend the use of the current internal peer-checking policy to cover more processes. b). Review the approach to peer-checking and making changes to way it is undertaken.	Efficient work practices.	Benefits Manager and team.	Medium	High	31/10/20
38	Robust and accurate service delivery	<b>Pre-submission Data Validations</b> : Introduce a suite of pre-submission data validations for all major data transfers (starters, leavers, retirements, end of year & i-Connect)	To improve the quality of data submitted by employers and members and to reduce the amount of officer time spent on resolving data queries resulting in better outcomes for members.	Project, data and systems team.	Medium	Medium	31/08/20



39	Thriving team and fluid governance	<b>Appraisal enhancements:</b> Address key staff survey feedback, align staff goals with business plans and customer feedback. Ensure more regular reviews/121s	Staff morale & motivation, service delivery & Fund productivity & performance. Staff understanding their contribution	All managers	Medium	Medium	31/10/20
40	Thriving team and fluid governance	<b>SAB Good Governance review:</b> Implement all required reforms.	Improved governance practice and compliance with legislation.	Fund Governance and Performance Manager, Board, Committee and Heads of Service.	Medium	Medium	In line with dates required
41	Thriving team and fluid governance	<b>Introduce a statement of fund principles</b>	Clearer strategic guidance for managers when making decisions.	Senior Managers, the Committee and Board.	Medium	Medium	31/07/20
42	Thriving team and fluid governance	<b>New Employer Policy:</b> Complete a new admissions policy.	Ensure a consistent a fair approach to new employer admissions which deal with the changing way the Local Government organisations are operating.	Head of Pensions Administration and Relations and Actuary.	Medium	Medium	31/12/20

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
26 March 2020

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### **WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2020-21**

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

1. This report seeks Members' approval for the 2020-21 Administration Budget for the Wiltshire Pension Fund, as shown in the attached Appendix. Actual costs for 2018-19 are also shown, together with the original budget for 2019-20.

#### **Background**

2. 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.
3. A number of internal and external services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Committee has ultimate responsibility for 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 some services which are paid for by way of an annually reviewed corporate recharge (for example, IT, HR, payroll etc)

#### **Key features of the proposed 2020-21 budget**

4. The budget for the Fund's expenditure is now shown in three sections, to bring consistency with SF3 reporting and industry practice, by creating a third category called Governance and Oversight in addition to the existing Scheme Administration and Investment administration. The budget for the Local Pension Board is also now shown separately (it was previously shown as part of the Scheme Administration). This is to better reflect the lines of decision-making affecting expenditure against these budgets.
5. Due to the change in budget presentation, officers have realigned previous years' figures so that each line is broadly comparable across columns on a like with like basis to aid ease of comparability.
6. Central Finance has confirmed that there will be no change to the Corporate recharge for this budget.
7. The Fund's "controllable" budget (i.e. excluding investment management fees and securities lending income) now proposed for 2020-21 is £2.795m, which is a £159k (+6.0%) net increase from 2019-20 (see Appendix). The reasons for this increase are:

#### **Scheme Administration**

- a) A £127K net increase in the Scheme Administration staffing budget. This increase covers standard pay increases, additional resource in the team and to allocate resource for backlogs (and also as a contingency to cover a potentially mid to long-term staff absence).

- b) The Wiltshire Pension Fund Committee approved a temporary increase of £103k to the 2019-20 Scheme Administration Staffing budget to cover some additional staffing costs in that year. This was only a temporary arrangement, so this extra budget has not been included in the figures for 2020-21. In the interests of comparability, the additional budget has been excluded from the 2019-20 figure shown against the 2020-21 budget in the appendix. The higher total is shown against the forecast for 2019-20 on a separate line below.
- c) The latest forecast for 2019-20 against the controllable budgets is a total net spend of £2.720m, which is very similar to the value of £2.721m reported at the last Committee meeting on 17<sup>th</sup> December 2019.
- d) The Scheme has become more complex following the 2014 LGPS reforms, and there is also an increased total scheme membership (15% increase between 2018 and 2019) and employer numbers (12% over three years, including much higher turnover) which has added complexity. The Fund has also seen higher turnover of active members which means added work setting up records, refunds, aggregations and transfers.
- e) Further administration complications will also put pressure on current resources such as the McCloud reforms and GMP rectification. Officers are also working hard to deliver long-term improvements to administration infrastructure which will deliver long-term efficiency improvements. A large number of changes have already taken place (as evidenced in the business plan) and many more are due.
- f) A proportion of the staffing budget has been transferred across to the new Oversight and Governance budget to reflect staff time spent on that area.
- g) The Scheme Administration training budget has been increased by £14,700 to fund the continual development of existing staff and training of new staff members and a new online staffing portal license fee. It is important to have well trained staff to deal with added complexity and also to have deliver the business plan and realise efficiency gains.
- h) The Systems budget has been increased by £35k to cover indexed lined price increases and planned expenditure in 2020-21 such as new mortality checks for pensioners living abroad (standard tracing services are unable to identify deaths outside of the UK).
- i) The net budget that covers other Scheme Administration costs has been reduced by £18k. This overall reduction is due to anticipated savings on printing, as a result of the Fund's new communications strategy and efficiency measures already gained, but partially offset by some other increases.

### **Investment and Accounting**

- j) The Investment and Accounting Administration budget has a small net increase of £4k. This is to fund an increase in staff working hours. As with Scheme Administration, from 2020-21 an increased proportion of Investment staff costs are to be charged to Governance to better reflect staff time spent on that area.

### **Oversight and Governance**

- k) This new budget area has been created to monitor and control Committee and strategic driven spend (as is standard industry practice). The following budget areas have been transferred across from other areas:
- i. Some senior Management staffing (covering the approximate proportion of staff time spent on areas of work in this area);
  - ii. Training and conferences for Committee members;
  - iii. Subscriptions, Memberships and Levies (many are compulsory);
  - iv. All Actuarial Services;
  - v. All Audit costs;
  - vi. All legal fees;
  - vii. Governance advisory Fees (covering both the Independent and Investment Advisor); and
  - viii. A portion of corporate charges.
- l) The £69k reduction to the actuarial budget mainly reflects that there will be no triennial valuation in 2020-21. Other than this, the net budget for actuarial services remains similar.
- m) There has been a £52k increase to the advisory budget to reflect anticipated spend on the following areas:

- Climate change modelling £25,000
- Private debt interim portfolio £20,000
- To provide advice and recommendations regarding RPI reform £4,000

As agreed at the Investment Sub-Committee Meeting on 27 February 2020.

This budget is used to pay for the Independent Advisor to the Fund and the designated Investment Advisor. It also includes an allowance to cover unexpected costs in relation to advice.

### **Local Pension Board**

- n) The Local Pension Board reviewed and endorsed their budget at their meeting on the 13<sup>th</sup> February 2020. A budget of £27,400 is included for 2020-21 in the attached appendix for the Local Pension Board – the same figure as for 2019-20. Any small differences in the Local Pension Board budget can be accommodated using delegated authority with this Committee being informed accordingly.

### **Investment management fees and related costs**

8. The largest proportion of the budget (£14.214m) is investment managers fees that largely depend on the value of assets being managed, and the investment return performance which depends on market conditions. This budget has been increased by a net £5.307m so that it now also includes investment management fees and transaction costs not paid directly by the Fund but which are accounted for using the more detailed cost transparency reporting which is now available

This increase also includes a reduction to the amount of budgeted securities lending income from £300k back to its original level of £20k following the switch to Global High Alpha in December 2019 to reflect the high level of uncertainty around this area. The Fund stopped earning securities lending income from December 2019 and although we expect to begin earning again we do not know how much this will be at the present time.

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 £35k to reflect the additional interest we expect to receive.

9. The Investment Management Fees budget presented includes annual fees for the Brunel Partnership totalling £963k per year from April 2020. This figure excludes the cost of their custodial charge which is shown on a separate line in the appendix. BPP has advised that in time the fees will be more than offset by reductions in Investment Managers' fees. The expectation is that this will break even by 2024.

### **Summary**

10. The budget aims to improve service standards, fulfil statutory requirements while developing areas in response and anticipation of scheme changes. It aims to Fund long-term improvements to the Fund.
11. Comparability of data is difficult between funds nationally due to different methodologies for reporting costs but the budget for Scheme administration costs was £30.95 per member for 2019-20. Using the revised, three category structure this is now £21.88 per member for the 2019-2020 (mainly due to movements to the Governance and Oversight category). The proposed budget for 2020-21 will take the administration costs to £23.95 per member (0.06% of the market value of the Fund's assets). Under the revised methodology, Governance and Oversight costs will be £10.26 per member and Investment administration costs will be £1.65 per member.
12. In terms of investment costs, the budget indicates spend of 53p per £1,000 (0.53% of market value) on managing its assets for 2020-21, 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**

13. There are no direct, known environmental impacts from these proposals.

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

14. There are no known implications at this time.

### **Risk Assessment**

15. The Committee is asked to recognise that some costs, particularly investment fees, are dependent upon factors that are outside of the Fund's control. They may go up or down, depending on market conditions due to the terms of contracts.
16. 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 0.10% of the total Fund value.
17. In line with good governance practice, officers will bring budget monitoring reports back to Committee quarterly.

## **Reasons for Proposals**

18. 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**

19. The Committee is asked to:

- a) To note the Pension Fund Investment Fees and related costs budget of £15.247m as indicative spend on this area (which officers will continue to monitor) and;
- b) Approve the Pension Fund Administration, Investment and Governance Controllable budgets for 2020-21 shown in the Appendix totalling £2.795m (0.1% of total fund value).

