

# AGENDA

**Meeting:** Wiltshire Pension Fund Committee  
**Place:** [Access meeting online here](#)  
**Date:** Thursday 24 September 2020  
**Time:** 10.30 am

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## Membership:

### Voting Membership

#### Wiltshire Council Members:

Cllr Pauline Church (Vice-Chairman)  
Cllr Tony Deane (Chairman)  
Cllr George Jeans  
Cllr Gordon King  
Cllr Christopher Newbury

#### Substitute Members

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

#### Swindon Borough Council Members

Cllr Robert Jandy  
Cllr Steve Allsopp

#### Substitute Members

Cllr Brian Ford

#### Employer Body Representatives

Chris Moore

### **Non-voting Membership**

#### Observers

Mike Pankiewicz  
Stuart Dark

## **Recording and Broadcasting Information**

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## **Public Participation**

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

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

## **PART I**

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

1 **Membership**

To note 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 16 July 2020.

4 **Review of Actions Log** *(Pages 21 - 22)*

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.

[Guidance on how to access this meeting online can be found here.](#)

#### **Statements**

Members of the public who wish to submit a statement in relation to an item on this agenda should submit it to the officer named on this agenda no later than 5pm on Monday 21 September 2020.

Statements should:

- State whom the statement is from (including if representing another person or organisation)
- State clearly the key points
- If read aloud, be readable in approximately 3 minutes

Statements in accordance with the Constitution will be included in an agenda supplement.

#### **Questions**

Those wishing to ask questions in relation to an item on this

agenda are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on Thursday 17 September 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 Monday 21 September 2020. Please contact the officer named on the front of this agenda for further advice.

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 Pension Board**  
*(Pages 23 - 32)*

To consider the Part 1 (public) minutes, and recommendations arising, from the Local Pension Board meeting held on 6 August 2020.

9 **Training Item on Investments**

To receive a presentation from Mercer, including the work commissioned on Climate Change modelling.

10 **Scheme, Legal, Regulatory and Fund Update** *(Pages 33 - 42)*

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

11 **Budget Monitoring** *(Pages 43 - 46)*

To receive a report outlining the budget monitoring for the period 1 April 2020 to 30 June 2020.

12 **Fund Annual Report and Accounts** *(Pages 47 - 128)*

To receive a report updating members on the draft Annual Report and Accounts 2019-20.

13 **Key Performance Indicators (KPIs)** *(Pages 129 - 140)*

To receive a revised report summarising the latest KPIs in a changed format for the period 1 April 2020 to 30 June 2020.

14 **Annual Benefit Statements** *(Pages 141 - 144)*

To receive a report from officers summarising the outcome of this year's ABS exercise for the year ending 31 March 2020.

15 **Pension Fund Risk Register** *(Pages 145 - 148)*

To receive a verbal update highlighting the changes to the Risk



Register.

16 **Administering Authority Discretions Policy** (Pages 149 - 154)

To receive a report from officers proposing changes to the existing Policy.

17 **Fraud Risk Prevention & Mitigation Measures** (Pages 155 - 160)

To receive a brief report setting out the risks experienced by the Fund & the mitigation implemented to combat fraud.

18 **Look Forward Plan Review** (Pages 161 - 166)

To consider the plan for the remainder of 2020-21.

19 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 17 December 2020.

20 **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.

21 **Exclusion of the Public**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 22 – 26 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**

22 **Fund Data Security, Cyber Resilience & Business Continuity Planning** (Pages 167 - 220)

A paper outlining the Fund arrangements with its two key software providers & its compliance with the Regulator's guidance.

23 **Brunel Pension Partnership Update** *(Pages 221 - 290)*

To receive a report by the Investment Manager on the Brunel Pension Partnership governance arrangements.

24 **Minutes and Key Decisions of the Investment Sub-Committee and Local Pension Board.** *(Pages 291 - 304)*

To receive the Part 2 (private) minutes, and consider recommendations and discussions arising, from the last meetings of the Investment Sub-Committee (to follow) and Local Pension Board.

25 **Investment Quarterly Progress Report** *(Pages 305 - 344)*

To receive a report in relation to the Fund's investment performance to 30 June 2020.

26 **Minutes** *(Pages 345 - 356)*

To confirm the Part 2 (confidential) minutes of the meeting held on 16 July 2020.

**Close**

## Wiltshire Pension Fund Committee

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### MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 16 JULY 2020 AT ONLINE MEETING.

#### Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Fletcher, Cllr Robert Jandy (Substitute), Cllr Gordon King, Cllr Christopher Newbury and Mike Pankiewicz

#### Also Present:

Andy Brown, Richard Bullen, Cllr Pauline Church, Andy Cunningham, Jennifer Devine, Cllr Gavin Grant and Mark Spilsbury

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#### 148 Membership

The following changes in membership were noted:

- Diane Hall had stepped down as a member of the WPFC and officers were in the process of seeking a replacement.
- Cllr Pauline Church, at the Full Council meeting on the 21 July, was due to be appointed as the Cabinet Member for Finance & Procurement Commercial investment, and replace Cllr Simon Jacob as Vice Chairman of the WPFC.
- Cllr Robert Jandy, Swindon, had been appointed to the WPFC as a full committee member, replacing Cllr Brian Ford.

#### 149 Apologies for Absence

Apologies were received from:

Cllr Simon Jacob

Stuart Dark

#### 150 Minutes

##### RESOLVED

The part 1 Minutes of the meeting held on the 26 March 2020 were approved as a true record.

151 **Review of Actions Log**

Richard Bullen, Fund Governance & Performance Manager, introduced the item noting that all actions that were due to be reviewed were include in the agenda.

**RESOLVED**

**The actions log and forward plan for 20/21 were noted.**

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

The Chairman introduced Mark Spilsbury as the new Chairman for the Local Pensions Board for Wiltshire Pension Fund.