ANDY BROWN  
Treasurer to the Pension Fund

Report Author: Rozalyn Vernon, Fund Investment and Accounting Manager

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

Wiltshire Pension Fund Administration Budget 2020-21

2018-19 Actual £		2019-20 Forecast £	2019-20 Budget £	Changes £		2020-21 Budget £	Comment
	<b>Fund Investment</b>						
16,911,939	INVESTMENT MANAGEMENT FEES	27,831,000	8,907,000	5,307,000	59.6%	14,214,000	Budget now reflects investment management fees and transaction costs not paid directly by the Fund but which are accounted for using the more detailed cost transparency reporting which is now available
113,000	Custodian's Fees	144,000	113,000	30,000		143,000	
- 595,828	Securities Lending Income	- 243,000	- 300,000	280,000		- 20,000	Budget reduced to £20k following transition to Global High Alpha and the uncertainty regarding potential sec lending earnings
768,955	Brunel Cost of Pooling	891,000	547,000	416,000		963,000	
- 38,256	Bank Interest/ charges	- 59,600	- 18,000	35,000		- 53,000	Budget increased to reflect higher bank interest
17,159,810	TOTAL NET COSTS OF INVESTMENT MANAGEMENT	28,563,400	9,249,000	5,998,000	64.9%	15,247,000	
175,133	Investment Administration Staffing Costs	113,000	118,892	4,472		123,364	
5,555	Investment Administration Travel Costs	1,000	4,400	-800		3,600	
180,687	INVESTMENT ADMINISTRATION COSTS	114,000	123,292	3,672	3.0%	126,964	Higher staff costs recharged to be recharged to Oversight and Governance budget (based on estimated time spent on this area)
	<b>Scheme Administration</b>						
800,344	Pension Scheme Administration Staffing Costs <i>*Including additional budget agreed for 201920 only</i>	969,000 969,000	944,348 1,047,348	127,496	13.5%	1,071,844	Increase due to pay increases and additional resource.
15,982	Staff Training	28,100	17,500	14,700	84.0%	32,200	
248,300	Corporate charges	311,450	311,450	0	0.0%	311,450	
396,963	Pension Administration systems and data cleansing	332,000	318,500	35,100	11.0%	353,600	Index-linked pricing increases, new mortality checks and other
78,466	Other Administration Costs	94,500	97,200	-18,200	-18.7%	79,000	Overall reduction due to anticipated savings on printing.
1,540,056	SCHEME ADMINISTRATION COSTS	1,735,050	1,688,998	159,096	9.4%	1,848,094	
	<i>*SCHEME ADMINISTRATION COSTS</i>	<i>1,735,050</i>	<i>1,791,998</i>				
	<b>Oversight and Governance</b>						
135,116	Staffing and Related	169,000	168,360	13,585		181,945	Increase in staffing hours
0	Training and Conferences	11,700	10,100	-2,100		8,000	
39,279	Subscriptions, memberships and levies	42,650	42,650	2,300		44,950	Relates to PLSA, CIPFA, FRC, SAB levy, LGA etc
186,618	Actuarial Services	273,000	225,000	-69,000		156,000	Reduction to budget mainly reflects that there will be no full valuation in 2020-21
15,794	Audit	27,300	27,300	0		27,300	
66,858	Legal Fees	20,400	59,000	-750		58,250	
110,925	Advisory Fees (Investment and Independent Advisor)	164,500	117,300	52,200		169,500	Budget amended to reflect expected spend on this area (covers Independent Advisor to the Fund, Investment Advisor and contingency support (to cover unexpected costs)
100,323	Corporate Charges & other costs	146,250	146,250	0		146,250	Transfer share of corporate charges from Administration Budget
654,914	OVERSIGHT AND GOVERNANCE COSTS	854,800	795,960	-3,765	-0.5%	792,195	
19,613	LOCAL PENSION BOARD COSTS	16,216	27,414	-14		27,400	Budget approved at LPB meeting
2,395,270	GRAND TOTAL (exc. Inv mgt' fees & securities lending income)	2,720,066	2,635,664	158,989	6.0%	2,794,653	
19,555,079	GRAND TOTAL (inc. Inv mgt' fees & securities lending income)	31,283,466	11,884,664	6,156,989	51.8%	18,041,653	
	<i>*GRAND TOTAL (exc. Inv mgt' fees &amp; securities lending income)</i>	<i>2,720,066</i>	<i>2,738,664</i>				
	<i>*GRAND TOTAL (inc. Inv mgt' fees &amp; securities lending income)</i>	<i>31,283,466</i>	<i>11,987,664</i>				

\* Figures including additional £103k budget agreed at Committee on 18th July 2019 to cover additional staffing costs in 2019-20



**Summary of key changes to budget 2019-20 to 2020-21****£'000**

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Pay increases and additional resourcing	145
Provision to cover training of new staff members	14
Provision to cover index-linked price increases and planned expenditure on Pension Systems in 2020-21	35
Budget reduction from Fund's digital strategy and efficiency measures already gained	-18
Reduction in actuarial budget to reflect no formal valuation taking place in 2020-21	-69
Additional advisory costs to cover climate change modelling, work on new private debt interim portfolio and provide advice and recommendations regarding RPI reform (as previously agreed)	52
	<hr/>
Total net increase in controllable budget	159

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### **Local Pension Board Budget**

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

1. The purpose of this report is to present the proposed Local Pension Board Budget for 2020-21 as part of the Wiltshire Pension Fund Administration Budget 2020-21.

#### **Background**

2. 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. The Wiltshire Pension Fund Committee approves the Pension Fund budget each year.
3. The Scheme regulations state that the operational cost of the Local Pension Board must be borne as an expense to the administering Fund's budget. However, for monitoring purposes officers will now present the Local Pension Board budget separately to the other budgets of the Fund in order to better reflect the lines of responsibility for each budget.
4. Should any further expenditure be required beyond this, then approval must be obtained from the Wiltshire Council Director of Finance and Procurement.

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

5. The main financial headings for the Local Pension Board Budget and key financial totals are presented in the table in appendix 1 below.
6. The overall projection is for an underspend in 2019-20 circa £11,200. The underspend is due to lower than expected spending on consultancy services and training during the year.
7. The overall proposed budget for 2021-21 is £27,400. This is a continuation of the total budget for 2019-20.
8. The budget for the Independent Chair has been updated and increased to £10,300 to reflect the fee of the new post holder. Following the end of the current term, the remuneration was reviewed and an index-linked increase was applied to keep at a level which is common for other Local Pension Boards. The increased fee has been offset by a reduction to the training budget (most of which was unused in 2018-19 and against which there has been no spend to date in the current year).
9. A continuation of the budget for insurance has been included in line with Scheme Advisory Board guidance.
10. The Committee Services budget is £3,000 and to date there have been no charges against this line. We are proposing to retain this line in the budget and to recharge a proportion of the Committee Services charge to it from the Governance budget to reflect the service that the board receives from that team.

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

11. There are none.

### **Legal Implications**

12. There are no known implications at this time.

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

13. In line with good governance practice, officers bring budget monitoring reports back to the Pension Fund Committee quarterly. In the interim, variations against budget will be monitored and if they become very significant, the Director of Finance and Procurement will approve variations to the budget and report these to Committee retrospectively for ratification.

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

14. There are no known implications at this time.

### **Proposal**

15. The Committee is asked to agree the Local Pension Budget as part of the Fund's Administration budget for 2020-21.

16. It is proposed that the Local Pension Board monitor their budget on a quarterly basis. Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Pension Fund Committee.

Rozalyn Vernon  
Fund Investment & Accounting Manager

Report Author: Rozalyn Vernon, Fund Investment & Accounting Manager

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Unpublished documents relied upon in the production of this report: *None*

## Appendix 1

### Wiltshire Local Pension Board Proposed Budget 2020-21

	2018-19 Actual £	2019-20 Budget £	2019-20 Forecast £	Budget changes £	2020-21 Budget £
Independent Chair Remuneration	9,216	9,214	9,216	1,086	10,300
Consultancy Services	6,470	7,000	-	- 500	6,500
Training	383	4,200	400	- 800	3,400
Committee Services	-	3,000	3,000	-	3,000
Travel & Subsistence costs	744	800	800	200	1,000
Catering	-	400	-	-	400
Insurance	2,800	2,800	2,800	-	2,800
	<b>19,613</b>	<b>27,414</b>	<b>16,216</b>	<b>- 114</b>	<b>27,400</b>

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
26 March 2020

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### **WILTSHIRE PENSION FUND RISK REGISTER**

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

1. The purpose of this report is to update the Committee on Fund's risks concerning;
  - Changes to the Fund's Risk Register (see Appendix); &
  - The Fund's risk in relation to key personnel.

#### **Background**

##### **The Risk Register**

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. A reconfiguration of the Risk Register took place during 2019 to make it a more dynamic document and the new design was approved by the Committee on 18<sup>th</sup> July 2019. Members requested that whilst a full Risk Register is maintained by officers only the following risks need to be highlighted to Committee on a quarterly basis.
  - New risks;
  - Risks which have changed or been re-categorised;
  - Risks which are rated red; and
  - Risks which are considered to have been mitigated & stabilised & can be recommended for approval to the register's ceased/dormant category for continued monitoring by officers only.
3. Under the reconfigured Risk Register strategy, the identification of risks will be more evidence based using the Scheme update, Business Plan, Audit recommendations, Minutes of meetings, Fund's KPI dashboard and Brunel and investment pooling data as sources of information for risk identification.

##### **Key personnel**

4. Due to factors including the creation of the BPP organisation & the consequential impact of the public sector pay freeze, 2017 saw several officers leave the services of the Pension Fund, culminating in the departure of a permanent s151 officer in the early part of 2018. Since 2018 & completion of a departmental restructure officers have sought to stabilise the staffing resource servicing the Fund & are pleased to note that a permanent s151 officer has now been appointed with effect from 4<sup>th</sup> March 2020.
5. In consideration this staffing experience over the last couple of years officers are now keen for the Fund to establish a greater level of resilience, particularly in relation to vulnerabilities arising from the loss of its key personnel. Consequently, members are asked to consider the officers proposed actions in the section below.

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

##### **The Risk Register**

6. The significance of risks is measured by the 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).
7. During the last quarter the following "new risks" were identified.
- **PEN050: Implementation of the Pension Regulator's Code of Practice 15:** (Green) Over reliance by the Fund is potentially being placed on the Pension Regulator to simply combine & rationalise the existing Codes of Practice in a new Code of Practice 15. Certainty around the impact of internal controls & effective governance cannot be assessed until the details are released.
  - **PEN051: Fixed income portfolios are currently being scoped by Brunel, which client group have input into but may not be the best fit for Wiltshire:** (Green) Fixed income portfolios will transition to Brunel from late 2020 onwards. There is a risk that the investment strategy is not properly implemented, or that there is a delay before assets can transition.
  - **PEN052: COVID-19:** (Red) COVID-19 is an infectious global virus which the WHO has classed as a pandemic. The UK Govt. is taking action similar to other countries badly affected by the virus which is expected to cause significant business continuity issues to the management of the pension fund.
8. The evidence-based review of the register identified the following risks had changed or need to be recategorized;
- **PEN026: A lack of effectiveness of Committee meeting due to the impact of MiFID II Regulations:** (From Amber to Green) Guidance received from officers & the Independent Adviser to the Fund has mitigated the impact of MiFID II. Officers implemented a self-assessment return which was completed by members verifying their competence to maintain "professional client status". A member training strategy for 2020/21 includes MiFID II related training. To be moved from Dynamic to the Ongoing section.
  - **PEN036: Failure to implement a Dashboard of KPIs for regular monitoring:** (From Amber to Green) A regular dashboard of KPIs monitoring the pension Fund's activities are now being brought to the Board & Committee each quarter. The implementation of a new Pension Administration Strategy document will further enhance the flow KPI information to members. To be moved from Dynamic to the Ongoing section.
9. Risks remaining "red", high risk:
- **PEN042: Significant retrospective legislation changes related to the McCloud case:** It is still unclear exactly what impact there will be on the administration, although the impact actuarially speaking is likely to be minimal. Members requested that it be kept as a red risk until the administrative impact is clearer.
10. It is recommended that one risk is removed from quarterly presentation to the Committee. This is;
- **PEN024: The implementation of Brexit causes investment volatility or unexpected legislative changes:** (From Amber to Green) The Brexit Treaty has been signed. If trade negotiation creates a risk a new risk can be created relevant



to the impact of the trade negotiations. It is recommended that this risk be moved from Dynamic to dormant.

- **PEN030: Failure to procure & contract manage service providers appropriately:** (Green) A contract management framework has been developed by officers which is both managed & maintained, including regular reporting to members. The risk has reduced, and it is recommended that it be moved from Dynamic to dormant.

#### **Board recommendations at their meeting – 13<sup>th</sup> February 2020**

- **PEN049: Failure to comply with the FCAs MiFID II compliance:** (From Amber to Green) A paper setting out the procedures was submitted to the Board on 13th February. The Fund will be audited in 2020 for its compliance with MiFID II. To be moved from Horizon to the Ongoing section.  
**Recommendation to remain amber under the results of the audit are known.**
- **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** (Red) Progress and updates should continue to be regularly reported to Committee  
**Recommendation to amend the risk to include a monitoring & reporting timetable of BPP.**

#### **Key personnel**

11. The officer strategy to mitigate the loss of key personnel from the Fund is proposed to take the following form;

- As part of the officer training strategy all officers will be asked to complete a self-assessment training form. Based on the feedback a map of the knowledge & understanding across all officers will be developed to evidence any areas of knowledge vulnerability with the operating function of the Fund.
- The feedback will be applied, along with knowledge of known vulnerabilities to firstly implement a targeted training strategy to enable succession management & secondly to consider the making of strategic appointments to not only support existing key personnel but mitigate the Fund's vulnerability in certain practice areas.
- The annual review of the Fund's Business Continuity Plan also will take into account the vulnerability which can arise from the loss of key personnel.

#### **Financial Implications**

12. No direct implications.

#### **Legal Implications**

13. There are no known implications from the proposals.

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

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

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

15. There are no known implications currently.

## **Proposals**

16. The Committee is asked to note the attached Risk Register and note the changes/actions made by officers in points 7 to 10 to the Committee.

17. The Committee is asked to note the officers' approach to the Fund's key person risk.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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

Ref.	Risk	Cause	Impact	Primary Risk Category (CIPFA)	Secondary Risk Category (Operational)	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent risk score	Controls in place to manage the risk	Impact	Likelihood	Residual risk score	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion of action
<b>Horizon Risks</b>																			
PEN052	COVID-19	COVID-19 is an infectious global virus which WHO has classed as a pandemic. The UK could be taking similar actions to other countries but affected by this virus such as China & Italy which will cause significant business continuity issues to the pension fund	In a worst case scenario the Council's officers & service provider offices will be closed making remote working essential but difficult. In addition, it is expected that up to 20% of people will be off sick & needing to self-isolate causing service issues. Consequently issues around staffing, investment returns, employers supplying data, management of employer covenants, support from suppliers & contractors are all likely to be factors in the management of the Fund.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham/ Jenny Devine	High	4	4	16	The Council's/Fund's Business Continuity Plan will need to be activated. Regular communication with key services & service providers should be maintained. Fund officers have already taken a series of steps to ensure ongoing service & are giving consideration to the daily government updates & Council policy in the taking of those decisions.	4	4	16		High	↕	Andy Brown/ Andy Cunningham/ Jenny Devine	N/A
PEN050	Failure to comply with IPR's Code of Practice 15	The new requirements for pension scheme governance came into force on 13 January 2019 as part of the transcription of the IORP II Directive into UK law. The new EU Directive covers the activities and supervision of institutions for occupational retirement provision (IORP)	Consequently the IPR is simplifying its codes of practice as part of its 'clearer, quicker, tougher' campaign and in response to new requirements for scheme governance, the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018	GOVERNANCE	SERVICE FUNCTION	Richard Bullen	Low	2	2	4	It is anticipated that early focus will be on the codes that are most affected by the new regulations, starting with internal controls & effective governance. Trustees will need to be able to demonstrate that they have an effective system of governance within 12 months of its publication	3	1	3	None, until Code of Practice 15 is released	Low	←	Richard Bullen	N/A
PEN049	Failure to comply with the FCAs MIFID II compliance	The introduction of new financial & investment requirements with effect from 3rd January 2018 in which the Fund opted up to "Professional Investor" status	Committee members & key officers, particularly those sitting on the ISC need to ensure that they maintain a requisite level of knowledge & understanding to satisfy the "Professional Investor" requirements	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Medium	4	2	8	Controls include: 1) An annual review of training needs for members & officers 2) A self-certification by members that they continue to consider themselves "professional investor" competent 3) The implementation of a policy & procedure to ensure officers to manage the ongoing compliance framework & 4) For the MIFID II requirements to be included in the 2020-21 audit plan	4	1	4	A paper setting out the the procedures put in place was submitted to the Board on 13th February. The Fund will also be audit in 2020 for its compliance with MIFID II	Low	→	Jennifer Devine	N/A
PEN018	Failure to set in place appropriate Cyber Security measures	Over reliance by Fund is potentially being place on its Administering Authority's IT security arrangements & that of its key software database providers without proper scrutiny/reporting of their security arrangements	Impact is significant concerning the operational effectiveness of the Fund, notably in relation to the data held and the ability to calculate and process member benefits	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	4	1	4	Cyber security reports to be requested on an annual basis from both Wiltshire Council's IT department & the main database manager Heywood's. Further steps will be considered on the receipt of those reports	4	1	4	Officers attended a Cyber Security event in January 2020 hosted by Wiltshire Council's IT department.	Low	↑	Andy Cunningham	N/A
PEN045	GMP legislative changes	The Government has been planning to make a number of changes to way that GMPs work which brings about certain risks. In particular, changes to the indexation approach (which have been repeatedly delayed) and equalisation between males and females.	Both sets of plans could increase scheme costs and cause material amounts of additional administrative work.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Senior officers to keep themselves apprised of developments.	2	2	4	None	Low	→	Andy Cunningham	N/A
PEN044	Change to valuation cycle	The Government is consulting on changing the fund valuation cycle. In short term this could mean a one-off 5 year gap followed by quadrennial valuations.		GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	1	3	3	Officers will respond to the consultation stating they are not in favour of such a change	1	3	3		Low	→	Andy Cunningham	N/A
PEN043	Administration disruption and employer cost pressures cause by the Cost Cap review	The cost cap floor has been breached meaning the Scheme rules need to be adjusted.	Administration: Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. Cost: Higher costs for employers	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Medium	2	4	8	None until further information is available. Note: this is unlikely to happen until the McCloud case changes are finalised, as McCloud will already increase costs in itself.	2	4	8	None	Medium	→	Andy Cunningham	N/A
PEN042	Significant retrospective legislation changes related to the McCloud case	An age discrimination case taken to Court by a group of firefighters and Judiciary employees	Increased contribution rates for employers and high levels of administration time and complication.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	High	3	4	12	None - Whilst it now appears almost certain that a change will take place, it is still unclear exactly what the change will be, its magnitude and how the Fund can mitigate it. It is noted that the Valuation results have made no allowance for the consequences of the McCloud case, primarily due to the prudence applied to the investment return expectations of 75% but also due to the implementation of actuarial guidance.	2	4	8	On actuarial guidance it is anticipated that whilst a review will be required the financial impact may be minimal as in most cases the underpin check for a member's benefits will not bite	Medium	→	Andy Cunningham	N/A
PEN040	The Fund's inability to implement the conclusion of the Fair Deal Consultation	This consultation contains proposals which would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provide	The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. Failure to implement the changes would have a significant impact on affected members benefits.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Officers will continue to monitor developments to help ensure it is prepared to make any changes required.	2	2	4	None	Low	→	Denise Robinson	N/A
PEN039	The Fund's inability to implement the reforms associated with the Good Governance Project	SAB has requested a review of governance structures for the LGPS using a criteria of four possible governance models which might help funds to deliver good governance for their employers and members. A final consultation report is due in July 2019	Poor governance has a reputational risk impact, leading to poor service for Fund stakeholders, a lack of clarity of roles & responsibilities and potential conflicts of interest emerging	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Officers have contributed feedback to the consultation exercise in May 2019 and taken part in various discussions. This has helped officers gain an understanding of the likely direction of travel and help ensure the Fund is aligned and prepared (for example by making certain adjustments to the terms of reference).	2	2	4	None	Low	→	Richard Bullen	N/A
PEN038	The Fund's inability to implement the DWP's Dashboard within a notified timescale.	Late communication by the DWP to specify their requirements for the Fund to comply with this new nationwide Dashboard. Potential for unexpected implementation costs and/or the Fund being unable to meet the reporting requirements.	Non-compliance would lead to a reputational risk for the Fund. A statutory requirement to contribute may also be created.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	1	2	2	Senior officers to keep themselves apprised of developments and seek more detailed information as the project develops.	1	2	2	None	Low	→	Mark Anderson	N/A

PEN021	Ineffective implementation of the Public Sector Exit Cap	The Treasury is consulting on draft regulations to introduce a cap of £95,000 on exit payments in the public sector, in response to concerns about the number of exit payments that exceed or come close to £100,000 and the need to ensure they represent value for money. This will include changes to LGPS regulations. Introduction of exit cap will require an additional burden on the administrator team as it is likely to effect all redundancy calculations. Funds are often given little time to implement changes which brings about this risk.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved. LGPS Fund's could be in breach of the legislation in they are logistically unable to implement the cost cap mechanism once introduced.	LEGISLATIVE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	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: discussion with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	2	2	4	None	Low	→	Andy Cunningham	N/A
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## Dynamic Risks