Mark drew attention to the minutes of the last Board meeting commenting that:

- Minute 36 – the Board was pleased that despite the impacts of Covid-19, it was largely business as usual for the Pensions teams as a result of good technology available to officers.
- Minute 38 – It was accepted that some of the audits would slip due to Covid-19 although the Board was keen for the 3 outstanding audits to be prioritised and completed.
- Minute 42 – the Board had previously agreed to remove PEN011 – lack of expertise of pension fund officers and service director, following the appointment of the new Finance Director & S151 officer, Andy Brown. Although now they believed that the risk should remain due to the restructure within the pension investment team.

**RESOLVED**

**The part 1 minutes of the Local Pension Board meeting held on the 21 May 2020 were approved.**

153 **Chairman's Announcements**

The Chairman noted that he was pleased with how the Pension Team had responded to the impacts of Covid-19 and was keen to get back to face to face meetings.

154 **Declarations of Interest**

There were no declarations of interest

155 **Public Participation**

One public statement had been received which was included in the agenda and read out by Ellen Ghey, Democratic Services Officer.

Jenny Devine, Head of Pension Fund Investment, gave a verbal response which outlined the following points:

- The Pension Fund assessed all risks, including climate change risk, and believed that investing sustainably was essential for delivering positive investment returns in the future, which was something the WPFC needed to consider as a long term investor.
- The investment strategy statement would be communicated to all managers, and they would be expected to invest in line with that.
- The WPF would naturally expect exposure to fossil fuel companies to come down over time and the carbon footprint to improve. If this did not happen, the managers and Brunel would be questioned to understand why. This is explained in more detail in the Investment Strategy Statement.
- This was a developing area and the Fund was refining its approach. Climate change modelling would take place later in the year which may lead to more specific targets.

The Chairman noted that the Fund had been reducing its exposure to fossil fuels since 2015.

#### 156 **Minutes and Key Decisions of the Investment Sub-Committee**

This item was addresses in part 2.

#### 157 **Training Item on Investment Risk**

The Chairman introduced Stephen Lee, Ninety-One (formerly Investec), to give a training presentation on investment risk. Key topics of the training included:

- Regulations & key documents – funding strategy statement, investment strategy statement;
- Key risks – Equity, liability, active manager, exchange rates and climate;
- Climate Risk – accelerated investment needed to get to 2 degrees, carbon footprinting and scope 1,2 & 3

Member questions focused on: the intention of including security lending in the portfolio and how that fitted within the risk profile; Where the fund was regarding liabilities and funding levels; How long before good scope 3 data was available; How would covid-19 impact transition and transport going forward;

In response it was noted that: the fund had stopped investing in security lending due to moving to a portfolio which did not offer security lending, although the fund was looking to re-start investing in that area later in the year; Unaudited information as at the end of June 2020 noted that the value of the assets dipped down to £2.5billion as at the 31 March 2020, that was now back up to £2.8 billion and the funding level was 96% funded which was positive; The disclosure of scope 3 data was improving although it was a complicated process that needed investment such as partnerships/ contracts that enabled access to carbon footprinting data; Transport and transition has been impacted with more people using their cars, although companies were also enabling employees to work from home and holding virtual meetings which had reduced travel.

Members commented to say that it was a very good presentation although in the future members would like more information on investment risk.

The Chairman thanked the members of Ninety-One for their presentation.

#### 158 **Local Pension Board Annual Report 2019-20**

Richard Bullen introduced the item and drew attention to a recommendation from the Local Pension Board that substitute committee members should seek to maintain a sufficient level of knowledge & understanding in order for the Fund to comply with its MiFID II status as a professional investor. Discussion took place on whether substitute members, as well as all Committee members should annually self-certify their maintenance of the knowledge & understanding required in relation to investment matters.

#### **RESOLVED**

**The Local Pension Board Annual Report 2019-20 was noted and it was agreed for the report to be published.**

**Members agreed with the Local Pension Board's recommendation that Substitute Committee Members should self-certify annually that they remain MiFID II competent.**

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

Andy Cunningham, Head of Pension Administration & Relations, introduced the item and noted the key points as:

- There had been many delays at the national level in areas such as legislation developments due to Brexit and Covid-19.
- The McCloud case was still progressing and a consultation was due to be released this month on the proposal for the LGPS. Officers hoped that once the consultation was released, they would have a better understanding of what it will be about and how they can respond to it.

- From an operational view the fund was well placed and had largely been able to continue with business as usual.
- The terms of reference review for the LPB and the committee had passed the first two stages of the review and were now due to go to full council for approval.
- On-boarding employers to i-Connect was on-going with around 40% of the active employers completed. It was hoped that close to 100% would be on-boarded by the end of the financial year.
- Last year 95% of the benefit statements, this year there was a target of 99% although the Fund may fall short of this target.
- A review of the ill health insurance policy, looking at an alternative way to provide similar cover, which is more cost effective for employers. Work was being done with the actuary and a proposal would be brought back to committee.

## **RESOLVED**

**The report was noted.**

### 160 **2019-20 Budget Outturn**

Jenny Devine, briefly introduced the report and invited questions.

Members noted that it was a fair representation.

## **RESOLVED**

**The report was noted.**

### 161 **Fund Annual Report and Accounts**

Jenny Devine introduced the report noting that the annual report would be published online with unaudited accounts. The pension accounts were complete and satisfactory, although because they are audited as part of the Council's accounts, there were delays in finalising the audit due to issues with the Council's accounts.

Due to COVID-19, auditors made a special requirement that the annual report included a Going Concern Statement which the trustees of the fund were required to sign. There being no official trustees, the WPFC, who acted in a trustee capacity, were asked to approve the Going Concern Statement.

It was also noted that the annual report would include a statement on climate change risk to make this information more accessible for users.

Andy Brown assured members that the delay in signing off the accounts related to issues with the council's accounts and not the pension accounts.