PEN051	There is a risk that the fixed income portfolios which are currently being scoped by Brunel & which the client group have had input into, may not be the best fit for Wiltshire	Fixed income portfolios will transition to Brunel from late 2020 onwards	If the portfolios are not the best fit for Wiltshire, there is a risk that the investment strategy is not properly implemented, or that there is a delay before assets can transition	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	Low	4	1	4	Officers are working with Brunel to ensure that the portfolio specifications for the fixed income portfolios will meet Wiltshire's strategic requirements	4	1	4	None	Low	→	Jennifer Devine	Mar-20
PEN047	There is uncertainty around the ability of Brunel to resource its property portfolio offering	It is intended that property assets will transfer to Brunel in late 2019.	If Brunel are not adequately resourced, this could result in the portfolio not being effectively managed, and/or costs being higher than expected.	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	Low	4	1	4	Officers are working with the Brunel client group to ensure that Brunel are able to give adequate assurance that they are appropriately resourced before engaging with this particular transition.	4	1	4	None	Low	→	Jennifer Devine	Jun-20
PEN046	The transition of assets to the Brunel global high alpha equities portfolio does not go according to plan resulting in investment losses.	The portfolio has now transitioned in, and client group will be reviewing the post-transition report in February 2020	If assets do not transfer successfully this could result in financial loss.	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	Low	4	1	4	Officers are working with the Brunel client group to ensure that Brunel properly follow procedures to ensure that no financial loss is incurred and that the transition occurs successfully.	4	1	4	None	Low	→	Jennifer Devine	Feb-20
PEN037	Failure to implement a strategy to address the administration backlogs	Failure to effectively administration the scheme could result in incorrect payments, inefficiencies in the process, failure to meet disclosure timeframes, complaints and inadequate oversight over the fund.	Poor administration resulting in incorrect payments and can lead to reputational risk issues. The mitigation of this risk is contingent on the mitigation of other risks such as PEN034 & PEN036	ADMINISTRATION	BUSINESS PLAN (App 1 - 19) SWAP Key controls audit 2018/19	Andy Cunningham	Medium	3	3	9	The implementation of PEN034 & PEN036 along with addressing the internal auditors comments in their 2018/19 Key Controls report should mitigate this risk	3	2	6		Medium	→	Jennie Green	On-going
PEN036	Failure to implement a Dashboard of KPIs for regular monitoring	Difficulties in extracting the required data from the workflow section of the administration system. Improve the range of Key Performance Indicators (KPIs) produced for the Committee and Local Pension Board to help provide transparency and clearer oversight & management of administration performance.	Failure to implement a dashboard of comparable benchmarks, will be counter to the Pension Regulator's requirements on factors such as data quality measures	ADMINISTRATION	BUSINESS PLAN (App 1 - 22) (App 2 - 6)	Andy Cunningham	Low	2	2	4	Officers have implemented a suite of KPIs to be utilised at different levels. Namely, at a Statutory level, for the Committee & the Board, for use between Employers & the Fund & at management level for use at an operational level within the Pension's dept. The introduction of a new PAS document will enhance the flow of KPI information to members	2	1	2		Low	↓	Mark Anderson	On-going
PEN034	Failure to implement Lean process review	Low KPI performance has been identified, particularly in relation to the disclosure requirements, as a result of inefficient processes and insufficient training and support.	An end to end processing review of all repeatable processes with the key objectives of improving the customer experience and identifying and realising efficiencies. Semi-automated work allocation is required to target key items of casework more quickly	ADMINISTRATION	BUSINESS PLAN (App 1 - 12,14)	Andy Cunningham	Medium	3	2	6	The Fund's Project team has started a programme of work over a 2 year timeframe to review repetitive processes within the dept.	3	1	3		Low	→	Mark Briggs	On-going
PEN032	Failure to manage Fund budgets & controllable costs	During a period of chain management involving the introduction of new staff, new software & new working practices the cost control against the Fund's approved budget requires close management	Poor budget setting & cost control can lead to over expenditure and a loss of value in the services being offered by the Fund. As a public sector Scheme there is also a reputational risk associated with the poor management of funds.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	3	1	3	Annual Fund budgets are approved in the 1st quarter of each year. Expenditure against the budget are monitored by Senior Officers. Senior Officers work with the Council's Treasury team to ensure accurate specification of charges made to the Fund. Senior Officers maintain a contract management framework to monitor the fees of service providers. All invoices are compared against estimates before payment is made.	2	1	2		Low	→	Jennifer Devine	On-going
PEN030	Failure to procure & contract manage service providers appropriately	GDPR, the migration of Managers to BPP & a review of Fund contracts were undertaken in 2018 in conjunction with the Procurement dept. to establish the position of the Fund existing suite of contracts	A lack of a contract management framework will create an inability to manage existing service provider arrangements, limit the updating of service scopes so that the Fund's requirements remain to contracts & anticipate the incorporation of new legislation & regulations. This will lead to increased costs & risks to the Fund.	PROCUREMENT & RELATIONSHIP MANAGEMENT	BUSINESS PLAN (App 1 - 13)	Andy Cunningham	Low	1	2	2	A contract management framework has been developed by officers to anticipate the review of Fund contracts as they fall due. Fund officers have also attended Contract Management training provided by the Council's Procurement Department.	3	1	3		Low	→	Richard Bullen	On-going
PEN029	Failure to implement the effectiveness review between the Committee & Board	An effectiveness review conducted by Hymans was undertaken in 2018, following which a report was produced and a focus group created of key Wiltshire Council stakeholders to act on the outcomes of the Report. The review covered the Committee, Board & ISC.	An ineffective Committee & Board could lead to a poorly run Pension Fund, which has a lack of governance and internal controls. Defining the roles & responsibilities of all groups & stakeholders enable clarity of purpose & efficient management.	GOVERNANCE	BUSINESS PLAN (App 1 - 21,24)	Andy Cunningham	Medium	3	3	9	Creation of a Focus steering group to implement the recommendations of the Hymans report. A review of Governance documentation, such as Terms of Reference of the Committee, Board & ISC to bring it up to date and ensure that all documentation is consistent & integrated with the other documentation around it.	2	2	4		Low	→	Richard Bullen	On-going
PEN028	Failure to introduce new administration software effectively	Implementation of new software including MSS, I-connect, e-payslips, payment instruction automation, a new website & semi-automated workflow allocation. All to be completed by 2022.	Delay in the payment of member benefit, poorer data quality, sub-standard communication arrangements with members & employers & slower delivery times leading to a more costly service	ADMINISTRATION	BUSINESS PLAN (App 1 - 1,2,3,4,5,14) (App 2 - 1,2,3)	Andy Cunningham	Low	2	2	4	Individual project plan have been prepared for each implementation of software, including their GDPR implications, with individual project issue logs and risk registers. A bespoke Project team has also been established within the pension's dept. who initiate formal handovers to officers on completion of the new implementation.	2	1	2	None.	Low	→	Mark Briggs	On-going
PEN026	A lack of effectiveness of Committee meeting due to the impact of MIFID II Regulations	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 maintain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	Wiltshire Fund is now being treated as a Professional Client, having followed due process. Maintenance of the Fund's Professional Client status will require on-going compliance with the requirements including competence	3	1	3		Low	↓	Jennifer Devine	On-going
PEN024	The implementation of Brexit causes investment volatility or unexpected legislative changes	EU referendum result.	The arrangements by which the UK leaves the EU may produce short term volatile market movements which could impact on asset performance.	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	The Fund had liaised with its investment managers on the potential impact of an exit. Since that decision the Fund has undertaken a valuation & in parallel reset its investment strategy. The dominant factors of the investment strategy continue to be the traditional funding of liabilities to pay its pensions, climate change & a possible global recession.	3	1	3		Low	↓	Jennifer Devine	On-going

PEN022	The rectification of records with GMP issues is time-consuming, costly & causes reputational damage.	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to the Fund.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	ADMINISTRATION	BUSINESS PLAN (App 1 - 18) (App 2 - 7)	Andy Cunningham	Medium	2	4	8	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	Still working with other south-west Funds to try to agree on a common approach and present it to Government Departments. SABs to review a further letter from the SW Pension Fund's Group on 3rd February. It is hoped that a more positive approach will be received from SAB this time.	Medium	↓	Mark Briggs	u/k
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### Ongoing Risks

PEN048	The transition to pooling of LGPS assets with BPP fails to deliver the projected savings	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of unanticipated costs and/or savings less than projected.	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	High	4	3	12	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	3	9	Significant amount of resource still required by officers to progress this project. On 13th February 2020 the Board recommended that a monitoring & reporting timetable being put in place concerning BPP's transition to help mitigate this risk.	Medium	→	Jennifer Devine	On-going
PEN041	The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy	There is a global climate change emergency, as declared by Wiltshire Council in February 2019.	Failure to embed climate change considerations in the investment strategy could cause a negative impact on investment returns over the long term.	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Medium	3	3	9	Work is being done within the Brunel pool to address this risk. The Committee needs to use the support offered by Brunel to help define policies in this area and implement them via the Investment Strategy Statement.	2	2	4	None	Low	↓	Jennifer Devine	On-going
PEN033	Failure to manage AVC providers	The Fund is a Data Controller with four AVC providers under management who operate to a system of policies & endorsements rather than service provider contracts. Consequently, there is a risk due to the mismatch between Fund responsibility & control in relation to the assets under management.	Failure of an AVC provider can lead to issues of reputational risk to the Fund, as well as being exposed to adverse governance & financial implications.	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	A minimum of annual service review reviews have been implemented with all AVC providers, managed by the Investment & Accounting team. The review will cover customer service & investment performance.	2	1	2	None.	Low	→	Roz Vernon	On-going
PEN025	Further academisation of Schools, the possibility of MAT breakups and cross fund movements.	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 180 to between 400 and 500.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	2	4	The Fund is monitoring the SAB review of academies roles in the LGPS and will take action (e.g. respond to consultations) as necessary to try to mitigate this risk further.	Low	→	Andy Cunningham	N/A
PEN017a	A lack of knowledge and expertise on the Pension Fund Committee	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	GOVERNANCE	BUSINESS PLAN (App 1 - 24)	Andy Cunningham	Medium	2	3	6	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	1	2	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. Generally both Committee & Board members are taking a more active approach to training and requesting structured training in key areas	Low	→	Richard Bullen	On-going
PEN017b	A lack of Committee Member compliance with all regulations	Lack of Member willingness or awareness to be compliant with new regulations as they come into force leading to breaches of legislation and reportable offences	Over reliance on officers & advisers to ensure compliance leading to a lack of oversight challenge	GOVERNANCE	BUSINESS PLAN (App 1 - 24)	Andy Cunningham	Medium	2	3	6	Member attendance at conferences & seminars enables independent information sources. Update of the Look forward plan including the introduction of an annual audit plan to ensure the fund's compliance requirements are implemented & the results of the audit reported to Committee.	2	1	2	None	Low	→	Richard Bullen	On-going
PEN016	A lack of effectiveness in respect of the Fund's Treasury Management Services	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	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Low	3	1	3	The Pension Fund will review an updated Treasury Management Strategy annually which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m. The Fund will also review in Treasury Management Agreement with the Council in 2019.	2	1	2	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. A minimum of annual updates by the Council need to be presented to the ISC	Low	→	Roz Vernon	N/A
PEN015	Failure to collect payments from ceasing employers	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	ACTUARIAL METHOD	BUSINESS PLAN (App 1 - 7,15)	Andy Cunningham	Medium	3	2	6	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	1	2	None	Low	→	Andy Cunningham	On-going
PEN014	Failure to provide the service in accordance with sound equality principles	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.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	2	1	2	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	None	Low	→	Luke Webster/Jennie Green	On-going
PEN013	Failure to communicate properly with stakeholders	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.	GOVERNANCE	BUSINESS PLAN (App 1 - 23)	Andy Cunningham	Low	2	2	4	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	1	2	None	Low	→	Denise Robinson/ Ashleigh Salter	N/A
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	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.	GOVERNANCE	BUSINESS PLAN (App 1 - 20,25)	Andy Cunningham	Medium	3	2	6	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.	2	1	2	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 for a significant period of time. A permanent s151 officer has been appointed and is due to take up their new role at the end of the Q1 2020.	Low	→	Andy Cunningham/ Corporate Directors	On-going
PEN010	Failure to keep pension records up-to-date and accurate	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.	GOVERNANCE	BUSINESS PLAN (App 2 - 8)	Andy Cunningham	Medium	3	2	6	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), proactive checks done through national fraud initiative and the Fund's Data Improvement Plan.	3	1	3	The Fund is currently addressing new data issues identified by a review of the IPR two key data standards and other data reviews while ensuring data is of high quality is an on-going responsibility.	Low	→	Mark Anderson	On-going
PEN008	Failure to comply with LGPS and other regulations	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	ADMINISTRATION	BUSINESS PLAN (App 1 - 20,25)	Andy Cunningham	Low	2	2	4	*Sufficient staffing, training and regulatory updates. *Competent software provider and external consultants. *Technical & Compliance post reviews process and procedure and maintains training programme for the team. *KPIs against statutory standards *Imbedding checks and controls into all processes. *Audits & internal reviews to maintain best practice	2	2	4	None	Low	→	Luke Webster/Jennie Green	N/A
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	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	FINANCIAL MARKETS & PRODUCTS	BUSINESS PLAN (App 1 - 8,9) (App 2 - 4)	Jennifer Devine	Medium	3	2	6	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4y), 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	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rate 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. Query over covenant reviews following expiry of PWC contract.	Low	→	Jennifer Devine	On-going
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	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	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 8,9) (App 2 - 4)	Jennifer Devine	Low	2	1	2	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4y), 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	The implementation of the Stabilisation Policy limits increases for secure employers.	Low	→	Jennifer Devine	On-going

PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	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.	ACTUARIAL METHOD	BUSINESS PLAN (App 1 - 6)	Andy Cunningham	Low	2	2	4	As above	2	2	4	As above	Low	→	Andy Cunningham	On-going
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	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.	ACTUARIAL METHOD	BUSINESS PLAN (App 1 - 6)	Andy Cunningham	Low	2	2	4	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	2	4	None	Low	→	Andy Cunningham	On-going
PEN005	Loss of funds through fraud or misappropriation	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	4	1	4	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	Officers completed an Anti-Money Laundering questionnaire issued by Deloitte's & returned to the Accountancy firm in January 2020. The responses will form part of the Auditor's audit strategy.	Low	→	Roz Vernon	On-going
PEN002	Failure to collect and account for contributions from employers and employees on time	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.	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	Robust maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Officers regularly 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	None	Low	→	Roz Vernon	On-going

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
26 March 2020

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### **AUDIT UPDATE**

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

1. The purpose of this report is to provide an update on the internal and external audit positions and to outline the draft recommendations made from last year's external audit and the Fund's response to these.

#### **Background**

2. The internal audit plan for the forthcoming year was agreed at the last Local Pension Board and Committee meetings and has been submitted to CLT so they can form part of the South West Audit Partnership's workplan. Officers have not heard anything further concerning proposed timings.
3. Wiltshire Pension Fund is required to have a separate annual external audit. Wiltshire Pension Fund uses Wiltshire Council's external auditor, Deloitte.
4. Deloitte completed last year's audit in the summer of last year but a final audit paper has not been completed due to some outstanding matters in Wiltshire Council's audit (unrelated to the pension fund). Since then, Deloitte have completed an interim audit ahead of the 2020/2021 year although they have not issued a report, as is normal practice. In May to June 2020, Deloitte will carry out the main audit.
5. As last year's external audit report has not been completed, officers have been unable to publish the report but have instead shown the draft recommendations in Appendix 1 and officers' responses to each.

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

6. The draft external audit report made two sets of recommendations in relation to internal controls and risk managements and two sets of recommendations in relation to IT. The observations, Deloitte's recommendations and Pension Fund's response can be found in Appendix 1.

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

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

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

8. There are no known implications at this time.

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

9. There are no financial considerations resulting from this proposal although the paper reviews risk as part of the audit.

#### **Proposals**

10. The Committee is asked to note this update.

ANDY CUNNINGHAM & JENNIFER DEVINE

Head of Pensions Administration and Relations & Head of Pensions Investments

Report Author: Andy Cunningham, Head of Pensions Administration and Relations & Jennifer Devine, Head of Pension Investments

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



Observation	Deloitte recommendation	Fund response
<p><b>Pension Fund</b> - We identified that the Pension Manager could not supply a membership number reconciliation between 2017-18 and 2018-19. The reconciliation should show movements of members in the financial year and retrospective changes that revised any prior-year figures. This reconciliation this would enhance the robustness of admin procedures and allow for more accurate financial reporting of the fund account reflecting membership movements and would allow us to audit the movement of member numbers, which we have not been able to do.</p>	<p>a). It is recommended that the Pension Manager develops an Altair report that can count the total (and identify individual) retrospective changes to membership data.</p> <p>b). In addition, it is recommended that the Pension Database Administrator runs a data extract of Membership data on, or as close to 31 March as possible.</p> <p>c). It is also recommended that the Pension Fund Manager performs a reconciliation between prior-year reported membership numbers and revised membership numbers.</p> <p>d). In addition we concur with the internal audit recommendations that the Fund should be:</p> <p>i). Reconciling New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll monthly.</p> <p>ii). Carrying out a full reconciliation of Altair and SAP Payroll to provide further assurance that payments made to pensioners cast and provide the basis for a monthly reconciliation of cumulative balances.</p> <p>iii). Service to demonstrate that monthly reconciliations are verified, and an advisory recommendation has been made to ensure payment authorisations are always retained or recorded to show who approves each payment.</p>	<p><i>a) &amp; c) Complete. A report already exists and is run periodically.</i></p> <p><i>b). Complete. Officers did this for 31 March 2019 (prior to the audit) and will continue to do this each year thereafter.</i></p> <p><i>d)i. Complete. This has been in place since before the date of the external audit.</i></p> <p><i>ii). Outstanding. This is proving highly time-consuming and complex and has been affected by a key staff absence. Officers are currently reviewing resourcing needs in order to determine a revised deadline.</i></p> <p><i>iii). Complete. This has been in place since before the date of the external audit.</i></p>

<p><b>Pension Fund</b> - The admin team perform a review of all of the inputs for benefit calculations however only a high level reasonableness assessment is performed over the output of the calculations. The team are heavily reliant on the initial design and calibration of Altair to calculate pensions and lump sum benefits.</p>	<p>Some schemes of the size and nature of the Fund have at least one of the below controls:</p> <ol style="list-style-type: none"> <li>1. A formal compliance team whose role it is to check whether the correct decisions have been made through the benefits system. Best practice is to independently test a risk based sample of up to 10% of benefit calculations.</li> <li>2. A formal pensions internal audit team either through a co-sourced or outsourced arrangement who will focus on a number of activities and include routine benefit calculations periodically in their reviews.</li> <li>3. A 100% manual check on the different calculation routines impacted by system or actuarial factor updates.</li> <li>4. A periodic 'deep-dive' which is undertaken by the pensions team on instruction by the audit committee.</li> </ol> <p>Given the size and nature of the Fund and the tailoring of Intellipen specific for Fund purposes we recommend that the AC considers points 1 and 2 above.</p>	<p><i>We test and check all systems updates to Altair which have any impact on calculations (including all factor table changes) which gives us comfort that at the implementation of a calculation routine or any known change, that the system is functioning correctly.</i></p> <p><i>We accept that this approach will not capture any changes to the underlying system after that date, and we will implement a sample check to ensure, that the correct process is being followed and that the output of the calculations are correct, on a monthly basis.</i></p> <p><b>Planned implementation date: 31 March 2020.</b></p>
<p>The following opportunities for control improvement were identified pertaining to user access right management controls:</p> <ul style="list-style-type: none"> <li>- No user access right reviews are performed to ensure that existing users have the appropriate access based on their job roles and responsibility.</li> <li>- The leavers' process on the Altair platform is not formally documented. No notifications are received from HR and access is removed based on the Systems Team's knowledge of</li> </ul>	<p>Without strong controls over ongoing appropriateness of access, there is a risk that people who change role within the organisation may accumulate excessive privileges or that accounts held by former employees may remain active. Redundant access for leavers constitutes a risk for inappropriate access by other active employees or for external intruders.</p>	<p><i>An approach to access rights is already in place although the Fund accepts this is largely informal and lacks sufficient controls although we still see this in practice as low risk. The Fund will formalise a Systems access policy in place to address the points raised in an appropriate manner.</i></p> <p><i>As a relatively small team (circa 33 staff), we consider it unnecessary for HR or payroll to advise us of starters or leavers as this are</i></p>

<p>the current employees at Wiltshire Pension Fund.</p> <ul style="list-style-type: none"> <li>- The starters' process on the Altair platform is not formally documented. No formal documentation is available with regards to which seniority of access is appropriate for each user level. We have been further informed that the role profiles available within Altair do not match up exactly with job titles in use at Wiltshire Pension Fund.</li> </ul>	<p>Management should implement the following activities to reduce the associated risk:</p> <ul style="list-style-type: none"> <li>- A process to grant new accesses to employees and to disable dormant accounts;</li> <li>- A periodic check of movers and leavers should be performed using HR or payroll records to ensure that any required changes to IT access rights have been notified by line managers and actioned;</li> <li>- Introduction of a formal review of user accounts and access rights at least annually to detect accounts with excessive privileges.</li> </ul>	<p><i>obvious and can remain the responsibility of the line manager.</i></p> <p><b>Planned implementation date: 30 April 2020</b></p>
<p><b>Disaster Recovery Plan Testing</b></p> <p>Although IT disaster recovery arrangements have been put in place, formal set of policies and procedures as part of the recovery plan is not formally documented and tested to assist employees in the event of disaster.</p>	<p>Disaster recovery forms a big part of a company's business continuity plan. Thus we recommend that it is formally documented, approved and tested on a regular basis to ensure it works and meet organizations defined recovery point objective (RPO) and recovery time objective (RTO) requirements. Testing procedures should involve integration of DRP testing results into planned maintenance and staff training programs.</p>	<p><i>The Fund generally considers DRP testing to be the responsible of the Council's IT; in particular for all Council hosted software. However, the Fund will work with its pension administration software provider to determine an appropriate approach to testing the disaster recovery testing of the Altair platform. For example, testing that the daily backup date procedure works in practice.</i></p> <p><b>Planned implementation date: 30 June 2020</b></p>

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## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

26 March 2020

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### **Employer Cessation Policy**

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

1. The purpose of this report is to present to Wiltshire Pension Fund Committee an updated Employer Cessation Policy (see Appendix). The Committee is asked to consider and approve the proposed Employer Cessation Policy.

#### **Background**

2. The Fund has had a cessation policy in place for a number of years and the current version was approved on 20 September 2018
3. Following recent Regulatory changes which came into force on 20 March 2020 (with backdated effect to 14 May 2018), the Fund now has some discretion over whether to make a complete, partial or nil payment out of any cessation surpluses ('Exit Credits') to employers ceasing participation in the Fund after consideration of the circumstances involved.