## **RESOLVED**

**Members noted the status of the audit of the 2019/20 accounts;**

**Members approved the going concern statement in Appendix 1, and authorised officers to make minor amendments to the statement if deemed necessary by the auditors;**

**Members approved the climate change statement and report in Appendix 2;**

**Members approved the process for publication of the 2019/20 annual report.**

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

Andy Cunningham informed members that the focus of officers was on making long term improvements to processes, particularly i-Connect, which would benefit the annual benefit statement statistics in 2021 and onwards.

Within disclosure regulations the deferreds disclosure level had increased significantly due to a change in process. Some other KPI areas had temporarily dropped due to staff focusing on i-connect and those KPI's were expected to increase again.

The Pension Regulator (tPR) focused on active member benefit statement percentages which was also a focus for the team. The fund was in a good place in terms of scrutiny at a national level.

It was noted that the team had set themselves aspirational targets, which were set out in appendix 3, they were set by the team and not the regulators. Part of the issue was the lack of staff resources, although additional resources were approved as part of the budget and two new recruits had recently been appointed and would start in the next couple of months. It was key for officers to stream line the processes and implement policy changes in order to be more effective.

The Local Pension Board Chairman, Mark Spilsbury, noted that the local targets for Wiltshire were very tight compared to other authorities and was convinced that nationally Wiltshire was above average. I-connect was critical to improving the administration of the fund and it was key for the team to be well resourced.

Comments were made on whether the targets set were too aspirational and officers agreed to review them and bring back revised ones to a later meeting.

## **RESOLVED**

**The report was noted**



## 163 **Investment Strategy Statement (ISS)**

Jenny Devine gave a brief introduction and invited questions.

A question was asked on whether there was a action plan for investment in China;

In response it was noted that there were no specific action plans on investments in China within the ISS, due to the broad strategic nature of the document, it would be left with the relevant managers to manage.

A recommendation on future training in impact investing was made and officers noted that they would take it into consideration. Mercer were also conducting a study to look at sustainability options.

A question was asked in relation to COVID-19 and potential impact of the long term exposure to commercial property, in that technology may change behaviour in the long term such as investors moving away from offices and large scale retail.

In response it was noted that those potential issues were already being looked at and frequent conversations were taking place with managers and how they were managing those risks in their portfolios. Officers agreed to bring more information back to committee.

It was recognised that China and the Eastern economies had and continued to grow substantially with increased tensions with the US. Shifts in behaviour had been accelerated by COVID-19 such as fewer people returning to the office, changes in transport and retail behaviour, which would impact the portfolios, although managers were aware and already considering the changes.

### **RESOLVED**

**The draft ISS was approved and officers were authorised to update the ISS to reflect the decision made regarding the interim private debt portfolio.**

## 164 **Internal Audit Update**

It was noted that the internal audits commissioned by the Pension Fund Committee in December 2019 for the Scheme Year 2020/21 had been submitted to the Audit Committee, although no details of their timetable for completion had been outlined. Officers planned to liaise with SWAP to determine where in their timetable the pensions audits would take place and ensure that all commissioned audits would be included.

Andy Brown noted that the changes to the internal audit plan were primarily for the Council audits. Officers recognised that the relationship with SWAP was primarily with the council and that the pension fund required its own checks and

assurances. Officers would work with SWAP to examine how those arrangements would work going forward and would look at the best practice approach taken by other local authority funds concerning their MiFID II compliance.

There were no risks of missing deadlines as the commissioned audits related to process reviews.

## **RESOLVED**

**The Members noted the update and officers planned actions to liaise with SWAP to timetable commissioned audits, and to make enquiries with SWAP concerning the scope of any MiFID II audits they had been asked to undertake by other pension funds.**

### 165 **New Employer Policy**

Andy Cunningham introduced the policy noting that the new employer policy was created to bring all of the information relevant to employers together into one document to create greater transparency. There was a focus to have the appropriate securities in place such as scheme employer guarantees.

The policy had been taken to the Local Pension Board to provide transparency and best practice.

Cllr Steve Allsopp questioned whether the change to section 5.3b required members to declare an interest. For avoidance of doubt Cllr Allsopp declared a non-pecuniary interest as a member of the Central South Swindon Parish Council and referred to paragraph 5.3b.

In response it was noted that the change had been made due to town and parish councils having greater responsibilities and delegations, resulting in them having more employees and conducting more outsourcing, which created more risk within the pool. It was a new scenario that officers had identified growing over the last year.

## **RESOLVED**

**The new employer policy was approved.**

### 166 **Pension Fund Risk Register**

Richard Bullen gave a brief introduction to the report noting that the Local Pension Board had reviewed the changes made to the risk register. The Board had accepted all the changes except PEN011 - lack of expertise and recommended it remained amber. This was due to a restructure of the Fund's investment team, although it was noted that there was not a lack of expertise, the risk was related to key personnel which could lead to a vulnerability for the Fund.

A question was asked on whether the cyber security risk should be increased to amber. It was noted that a report on cyber security would be taken to the Local Pension Board on the 6 August, to consider whether the Fund was meeting their obligations in accordance with the Pension Regulators to ensure the Fund had the correct protocols and assurances in place. A recommendation on the appropriate level of the Fund's risk rating would then be brought to the next committee meeting.

## **RESOLVED**

**Changes/ actions to the risk register were approved.**

### 167 **tPR Code of Practice No. 14**

Richard Bullen introduced the item noting that each year officers assessed the Fund against its compliance with the Pension Regulator's code of practice 14. It was highlighted that for the third year in a row there was an improvement in the Fund's compliance with only eight areas now being identified as requiring improvement and noting that action plans were in place to address them.

As part of SWAP's internal audit for 2019 a recommendation was made that officers sample tested the code of practice responses provided by managers, to ensure that the responses were evidence based. In the absence of guidelines concerning the scope of the sample to be tested, officers selected a cross section of green responses & then sought evidence to support that response. In all but three of the samples selected, evidence to support the responses could be identified, however in the other three areas it was noted that additional measures would need to be introduced. These areas were;

- Evidence of Board members investing sufficient time in learning & development;
- Evidence of member data processes being compliant with GDPR (in relation to system access); &
- Evidence of the Fund's communications strategy ensuring delivery of its pension provision to its members.

It was noted that the Fund remained compliant, the activity aimed to create a more robust process to gather evidence to support compliance.

## **RESOLVED**

**The report was noted**

### 168 **Urgent Items**

There were no urgent items.

### 169 **Date of Next Meeting**

The next meeting of the WPFC would take place on the 24 September 2020.

170 **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 24-28 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.

171 **Brunel Oversight Board Meeting Minutes**

**RESOLVED**

The Members noted the minutes of the Brunel Oversight Board.

172 **Investment Quarterly Progress Report**

Jenny Devine gave an update on the performance of the fund's investments.

**RESOLVED**

Members noted the report

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

**RESOLVED**

The restricted minutes of the Investment Sub Committee held on the 2 July 2020 were approved.

174 **Minutes**

**RESOLVED**

The restricted minutes of the Wiltshire Pension Fund Committee held on the 26 March 2020 were approved.

175 **Treasury Management Annual Report**

**RESOLVED**

Members noted the report.

(Duration of meeting: 10.30 am - 2.00 pm)

The Officer who has produced these minutes is Craig Player of Democratic Services,  
direct line 01225 718259, e-mail [ellen.ghey@wiltshire.gov.uk](mailto:ellen.ghey@wiltshire.gov.uk)

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**Wiltshire Pension Fund Committee - Actions Log**

<b>Minute reference</b>	<b>Section</b>	<b>Meeting Action</b>	<b>Task owner</b>	<b>Target date for completion</b>	<b>Date completed</b>
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	16/07/20
64 (03/10/19)	Administration	Officers to implement the strategy to improve the issuance of member Benefit Statements	AC	31/08/20	Agenda item 15
65 (03/10/19)	Governance (Audit)	Officers to sample test responses from Managers in accordance with the auditor's recommendation	RB	31/07/20	16/07/20
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	JD	24/09/20	
72 (03/10/19)	Administration (AVCs)	Future AVC reporting should recommend whether AVC investment choices need to altered	JD	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	01/08/20
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	01/08/20
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	

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	
126 (26/03/20)	Actuarial (Valuation Report)	To note that officers & actuary will be providing valuation information to the SAB, MHCLG & GAD	AC	30/06/20	Hymans provided information w/b 08/06/2020
131 (26/03/20)	Governance (Business Plan)	To receive an updated report on the progress of the Business Plan at the next meeting	AC	16/07/20	16/07/20
132 (26/03/20)	Governance (Risk Register)	To note the attached Risk Register and note the changes/actions made by officers in points 7 to 10 to the Committee	RB	16/07/20	16/07/20
135 (26/03/20)	Governance (Employer Cessation Policy)	To approve this policy subject to a consultation with employers being undertaken in April 2020 and no material issues being raised	AC	16/07/20	16/07/20
158 (16/07/20)	Governance (MiFID II)	Members agreed with the Local Pension Board's recommendation that Substitute Committee Members should self-certify annually that they remain MiFID II competent	RB	17/12/20	Agenda item 10
163 (16/07/20)	Investment (ISS)	The draft ISS was approved and officers were authorised to update the ISS to reflect the decision made regarding the interim private debt portfolio	JD	24/09/20	
164 (16/07/20)	Audit (SWAP)	Officers to liaise with SWAP to timetable commissioned audits and to make enquiries with SWAP concerning the scope of any MiFID II audits they had been asked to undertake by other pension funds.	RB	30/09/20	



## Local Pension Board

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### MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 6 AUGUST 2020 AT ONLINE MEETING.

#### **Present:**

Cllr Richard Britton, Mike Pankiewicz, Barry Reed and Mark Spilsbury

#### **Also Present:**

Andy Brown, Richard Bullen, Cllr Pauline Church, Andy Cunningham, Cllr Tony Deane, Jennifer Devine and Ellen Ghey

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#### 53 **Membership**

The following changes in membership were noted:

- Barry Reed had stepped down as a member of the Local Pension Board;
- Officers were in the process of seeking a replacement and had contacted the Unions to put forward a recommendation for another representative, it was hoped the new Member would attend the next LPB meeting in October 2020.

The Chairman thanked Barry for his contribution to the Board and wished him well.

#### 54 **Attendance of non-members of the Board**

It was noted that there were two non-members of the Board in attendance:

Cllr Tony Deane

Cllr Pauline Church

#### 55 **Apologies**

Apologies were received from:

Rod Lauder

Ian Jones

Paul Smith

56 **Minutes**

**Resolved**

**The Part 1 (public) minutes of the previous meeting held on 21 May 2020 were approved as a true and correct record and the Board's action log was noted.**

57 **Declarations of Interest**

There were no declarations of interest.

58 **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.

59 **Public Participation and Councillors Questions**

There were no statements or questions from the public or Councillors.

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

**Resolved**

**To note the Part 1 (public) minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 16 July 2020 and 2 July 2020.**

61 **Scheme legal, regulatory and Fund update**

Andy Cunningham, Head of Pension Administration and Relations, presented a report on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

The three main areas of focus were; reforms to public sector exit payments, cost cap mechanism and the McCloud case, and the Good Governance Project.

Following a consultation on reforms to public sector exit payments in 2019, HM Treasury recently responded confirming that they were going ahead as originally planned. The Scheme Advisory Board had been involved with the working group and were starting to get some insight on the reforms. As this was a change to primary legislation, there would be a need to change the secondary legislation such as the LGPS regulations. No action would be taken until further details were available.