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

4. The new policy aims to bring the policy up to date with legislation. Furthermore, minor adjustments to the recently agreed Funding Strategy Statement with also be needed.
5. The main area of change to the policy is to section 8 which sets out the approach the Fund would normally take to the discretion given to it. In the interests of transparency, officers have sought to set out its approach to decision making in this respect.
6. This policy has been produced in consultation with the actuary, Hymans-Robertson LLP as the policy contains certain actions the actuary would be required to undertake.

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

7. There are no known environment implications from this report.

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

8. In general, the application of this policy aims to reduce the risk that the Fund enters into a dispute with an employer over how to settle an employer's exit position, which could have significant financial and legal consequences to resolve. However, in general the new legislation increases the risk of challenge to the Fund's decision because it introduces a discretion which did not previously exist and typically different parties will have opposing views on what they see as the correct outcome.

#### **Legal Implications**

9. There is no legal requirement to produce a cessation policy, but the application of a policy reduces the risk of significant legal costs needing to be incurred upon cessation.

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

10. There are no known implications at this time.

**Reasons for Proposal**

11. There are no known implications at this time.

**Proposal**

12. The Committee is recommended to approve this policy subject to a consultation with employers being undertaken in April 2020 and no material issues being raised.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

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

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

## **WILTSHIRE PENSION FUND – CESSATION POLICY**

### **1. Introduction**

This is the policy of Wiltshire Pension Fund (“the Fund”) as regards the treatment of employers on termination of their participation in the Fund. It covers the methodology for calculation and payment of any deficit or refund of surplus on leaving the Fund (via a “cessation valuation”). It applies independently from any risk-sharing which has been agreed bilaterally between a Scheme Employer and an exiting Scheme Employer.

It has been prepared by the Administering Authority, with input from the Fund’s Actuary, Hymans Robertson LLP. This policy relates to all employers in the Fund.

This policy replaces all previous policies on employer termination and is effective from 1 April 2020.

This policy applies to all past, current and future employers participating in the Fund. In exceptional circumstances, the Fund reserves the right to differ from the contents of this policy if the particular circumstances of an Exiting Employer mean that the application of this policy is not appropriate or goes against the spirit of the principles applied here.

### **2. Terminology**

The following terms all have the same meaning as defined in the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), as amended from time to time: Scheme Employer, Administering Authority, Exiting Employer, Exit Credit, Exit Date, Rate and Adjustment Certificate and Related Employer.

### **3. Regulatory framework**

The 2013 Regulations outline the general framework for employees and employers participating in the Local Government Pension Scheme in England and Wales. The regulations that are most relevant to employers leaving the Fund are as follows;

- Regulation 64 (2) – where an employer ceases to be a Scheme Employer, the Administering Authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the Exit Date. Furthermore, it requires the Rates and Adjustments Certificate to be amended to show the Exit Payment due from the exiting employer or the Exit Credit due to the exiting employer.
- Regulation 64 (2A) & (2B) – the Administering Authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more.
- Regulation 64 (2ZAB) & (2ZC) – the Administering Authority is given discretion on the level, if any, of Exit Credit made to an Exiting Employer subject to certain considerations and it is required to notify the relevant parties of its pending determination within 6 months of the date of cessation (or a longer timeframe if agreed).

- Regulation 64 (3) – in instances where an exit payment is due but it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or a guarantor, the contribution rate(s) for the appropriate Scheme Employer or remaining Fund employers may be amended.
- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the Administering Authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets increase by an amount broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an Exit Payment to the Fund, no further payments are due to the Fund from the Exiting Employer.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”) gives the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

#### **4. Policy reviews**

This policy will be reviewed at least every three years following triennial valuations or following changes to the regulations pertaining to employers leaving the Fund.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate. Any queries should be directed to Andy Cunningham, Head of Pensions Administration and Relations in the first instance at [Andy.Cunningham@wiltshire.gov.uk](mailto:Andy.Cunningham@wiltshire.gov.uk) or 01225 718296.

#### **5. Cessation events**

The purpose of a cessation valuation is to determine the level of any surplus or deficit in an employer’s share of the Fund as at the date the employer leaves the Fund and the manner in which they will be processed.

##### **5.1. Current cessations**

There are a number of scenarios that may lead to an employer leaving the Fund;

##### **a). Contractors participating in the Fund under an admission agreement (previously referred to as Transferee Admission Bodies).**

- A cessation event will occur when either a contract comes to a pre-arranged end date (the period of which will be defined in the admission agreement), a contract is terminated early or the employer has no remaining active members in the Fund.
- Action will be taken by the Fund to determine the level of any cessation debt owed by, or exit credit owed to, the exiting employer. The Fund will then seek to recover any debt from the exiting employer or alternative bond or guarantor in



place, or refund any surplus.

- Regardless of the success of recovering any cessation debt in respect of the exiting employer, or the amount of any Exit Credit refunded, all active, deferred and pensioner liabilities of the contractor will automatically transfer back to the Awarding Authority, along with the notional value of assets held by the ceased employer.
- If the contract is re-let, a new admission agreement will be set-up between the Awarding Authority and the new employer which may lead to some or all the original active members transferring to the new employer.

#### **b). Academies and Multi-Academy Trusts (MATs)**

- A cessation event will occur if a current Academy or Multi-Academy Trust ceases to exist as an entity or as an employer with the Fund.
- If the cessation event occurs due to an academy or MAT merging with or being taken over by another academy or MAT within the Wiltshire Pension Fund, all active, deferred and pensioner liabilities from each of the merging entities will be combined, along with the notional value of assets held by the bodies concerned, and the responsibility for the payment of all current and future liabilities will become the responsibility of the newly merged entity<sup>1</sup>. In these circumstances the Actuary, in consultation with the Fund, will determine if an Exit Payment or Exit Credit is required or if these funding variations should be addressed as part of future employer's contributions relating to the newly merged entity.
- If the academy or MAT is "debrokered"/split into more than one either new or existing employers with the Wiltshire Pension Fund then the Actuary will split the notional assets and liabilities relating to all active, deferred and pensioner liabilities of the exiting employer between the employers which are inheriting responsibility for the debrokered academy or MAT<sup>1</sup>. In consultation with the administering authority, the Actuary will use his or her professional judgement to determine an appropriate and fair methodology for undertaking this split. Furthermore, the Actuary, in consultation with the Fund, will determine if an Exit Payment or Exit Credit is required or if these variations should be addressed as part of future employers' contributions.
- If the Fund is unable to recover any cessation debt from an academy or MAT then it will seek to recover the debt from the Department for Education (DfE) as outlined in the DfE's parliamentary minute from 2 July 2013.
- In all other circumstances, following the payment of any cessation debt or the receipt of any cessation surplus, responsibility for all the remaining deferred and pensioner liabilities will be ring-fenced until the final liability ceases and then the liabilities and assets will be shared amongst all remaining active employers in the Fund, unless another Scheme Employer (or group of employers) provides a guarantee that requires them to inherit responsibility for the exiting employer's notional assets and liabilities.

#### **c). All other employers.**

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<sup>11</sup>This approach is consistent with the wording of paragraph 9 of the [DfE parliamentary minute published on 2 July 2013](#)

- A cessation event will typically occur due to an employer having no remaining active members in the Fund.
- Following payment of any cessation debt or the receipt of any cessation surplus, responsibility for all remaining deferred and pensioner liabilities will be shared amongst all remaining active employers in the Fund, unless another Scheme Employer (or group of employers) provides a guarantee that requires them to inherit responsibility for the exiting employer's notional assets and liabilities.

The calculation of the cessation position will depend on which scenario applies. See section 6 for details.

## **5.2 Suspending payment of exit amounts**

At the absolute discretion of the Administering Authority, a suspension notice may be awarded to an exiting employer. This may be for a period of up to three years after the cessation event (the maximum period permitted by the Regulations).

Any application for the Administering Authority to grant a suspension notice will normally only be considered if the following criteria apply;

- The employer can provide evidence that it is likely to admit one or more new active members to the Fund within the period of the suspension notice
- The employer is not a closed Admitted Body, as under the existing admission agreement no new active members would be permitted to join the Fund.
- Any application for the Administering Authority to grant a suspension notice is made within three months of the cessation event.

The Administering Authority reserves the right to withdraw a suspension notice if it is of the opinion that the terms of any agreement to award a suspension notice are not being upheld by the employer.

If a suspension notice is awarded, the cessation valuation will be deferred until the earlier of 1) the end of suspension period or 2) the point at which the suspension notice is withdrawn (for any reason). If one or more new active members are admitted to the Fund, the employer's full participation in the Fund will resume, including the ongoing responsibility for historic liabilities. If no new active members are admitted to the Fund it will seek to recover any cessation debt as per 5.1.

During the period of any suspension notice, the employer must continue to make such contributions to the Fund as certified in the Rates and Adjustments certificate.

## **5.3 Future cessations**

If an employer is aware that it will be leaving the Fund in the future, it should alert the Administering Authority and request an indicative cessation valuation.

If this valuation indicates that a surplus position is likely, then the Actuary will be able to advise the Administering Authority whether a contribution reduction (before the employer ceases) is appropriate. Alternatively, if this calculation indicates a deficit position is likely then the Actuary will be able to advise of any required increase in contributions over the

remaining period of membership. In either case, the Administering Authority has discretion over the funding basis to be used for this calculation.

#### **5.4 Historic cessations**

As required under Regulation 25A of the Transitional Regulations, the Administering Authority reserve the right to levy a cessation debt on employers who have ceased participation in the Fund under previous LGPS regulations, but for whom a cessation valuation was not carried out at the time. In such circumstances, the appropriate approach would be taken in line with the contents of this policy document depending on the relevant circumstances of each case.

### **6. Calculation Basis for cessation events: Crystallisation of cessation amount**

It is the Fund's policy that (unless a suspension notice has been awarded) the determination of any surplus or deficit on termination will be carried out as at the date that the final active member leaves active service/retires. The policy aims to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in the future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.

In each of the following scenarios, the cessation amount is crystallised. This means that once the cessation debt or surplus has been determined, this amount will not be reviewed in future to allow for future events such as market movements or demographic change, although in the event of an exit payment being due, it may be used as a reference point to agree upon a payment plan as per section 7 (if applicable).

#### **6.1 Contractors participating in the Fund under an admission agreement (previously referred to as Transferee Admission Bodies).**

The Fund's policy is to carry out the cessation valuation in this situation in line with the 'ongoing' actuarial valuation basis from the previous valuation (updated for market conditions at the date of exit).

The Regulations require that the contribution rate for the Scheme Employer who awarded the original contract is amended on termination should there be any unfunded liabilities remaining. This may occur if the certified cessation debt due from the ceased employer has not been paid or any amount received from any bond in place has not been sufficient to meet the full cessation debt.

In this case, the original awarding employer is the ultimate 'guarantor' for any legacy liabilities in respect of the ceased employer's liabilities.

If the admission agreement is terminated earlier than the contract period set out in the agreement, then the Administering Authority reserves the right to perform the cessation valuation on an alternative basis as agreed with the original awarding authority.

#### **6.2 All other employers (including Scheme Employers, Designated Bodies, other Admission Bodies)**

##### **(a) No Guarantor Exists**

In the case of an Exiting employer where no guarantor exists, since the Regulations suggest that any unfunded liabilities (at the point of cessation or after the cessation

date) should be met via increased contributions from all other employers in the Fund, the Administering Authority wishes to protect the interests of the other unconnected employers.

The cessation valuation in such a case will be performed on a 'minimum risk' basis (i.e. a gilts basis which does not allow for any outperformance above gilts from other assets such as equities, and with an increased allowance for future mortality improvements above those adopted for the ongoing funding basis at the last actuarial valuation).

If, in the judgement of the Administering Authority, there is a risk of pushing the exiting employer into insolvency by adopting the 'minimum risk' basis, even after allowing for the spreading period (see section 7 below), the Head of Pensions Administration and Relations, with the prior agreement of the Chairman and Vice Chairman of the Pensions Committee and the Chief Financial Officer, may allow the cessation valuation to be performed on a set of financial assumptions that are less prudent than the 'minimum risk' basis. In these circumstances, the asset outperformance assumption will be no greater than half of the asset outperformance used at the previous formal actuarial valuation. In this situation, there will be an increased allowance for future mortality improvements beyond that adopted for the ongoing funding basis at the previous formal actuarial valuation.

(b) Exiting employer has a guarantor

If a scheme employer guarantor does exist or if the exiting employer is able to obtain a legally binding guarantee from a Scheme Employer on cessation which states the guarantor is prepared to absorb the exiting employer's responsibilities on an ongoing funding basis, then the Actuary will calculate the cessation valuation using the ongoing funding basis adopted at the last actuarial valuation (updated for market conditions). This approach is subject to the guarantor Scheme Employer being deemed by the Administering Authority to be sufficiently large and financially secure that the cessation deficit for the exiting employer is not material to the ongoing funding position of the guarantor Scheme Employer.

(c) Treatment of pass-through employers

In the case where the admission agreement with the Fund specifies a full pass-through arrangement, a nil cessation amount will be certified. If an employer enters into an arrangement regarding risk-sharing or pass-through with another Scheme Employer that is not reflected in the employer admission agreement, then a cessation amount will be calculated according to (a) or (b) above and charged to or credited to the exiting employer. The exiting employer will be entirely responsible for claiming from the other Scheme Employer any monies to which the exiting employer is entitled as a result of arrangements not reflected in the admission agreement.

## **7. Payment of any Deficit**

If the actuary determines that there is a deficit at the cessation date and the exiting employer is required to make a payment to the Fund, the Administering Authority will advise the exiting employer of the amount required.

The Fund's policy is for any deficit on cessation to be recovered through a single lump sum payment to the Fund, where possible. The Administering Authority may consider

permitting an Exiting employer to spread the payment over an agreed period, where it considers that this does not pose a material risk to the solvency of the Fund. This repayment period will not exceed the deficit recovery period that applies for any guarantor, or in the absence of a guarantor, that for non-tax raising bodies within the Fund (currently 14 years) and will incorporate within the repayment profile the unwinding of the discount rate implicit in the final deficit payment as agreed with the Fund Actuary. If, however, the proposed repayment period is to exceed 7 years then the Head of Pensions Administration and Relations must obtain the agreement of the Chairman and Vice Chairman of the Pensions Committee and the Director of Finance.

If no guarantor will be in place for the length of time of which the deficit is recovered, the Fund will seek to obtain security which matches or exceeds the level of the outstanding deficit at all times during the period of time it is recovered (i.e. a decreasing amount over time). The form of financial security must be acceptable to the Administering Authority at its absolute discretion. Approved forms of security include a bond with a financial institution, a charge over assets or a Scheme Employer who will act as guarantor for the cessation debt over the extended cessation period.

The first port of call for payment of the deficit is the exiting employer itself and only in the final event of failure to recover from this source would other scenarios be explored.

Unless the cost of doing so is deemed to outweigh the likely recovery to the Fund, the Administering Authority will pursue an Exiting employer (including the liquidator, receiver, administrator or successor body if appropriate) for any deficit. In the event of non-payment, the Administering Authority will also pursue any bond or indemnity provider or guarantor, for payment where appropriate. For academies, this may include seeking to activate the Department for Education's guarantee as outlined within the parliamentary minute from 2013.

In the normal course of events (i.e. where the process above has been adhered to), the exiting employer will not normally be exposed to interest rate, investment or other funding risks after the cessation date. Any late deficit payment will include the addition of interest at the level of the base rate plus 5% per annum between the cessation date and the final payment date(s). However, exceptions to this may need to be made depending on the circumstances of the cessation and must be agreed by the Chairman and Vice Chairman of the Pensions Committee and the Director of Finance.

## **8. Payment of any Exit Credit**

If the actuary determines that there is a surplus at the cessation date, the Administering Authority has discretion to decide upon the level of any Exit Credit payment up to the full surplus value, including on whether to set the value to zero. The Fund's approach to making a determination is to consider the circumstances of the case, as set out in 8.1 and as split below between regulatory considerations and Fund identified considerations, and to apply the principles in 8.2.

However, the points below act only as guidelines and each case will still be decided on its own merits and as such the Fund may differ in its approach where it deems it appropriate to do so.

### **8.1. Considerations**

The LGPS Regulations 64, paragraph 2ZC state that in exercising its discretion to determine the amount of any exit credit, the Fund must have regard to the following:

- a). *the extent to which there is an excess of assets in the fund relating to that employer over the liabilities...;*

*(b) the proportion of this excess of assets which has arisen because of the value of the employer's contributions;*

*(c) any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 to these Regulations [LGPS Regulations 2013 in relation to transferee admission bodies]; and*

*(d) any other relevant factors.*

Further to point d), the Fund considers the following factors as being potentially relevant in making a determination:

i). If the terms of the any admission agreement, service agreement or transfer agreement was determined before May 2018 (i.e. before the Regulations were changed to allow Exit Credits to become payable), the Fund will normally assume that Exit Credits were not considered at that point in time unless than is information available to the contrary;

ii). The type of employer body within the definitions of the LGPS Regulations, its initial funding position and whether or not it is part of a pool.

iii). The approach which was taken to setting that exiting employer's contributions during its participation in the Fund, in particular in terms of any secondary contribution rates and the levels of prudence applied.

iv). The presence, or otherwise, and details of any risk-sharing arrangements provided to the Administering Authority by the relevant parties, including any contractual terms which either directly or indirectly indicate an agreed approach to Exit Credits.

## **8.2. The principles which will apply to reach a determination**

The principles that apply will vary according to an Exiting Employer's classification:

### **Admitted bodies**

a). In the absence of evidence to the contrary, the Fund will assume that for all employer admissions prior to May 2018, it is likely that the understanding of all relevant parties at that point in time would have been that no Exit Credit payment would be due on cessation in any circumstances and this may have influenced the terms agreed (including the absence of any reference to exit Credits);

b). The Fund will normally make an Exit Credit payment in line with any contractual agreements which specifically covers the ownership of Exit Credits/cessation surpluses in a clear, unambiguous way. Similarly, if the Scheme Employer, Guarantor and Exiting Employer agree on an approach to the paying of any Exit Credit at the time of exit, the Fund will normally make a payment in line with that agreement (as long as its payment is still consistent with Regulations);

c). If as a result of any risk-sharing agreement outlined with an admission agreement, service contract or transfer agreement, the exiting employer's participation in the Fund is on a pooled or quasi-pooled basis, whereby it only has responsibility for primary rate contributions, then no

Exit Credit will normally be paid out (with all assets and liabilities remaining the responsibility of the remaining employer or pool).

d). For other types of risk-sharing arrangements, other than that outlined in c), the Fund will consider what approach to paying an Exit Credit would appear consistent with details of the risk-arrangement. This could result in nil, partial or full Exit Credit payment. The Fund will consider the representations made by the parties before making a decision.

e). If the service contract or transfer agreement ended early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the determination of the Fund of the value of the Exit Credit.

f). Where a guarantor arrangement is in place, but no risk-sharing arrangement was entered into:

i). For admissions post May 2018 the Fund will normally assume that the parties had an understanding and awareness of the upside and downside risks involved at the time of admission and it will normally seek to make the Exit Credit to the exiting employer unless other relevant matters apply.

ii). For admissions prior to May 2018, the Fund will seek to determine if it is likely the terms of admission would have been different if legislation applying from May 2018 had been in place at the time of the admission and it will make a decision accordingly on whether to pay the Exit Credit to the exiting employer in full or not.

g). The Fund will consider the differential between employers' contributions paid and the size of the surplus, as required by amended Regulations. However, the Fund will not normally determine the approach to paying Exit Credits on this differential alone without a wider analysis of the risks undertaken by each party.

h). If an admitted body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid in full to the Exiting Employer.

### **Scheduled bodies and designating bodies**

h). Employers within the Town and Parish Councils pool will not normally receive exit credits upon leaving the Fund as the remaining participants of the pool will continue to take responsibility for assets and liabilities after the relevant employer has exited.

i). Similarly, academies which form part of a wider multi-academy trust (MAT) which leave the Fund for whatever reason will not normally be entitled to an Exit Credit and any surplus will remain with the MAT.

j). Normally a scheme employer will only become an Exiting Employer on an ongoing cessation basis if the exit relates to a reorganisation, merger or take-over (as per 5.1.b). In such circumstances, no exit credit will be made as assets and liabilities will be transferred over to the new organisation.

### **8.3. Timeframes, determinations and tax**

The Administering Authority is required to advise the Exiting employer, as well as other relevant Scheme Employer or Scheme Employer guarantor (normally the same body), of its requirement to make an Exit Credit determination under Regulation 64 and to obtain the information outlined in 8.1, as required.

The final decision will be made by the Fund's Head of Pensions Administration and Relations, in conjunction with advice from the Fund's actuary, Section 151 officer and Wiltshire Pension Fund Committee where necessary, in consideration of the points held within this policy.

The Administering Authority will advise the Exiting Employer of the amount due to be repaid and seek to make the payment within six months of the Exit Date. However, in order to meet the six-month timeframe, the Administering Authority requires prompt notification of an employers' exit and all data requested. The Administering Authority is unable to make any Exit Credit payment until it has received all data requested.

At the time this policy was originally produced, the Fund has been informed by HMRC that Exit Credits are not subject to tax and are consider authorised payments, however all exiting employers must seek their own advice on the tax and accounting treatment of any Exit Credit.



## **9. Extended Cessation Arrangements: Non-crystallisation of cessation calculation (only applicable where no guarantor exists)**

The methodology set out in sections 5, 6 and 7 of this policy is the Fund's preferred treatment of exiting employers. Extended arrangements for cessation valuations including delaying the calculation or payment of a cessation debt beyond the date the last active leaves active service within the Fund, other than in the circumstances set out in Section 5.2, may be considered and if approved (at the Administering Authority's absolute discretion), will be managed as set out below.