The changes to the Scheme relating to McCloud and the cost cap mechanism were discussed. The McCloud consultation, specifically related to the LGPS, was live and due to close in October. The details of the consultation were in line

with officer expectations and officers have put in place an internal project team to analyse the likely resourcing needs and administrative impact of the final legislation, looking at what actions could be taken now and later.

From the cost perspective and based on estimates from the actuary at a national level, it was commented that there were not any significant changes or concerns. Contribution rates would be looked at during the next valuation as there would not be any material financial impact on the funding level at present. The cost cap mechanism had previously been postponed due to the McCloud case, now that the McCloud case has progressed, the cost cap would be looked at again. Officers would monitor the review as it could result in Scheme changes.

There were no specific updates regarding the Fund's COVID-19 response and it was noted that it was continuing for the most part as business as usual.

The Local Pension Board (LPB) and Wiltshire Pension Fund Committee (WPFC) Terms of Reference (ToR) were approved at the Full Council meeting on 21 July 2020. The ToR and Governance Compliance Statement for the Investment Sub-Committee (ISC) were in the process of being reviewed.

Officers had set themselves a target to issue 99% of benefit statements by the end of year (from 95% last year). This was unlikely to be achieved and instead a figure of 96-98% was expected.

A review of the employer ill health insurance policy would be taking place, looking at an alternative way to provide similar cover, which is more cost effective for employers. Work was being done with the actuary and a proposal would be brought back to Committee.

In response to a question from the Board regarding McCloud and refining the numbers to downgrade the risk in the register, it was noted that the administrative impacts were more significant than the financial. However, the financial impact was dependant on a lot of future unknowns such as salary increases which was based on actuary assumptions and therefore uncertain. It was stated that once the administrative impacts had been fully analysed and further information available then the risk could be reviewed again.

## **Resolved**

**To note the scheme, legal, regulatory and Fund update.**

### 62 **Training item**

Richard Bullen, Fund Governance and Performance Manager presented the training item on the National Fraud Initiative and Certificate of Existence Exercise.

Within the training item, the mortality screening process, the services provided by Target Professional Services, existence exercise for the overseas pensioners, and the LGPS National Insurance Database were discussed.

The differences between the mortality register and access to records between the UK and overseas, alongside the methods of determining the death of a member were discussed.

The Chair questioned how the Fund used the database to prevent duplicate grant payments in the case of a member's death. In response, officers discussed the communication and escalation processes between themselves and other Funds, as well as record checking to ensure that correct amounts are paid out.

### **Resolved**

**To note the training item as detailed above.**

### **63 Fund Annual Report and Accounts and Audit Update**

Jennifer Devine, the Head of Pension Fund Investments, gave an update on the Fund's annual report and accounts.

It was noted that there was a more detailed version of the report currently being produced which would be ready in September.

Andy Brown, Director of Finance and Procurement, provided reassurance to the Board that the delays in signing off the 2018/19 accounts related to the Council's accounts and not the Board's.

### **Resolved**

**To note the update on the 2018/19 and 2019/20 audits, and to approve the process for the approval and publication of the annual report.**

### **64 Internal Audit Update**

Jennifer Devine, the Head of Pension Fund Investments gave an update on the Internal Audit into Pension Fund investment transfers.

It was noted that this was the same audit as conducted the previous year, and was specifically looking at Wiltshire Council's processes to ensure they were appropriate and adequate, but did not extend to Brunel's processes. It was commented that the auditors (SWAP) were requested to come back due to the continual development of the area. SWAP made a recommendation that officers ensured that Brunel shared their cost transparency information with them in a timely manner, which was welcomed by officers.

The Board sought clarification on the transfer 1 and transfer 2 figures outlined in the report. It was clarified that the transfer 1 figures included contributions from

several Fund's for the launch of a new portfolio and was therefore a larger total transfer with different assurance processes and reporting. Comparatively, transfer 2 only involved the WPF transitioning into an existing portfolio; so although larger for Wiltshire, was much smaller overall.

Further questions were asked as to comments within the appendix, which states that SWAP's internal audit was asked to look at the savings arising from the pooling with Brunel and to see whether these are being realised. It was noted that as it was still an evolving area, the long-term savings position was unclear. SWAP had looked at the calculations in use by officers and were satisfied that officers were on top of the situation.

Members of the Board recognised that it was still too early to understand the exact savings, although they agreed that SWAP should undertake a more focussed look at the issue in the next financial year.

Richard Bullen informed the Board that SWAP had appointed a new auditor and hoped to have the current audits completed by the 30 September which would be reported by the start of the new year.

### **Resolved**

**To note the pensions transfers audit report and to recommend to the Wiltshire Pension Fund Committee that an audit into the Brunel cost savings should be included next financial year, 2020/21.**

### 65 **Employer Training Policy**

Richard Bullen, Fund Governance and Performance Manager, presented the Fund's new Scheme Employer training policy.

It was noted that emphasis was given to ensuring the process was efficient. The Board was given four key areas for consideration and the creation of a new categorisation and monitoring system for employers was discussed; namely a Gold, Silver and Bronze classification in regard to report quality and training development areas.

It was highlighted that there would be a focus on developments to web-based training in order to ease flexibility and accessibility for information and training materials. Officers stated that the principal aim was to build and improve communication and relationships between themselves and employers, and to understand and identify if errors or poor data quality was a result of training issues or lack of engagement.

Once officers had a better understanding of these issues, they would be able to make more informed decisions of when or how to approach an employer and if it was appropriate to begin an escalation process.

A question was asked if the annual report would go to both the WPFC and the LPB, and if there could be updates in the administrative report showing the number of employers in each category and their movements since the previous report. Officer agreed that once the strategy had been implemented officers would provide the relevant information and confirmed that the annual report would go to the WPFC and the LPB.

**Resolved**

**To endorse the employer training policy.**

66 **Fraud Risk Prevention & Mitigation Measures**

Andy Cunningham, Head of Pension Administration and Relations, presented a report which detailed the current safeguards that were in place and available to officers, the WPFC and the LPB to identify and manage fraud in the Wiltshire Pension Fund.