This section of policy is based on our current understanding of the Regulations and clarification provided to us by MHCLG.

- (1) A cessation debt will be calculated at the date of the cessation event on the Fund's 'ongoing' actuarial basis and this amount will be due from the exiting employer immediately. The same terms for repayment of this debt will apply as in specified in 6.
- (2) The Fund Actuary will calculate the value at risk after the 'ongoing' cessation debt payment arrangements are made, by assessing the potential cessation deficit that may arise on the 'minimum risk' basis over the next 3 years.
- (3) The exiting employer must provide an appropriate form of financial security to Wiltshire Council as administering authority to the Wiltshire Pension Fund for the amount of the value at risk. The form of financial security must be acceptable to the Administering Authority at its absolute discretion. Approved forms of security include a bond with a financial institution, a charge over assets or a Scheme Employer who will act as guarantor for the cessation debt over the extended cessation period.
- (4) The value at risk will be re-calculated at each triennial valuation and the security arrangements reviewed to ensure the outstanding value at risk is covered.
- (5) A contribution plan targeting full payment of the outstanding cessation debt calculated on the 'minimum risk' basis by a fixed date not later than the deficit recovery period that applies for non-tax-raising bodies within the Fund (currently 14 years) after the original cessation event will be assessed at the cessation event and re-calculated at each triennial actuarial valuation by the Fund Actuary taking account of all previous payments. The Administering Authority shall require the exiting employer to enter into such agreements and other documents in the Administering Authority's standard form as are (in the Administering Authority's opinion) required to effect the extended cessation arrangement.
- (6) The extended cessation arrangement will be terminated (at the "termination date") and the full amount of any outstanding cessation debt calculated on the minimum risk basis on the termination date will become due immediately in any of the following circumstances:
  - a. At a termination date requested by the exiting employer with a minimum notice period of 1 month;
  - b. If the exiting employer fails to meet contributions under the contribution plan;

- c. If the exiting employer is no longer able to provide appropriate security to the value required; or
- d. At a date, notified to the exiting employer with a minimum notice period of 3 months by the Administering Authority, which will be not later than 14 years after the original cessation event.

(7) All legal and actuarial costs incurred by the Fund in the process of maintaining the above extended cessation arrangements will be met by the exiting employer.

Any employer entering into extended cessation arrangements will be exposed to funding risks after the date of the cessation event. Employers could end up paying more to the Fund than the 'minimum risk' cessation amount calculated as at the cessation date.

## **10. Ongoing Management of liabilities after settlement of cessation debts**

It is the policy of the Fund to avoid 'orphaned' liabilities and assets which can occur in the following situations:

- a) The former employer no longer exists; or
- b) The former employer still exists, but they have paid off a cessation valuation in full, so there is no further recourse to them.

In these situations, the issue remains of where the former employer's liabilities (which don't cease until the last pensioner dies) and investment assets reside within the Pension Fund's unitised structure. The approach for dealing with this is as follows:

- a) Where there is a guarantor which is also an employer within the Fund, it is the Fund's policy that they will take the legacy (deferred and pensioner) liabilities and assets into their own valuation group for the purposes of future actuarial valuations. This can also be a way of spreading the cost of any remaining deficit that the guarantor may be picking up, because the liabilities (and assets) become merged with the guarantor's existing liabilities/assets for valuation and contribution rate purposes.
- b) Where there is no guarantor, another existing employer within the Fund, such as the original ceding employer (in the case of old Community Admission Bodies) or some other organisation with close links to the former employer will be sought to similarly absorb the legacy (deferred and pensioner) liabilities and assets.
- c) If no other employer within the Fund has links to the former employer, the former employer's assets will be ring-fenced until the last pensioner dies and any emerging deficit or surplus will be allocated across all current employers in the Fund at that date in proportion to their liabilities.

**Approved at Wiltshire Pension Fund Committee on 26 March 2020**

## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

26 March 2020

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## **TREASURY MANAGEMENT STRATEGY 2020-21**

### **Purpose of the Report**

1. This report seeks Members' approval for the 2020-21 Treasury Management Strategy for the Wiltshire Pension Fund, as shown in the attached Appendix.

### **Background**

2. As the Committee is aware, the Fund has its own bank account, which is separate from Wiltshire Council's bank accounts. This was implemented in April 2009, at the same time as the Fund gained its own accounting entity with the introduction of the SAP system. Separate bank accounts became a requirement of the Local Government Pension Scheme Regulations from 1 April 2011.
3. Following concerns about "co-mingling" of local authority and pension fund cash balances, and the associated risk of cross-subsidy, the same Regulations require that the two sets of cash investments are also managed separately. This separation has been in place since 2010/11.
4. CIPFA defines treasury management as:  
*"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

### **Considerations for the Committee**

5. The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in exceed the pensions, transfers-out and costs paid out. Any surplus cash accumulated (Trowbridge Cash) is sent to one of the Fund's investment managers, although a float of approximately one month's cash requirement (£6 - £10 million) is held for cashflow purposes.
6. The Fund has several money market funds and call accounts open to ensure the Funds are not all held with one counterparty, thereby spreading the risk.
7. When preparing this strategy officers liaised with Wiltshire Council's Treasury Management Team to ensure the strategy remains appropriate. There have been no major changes proposed to the Wiltshire Council Treasury Strategy for 2020-21.

## The key points of the Treasury Management Strategy

8. The key points of the Strategy (see attached) are:
- a) The Fund will aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.
  - b) The monies will be invested separately from the Council's and the Fund will receive the actual interest earned.
  - c) The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to a maximum of £3m with any single counterparty. The current limit is £6m, but this is being revised down to £3m in order to adequately spread the risk, bearing in mind the amounts of cash held. This may take time to implement as it will be necessary to open some additional accounts.
  - d) Given the nature of Trowbridge Cash (i.e. short-term working capital nature), the investments will only be made either in:
    - i. Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out in the Strategy; or
    - ii. Money Market Funds managed by an approved investment manager.
  - e) The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
  - f) The Fund is not permitted to borrow under the regulations, except by way of a short-term loan or overdraft from a bank (repayable within 90 days), and then only in exceptional circumstances where funds are required for:
    - i. Paying benefits due under the Scheme; or
    - ii. Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.
  - g) The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement.
  - h) As at the time of writing, the current list of providers was as follows...

Name of counterparty	Type	Credit rating	Current rate of interest	Interest earned 2018-19 (£)	Interest earned ytd 2019-20 (£)
HSBC	Overnight account	A+	0.60%	2,336	4,503
Black Rock	Money market account	AAA	Variable	17,173	19,422
Aberdeen	Money market account	AAA	Variable	24,470	36,369
Handlesbanken UK	Call Account	AA	0.65%	301	169

- i) Going forward the Treasury Management team will report annually on the counter parties available to the Fund, the cash balances held, and interest received against each of the them. TM team will come to committee to present their report.
- j) There is an option to review and devise proper acceptable limits to the amount of cash that is held with each Counter Party.
- k) Officers of the Fund will review the strategy annually.

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

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

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

10. This has been dealt with in this paper. The implementation of this Treasury Strategy mitigates the risk PEN016: Treasury Management outlined on the Wiltshire Pension Fund risk register which outlines the risk as being “*A lack of effectiveness in respect of the Fund's Treasury Management Services*”. Having a segregated treasury function means that the Fund is exposed to counterparty risk which could affect the Funding level of the Fund. In order to mitigate this risk, it is essential to have an effective treasury management strategy in place that is subject to regular annual review.
11. The Wiltshire Pension Fund Treasury Management Strategy follows the same criteria as that of Wiltshire Council but with lower counter party limits. The Fund currently has a maximum counterparty limit of £6m. From 2020-21 we will be revising this down to £3m due to the size of the balances held.

### **Proposals**

12. The Committee is asked to approve the attached Treasury Management Strategy.

ANDY BROWN  
Treasurer to the Pension Fund

Report Author: Rozalyn Vernon, Fund Investment & Accounting Manager.

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

# WILTSHIRE PENSION FUND TREASURY MANAGEMENT STRATEGY

### Operational Context

1. The Fund has net inflows from its dealings with its members, so in any month, the income from contributions and transfers-in exceed the pensions, transfers-out and costs paid out.
2. Approximately one month's cash requirement (£6 - £10 million) is held back as a float for cashflow purposes.

### Regulatory Context

3. The Fund will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force 1 November 2016. From 1 April 2010 Wiltshire Pension Fund has not pooled pension fund cash with Wiltshire Council's own cash balances for investment purposes.

4. The Fund will also have regard to:

- a) The Ministry of Housing Communities and Local Government's (MHCLG's) Guidance on Local Government Investments (["the Guidance"](#)) issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018 and any revisions to that Guidance;
- b) The 2017 revised CIPFA Treasury Management in Public Services Code of Practice (["the CIPFA TM Code"](#)); and Cross Sectoral Guidance Notes;
- c) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any revisions to these regulations.

### Investment Policy

5. The general investment policy of the Fund is the prudent investment of any surplus cash balances, the priorities of which are:
  - a) The security of capital; and
  - b) The liquidity of investments.

The Fund will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.

6. All cash investments will be in sterling.

7. The monies will be invested separately from the Council's and the Fund will receive the actual interest earned. Monies will be paid out of and received back into the Pension Fund bank account.

8. Trowbridge Cash will target a range of £6 - £10 million, with the highest balances held between the 19<sup>th</sup> of the month (i.e. when all contributions must be paid over by employers) and 25<sup>th</sup> of the month (pensions payroll). The float held in-month for cashflow purposes will target £6 - £8 million. For the avoidance of doubt, these are indicative amounts, not absolute limits.

9. The Pension Fund will use the same criteria for maximum duration limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:

a) A maximum of £3 million with any single counterparty.

b) No investment will be made in the same money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.

c) The Pension Fund's limits are in addition to Wiltshire Council's own limit in any single counterparty.

10. Given the nature of Trowbridge Cash (i.e. short-term working capital nature), the investments will only be made either in:

a) Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out below; or

b) AAA-rated Money Market Funds managed by an approved investment manager.

11. Direct investments with counterparties are not permitted (e.g. direct deals with banks or other local authorities for fixed time periods).

12. The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.

13. Wiltshire Council's latest Treasury Management Strategy (2020-21) went to Cabinet on 4<sup>th</sup> February 2020. The full paper is available from the Wiltshire Council Cabinet reports can be found on the following [link](#):

### **Borrowing Policy**

14. The Fund is not permitted to borrow under the regulations, except by way of a short-term loan or overdraft from a bank (repayable within 90 days), and then only in exceptional circumstances where funds are required for:

i. Paying benefits due under the Scheme; or

ii. Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.

### **Management Arrangements**

15. The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement. All treasury management activity related to the Pension Fund will be reported to the Head of Pension Fund Investments on a quarterly basis. This includes the Head of Pension Fund Investments being informed of any specific concerns relating to any of the counterparty providers.

16. The Treasury Management Team will consult with the Head of Pension Fund Investments regarding any potential change of Counter Party Provider.

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