It was noted that this was a wide-ranging topic and its general principles were split into a number of different areas.

The internal Council financial risk controls such as the different Committees and Boards, alongside the different levels of authorisation and approval were discussed; specifically, around the different layers of checking dependant on the level and amount of payments.

A question was raised from a member of the Board as to the possibility of an increase in the risk of fraud as an impact of COVID-19. Officers were not aware of any evidence that COVID-19 increased the risk of fraud but stated there was an increase in cases of fraud linked to transfers out.

**Resolved**

**To note the contents of the paper.**

67 **Risk Register update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the Wiltshire Pension Fund Risk Register and highlighted the key points.

It was noted that most of the changes had moved risks from an Amber to Green categorisation. Councillor Pauline Church, Vice-Chair of the WPFC, had commented in the previous Committee meeting on 16 July 2020 that she felt PEN018 relating to cyber security measures, should be re-categorised from Green to Amber. The feedback was taken on board and as such the risk was re-categorised as Amber, to which the Board agreed.

In response to a question from the Board around the details of the process of updating the risk register, officers reiterated that an evidential approach was taken when identifying risks and through these pieces of evidence the register

was altered and categorised accordingly. Risks usually began as Red or Amber once recognised, then mitigations were put in place to better manage and reduce the risk; to lower its categorisation. It was emphasised that alongside the risks mentioned and discussed within the Board and Committee meetings, there were also dormant risks in which the statuses had not changed for some time. These dormant risks together with the risk register were monitored by officers each quarter, and in the event that they needed to be reviewed, they would be brought back to the LPB and WPFC meetings.

The Chair highlighted PEN048 concerning the transition of the pooling of LGPS assets with BPP and its failure to deliver the projected savings, and when it would be brought to the Board following its approval by Committee. Officers stated that timescales would need to be reviewed but confirmed that a report would be brought forward to the Board.

### **Resolved**

**To note the attached Risk Register and recommend the changes/actions made by officers in points 5 to 8 to the Committee.**

The Board took a comfort break from 11.57am to 12.10pm.

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

Andy Cunningham, Head of Pension Administration and Relations, updated the Board on the Administration Key Performance Indicators.

It was noted that following feedback from the Committee regarding the aspirational targets, an additional column was added to Appendix 3 alongside the CIPFA targets to show measures on both bases. A new appendix was also added which illustrated the progress of onboarding employers onto i-Connect and members onto My Wiltshire Pension, as these figures and pieces of software were vital to the administration strategy and central to performance improvement. Therefore, it was noted that these were useful to monitor as they were also interlinked to an extent with the other KPI's.

The issue of backlogs was commented upon, noting that a new Appendix 5 had been added with an aim to more effectively split out backlog cases. Officers intended to ring fence the backlog work to deal with them separately as the processes changed. Future reports would not show the backlog work which would give a better illustration of the impacts of the changes that were being made.

Regarding the figures themselves, the disclosure targets are predominantly high bar a few; in particular refunds. This was stated to be due to the knock-on effect with the system change, however officers are actioning a revised refund process, alongside a different calculation methodology to improve the figures.

Officers noted that as the onboarding of employers onto i-Connect progresses, the joiners figures would improve concurrently and bring them closer to 100% from the current state of around 72.2%. Officers clarified that although some of the timeframes on Appendix 6 were at present, fairly low, once the employers were onboarded to i-Connect, the figures would improve.

It was noted that the transfers out had also dropped, this was due to a reprioritisation of work, specifically focussing on retirements ahead of transfers out. However, due to the drop it was noted that officers would look back and review the transfers out and ensure that they worked to find the correct balance.

The Chair noted that the changes to the monitoring against the CIPFA targets were appropriate and gave further clarity to the financial position and performance improvement. The Chair raised a question in respect to Appendix 3 and the reasoning behind approximately 50% of refund contributions being actioned within 0-5 days and the other approximate 50% being actioned within 40+ days. Officers stated that this was due to the difference in calculations, hence why there would be a review to the methodology as aforementioned. However, it was noted that the figures were expected to be unusual due to the process change which was being actioned within the team.

### **Resolved**

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

#### 69 **Member Effectiveness Review**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the changes to the ToR for both the WPFC and the LPB as part of the Member Effectiveness Review.

It was noted that since the start of the project there had been a lot of changes to the membership of the Board, therefore the report gave a summary of the past 18 to 24 months for the benefit of newer Board members. The changes to the WPFC and LPB terms of reference were approved at the last Full Council meeting on 21 July 2020 and a review of the ISC ToR and Governance Compliance Statement would be undertaken to ensure consistency.

In response to a question from the Board, it was agreed that copies of the full ToR documents would be circulated to Board and Committee members in due course.

### **Resolved**

**To note the changes to the Pension Fund Committee and Board's terms of reference and the next steps outlined under point 7.**

#### 70 **Urgent items**

There were no urgent items.



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

The next meeting of the Board will be held on 15 October 2020.

Officers referred to an action in the actions log (17 – 13/02/2020) requesting it be removed. It concerned an item regarding MiFID II and gaining approval from Brunel for the acceptance of the Fund's compliance arrangements. Officers felt that they did not need Brunel's approval. The Board members agreed and endorsed the removal of the item.

**Resolved**

**It was agreed to remove the item “*To raise the Fund’s MiFID II arrangements with BPP for their acceptance*”, from the actions log.**

72 **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 20 - 24 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

73 **Fund Data Security, Cyber Resilience & Business Continuity Planning**

Richard Bullen, Fund Governance and Performance Manager, presented the report and updated the Board on the approach taken by the Fund in managing its cyber resilience, data security and business continuity planning (BCP).

**RESOLVED**

**To endorse the Fund’s existing cyber resilience, data security and business continuity planning strategy and the various actions outlined within the report.**

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

**Resolved**

**The Part 2 (private) minutes of the Wiltshire Pension Fund Committee and Investment Sub Committee held on 16 July 2020 and 2 July 2020 were noted.**

75 **Brunel Pension Partnership update**

Jennifer Devine, the Head of Pension Fund Investments, gave an update on the Brunel Pension partnership.

**Resolved**

**The report was noted.**

76 **Brunel Pension Partnership Cost Transparency**

Jennifer Devine, the Head of Pension Fund Investments, updated the Board on the Brunel business plan and budget, and cost transparency reporting.

**Resolved**

**The report was noted.**

(Duration of meeting: 10.30 am - 1.00 pm)

The Officer who has produced these minutes is Ellen Ghey of Democratic Services, direct line 01225 718259, e-mail [ellen.ghey@wiltshire.gov.uk](mailto:ellen.ghey@wiltshire.gov.uk)

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## Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	<a href="https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector">https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector</a>  <a href="#">Hymans summary</a>	Updated	<p><b>Scope</b></p> <p>At present, employees who are 55+ and made redundant receive their pension unreduced (without exception). The planned reforms mean this will no longer be the case.</p> <p>The reforms are somewhat complex but broadly speaking, the reforms will put a cap on all employer costs (pension and non-pension) at £95k when an employee leaves on grounds such as a compromise agreement or redundancy (for eligible LGPS employers only). For redundancy, the statutory redundancy payments must be paid so pension benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply) or severance payments removed.</p> <p>Even for members with costs incurred of less than £95k, a certain amount of offsetting with still apply leaving members with potentially 4-5 options available to them, including choosing to defer receipt of the pension.</p> <p><b>Progress of reforms</b></p> <p>HM Treasury's final consultation on this topic closed on 3 July 2019 and on 21 July 2020, HM Treasury issued a response to the consultation confirming they were planning to press ahead albeit with some unnamed changes and no stated implementation date.</p> <p>On 7 September 2020, MHCLG produced a consultation on how this would apply specifically to Local Government, including to Local Government Pensions; this consultation closes on 9 November – this consultation is not looking to re-open HMT proposals but instead determine how these apply.</p> <p>Draft amendment to various regulations (Compensation Regulations and LGPS Regulations) are due in September, as are draft GAD factor changes.</p> <p><b>Comment and impact on the Fund</b></p>	PEN021

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>The process and communications with members will be much more complicated under the reforms. At the time of writing (mid Sept), there is lack of confusion within the industry over the details of the reforms and officers are waiting for further information to become available. The risk of error appears higher than expected because these reforms are being rushed through which leaves little time to up systems.</p> <p>Despite taking 5 years to reach this point, we understand that HMT are now looking to implement this quickly which provides limited time for MHCLG to change secondary legislation, GAD to produce new factors, system providers to amend their systems and, finally, for the Fund to amend processes.</p> <p>There is a risk that officers will be required to apply the reforms before they have the tools to do so, potentially meaning stock-piling cases or doing manual workarounds (increasing risk). There appears little in the way of mitigations that are possible against this.</p>	
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	<p>No movement for some time on this.</p> <p>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. Due to the Parliamentary backlog, further progress may not be seen until 2021.</p>	PEN040
	<i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i>	<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><b>Scope:</b></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). Proposals for further policy changes to exit credits</li> <li>5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees)</li> </ol> <p><b>Reform progress:</b></p> <p>This consultation covered the following areas and closed on 31 July 2019, with officers responding before that date.</p>	PEN044

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>The Government is responding and implementing changes in stages:</p> <p><u>Section 4:</u> The Government passed amendments to the LGPS Regulations which applied from 20 March 2020, but with retrospective effect to 14 May 2018, broadly giving Funds discretion over whether an exit credit was paid and for how much.</p> <p><u>Section 3:</u> In early September 2020, the Government issued a consultation response and new legislation which broadly falls into three areas:</p> <p>a). <u>Allowing reviews of employer contribution rates inter-valuation:</u> This can be either Fund or employer led and are only possible in certain circumstances. The Fund needs to have a policy on this and amend the Funding Strategy Statement (FSS)</p> <p>b). <u>Spreading exit payments:</u> More explicitly allows what is already current practice in many Funds (including WPF) of allowing cessation debt to be paid over a period of time. Our cessation policy (referenced from the FSS) already covers our approach to this (see section 7)</p> <p>c). <u>Deferred debt agreement:</u> Essentially allows an employer to cease to active members but remain 'on risk' and just have Again, we already have a policy on this (see section 9 of our <u>cessation policy</u>), but this will be needed to be amended to reflect the new regulations.</p> <p><b>Fund impact and comment:</b>  <u>Section 4:</u> Officers amended the Fund's cessation policy which was approved by Committee on 26 March 2020. The consultation period with employers closed with no comments of note (just clarification questions) and hence the new cessation policy is now in place. The latest changes have created a Fund discretion although this is being changed nationally by some employers and Funds and advisers are still unclear on how it should go about using its discretion. There is risk that whatever determination the Fund makes will be open to challenge.</p> <p><u>Section 3:</u> For a). we will need to amend our FSS, consider how this should work best and communicate out to employers accordingly. For b). and c), officers need to consider what changes to the existing cessation policy (sections 7 and 9) are needed for us to be compliant</p>	

Organisation	Subject	Link	Status	Comments	Risk Ref
				(unfortunately there was no time to do this prior to the September Committee)	
The Department of Work and Pensions (DWP)	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
Financial Reporting Council	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	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.  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.	None
Scheme Advisory Board (SAB)	Academies' review	<a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a>	No change since the last meeting	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.  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.	None
	Cost cap mechanism & McCloud case	<a href="#">Summary by Hymans Robertson following release of the consultation (ADD LINK)</a>	<b>Updated</b>	On the 16 July 2020, the Government released a much-anticipated consultation on changes to the Scheme relating to McCloud.  Early analysis suggests an increased impact on liabilities of around £5m-£25m (around 0.2%-1%), although the percentage impact will vary by employer.	PEN042

Organisation	Subject	Link	Status	Comments	Risk Ref																								
				<p>Officers are currently analysing the likely administrative impact of the final legislation if it goes ahead as proposed. Hymans Robertson have produced a useful summary (see left)</p> <p><b>McCloud analysis</b> Officers have spent some time estimating the number of potential cases, and the specific members, although this was not complete in time for this meeting:</p> <table border="1"> <thead> <tr> <th>Status</th> <th>Estimated eligible for reform (a)</th> <th>Estimated number where underpin may apply (b)</th> <th>Rectified</th> </tr> </thead> <tbody> <tr> <td>Active</td> <td>c23,000</td> <td>c23,000</td> <td>45%</td> </tr> <tr> <td>Deferred</td> <td>4,000</td> <td>100-200</td> <td>0% (not possible yet)</td> </tr> <tr> <td>Pensioners (from deferred status)</td> <td>290</td> <td>5</td> <td>0% (not possible yet)</td> </tr> <tr> <td>Pensions (from active status)</td> <td>TBC</td> <td>TBC</td> <td>0% (not possible yet)</td> </tr> <tr> <td>Annual Allowance, aggregations Transfers, survivors benefits etc</td> <td colspan="3">No analysis undertaken</td> </tr> </tbody> </table> <p>Most of data need for active members is being collected as part of the i-Connect rollout. For other categories, and separate approach will be needed. Officers are spending some time analysis which members are more likely to be affected so that they can focus resource on correcting records for those members, potentially reducing the amount of time significantly. Some further analysis will continue in anticipation of the current proposal being finalised.</p>	Status	Estimated eligible for reform (a)	Estimated number where underpin may apply (b)	Rectified	Active	c23,000	c23,000	45%	Deferred	4,000	100-200	0% (not possible yet)	Pensioners (from deferred status)	290	5	0% (not possible yet)	Pensions (from active status)	TBC	TBC	0% (not possible yet)	Annual Allowance, aggregations Transfers, survivors benefits etc	No analysis undertaken			
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Organisation	Subject	Link	Status	Comments	Risk Ref
	Goodwin Case		New	In a similar vein to the McCloud case, a new case is now on the horizon called the <b>Goodwin</b> case. It is another discrimination case affecting public service schemes including the LGPS, this time on the grounds of sexual orientation. Again, although the funding costs are small, this will be a further administration and communication burden to address. It is still early stages in terms of the nature of the subsequent reform which will be required so officers are unable to assess the impact at present until further details emerge.	PEN056
	Tier 3 employers review	<a href="http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid">http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid</a>	No change since the last meeting	Covers those Fund employers with no tax raising powers or guarantee (excludes academies). SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps. In 2019, Aon Hewitt 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.	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>	No change since the last meeting	Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations.  Hymans Robertson and SAB are now moving towards Phase III of the project. In preparation of this, a series of roundtable discussions took place where there is an opportunity to give feedback to the Phase II proposals.  Again, due to legislative delays caused by COVID-19, we understand the timeframes for this project have been postponed.	None



Organisation	Subject	Link	Status	Comments	Risk Ref
	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
	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

**Note:** Wiltshire Pension Fund updates are now shown in a separate table.

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## Fund updates

Area	Description	Business Plan reference/Risk Register (if applicable)
COVID-19 update	<p><b>(Unchanged)</b> It is still largely business as usual from an operational point of view as Fund officers are able to all work from home without major issues. However, in terms of impacts and risks faced by the Fund:</p> <p>i). <u>Funding level</u> –The whole-fund funding level dropped as low as 86% in March (from 99% shortly before) although it has been more stable since then and partially recovered to around 95% at early July.</p> <p>ii). <u>Employer risk</u>: There is still a risk of employers failing to pay contributions or provide data as a result of the situation. However, so far there has been no increase in late payments and the Fund already has guarantees in place for most higher risk employers.</p> <p>Annual data returns came in later than expected from some employers which has put some additional pressure on the end of year process and annual benefit statements (see below)</p> <p>Officers are keeping both areas under review.</p> <p>iii). <u>Service provider risk</u>: Early on in the crisis, officers contacted all major service providers and all confirmed they were able to remain operational largely as normal; officers have only seen some minor/short-term impact service availability which has shown good resistance to this issue.</p>	N/A on Business Plan Risk PEN052
Annual Benefit Statements (End of year)	See separate paper on this item.	Business Plan actions 7, 13 & 33 (No 13 set the 99% target)
Alternative employer investment strategy	After some material delays, we have now put in place the alternative employer investment strategy with effect from 1 August 2020. Initially this just applies to two employers but it is also a useful option for employers which wish to de-risk pre-cessation, so we will encouraging its use with employers in those circumstances as well as any others which we think it will be appropriate.	Business Plan action 6

Terms of reference	<p>The revised Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee have now passed through all internal approval stages and have been approved by Full Council.</p> <p>We are now looking at the terms of reference for the Investment Sub-Committee (which will follow a simpler process) and to update the Governance Compliance statement accordingly.</p>	N/A
Pensioner payroll reconciliation	<p>With additional resource now available again, officers have focused again on this area but unfortunately a number of software limitations have made this even more difficult than expected to progress as hoped. Officers hoped to bring a summary paper and proposal to the December Committee meeting.</p>	Business Plan action 34
Employer ill-health insurance review	<p>The current provision put in place in 2017 is highly expensive and has caused a number of administrative difficulties. Officers are currently working with the actuary to put a replacement approach in place; the proposal will be taken to Committee for approval once ready.</p>	N/A

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
24 September 2020

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### WILTSHIRE PENSION FUND FORECAST OUTTURN 2020/21

#### Purpose of the Report

1. This paper presents a projected outturn on the Fund's financial activities against the 2020/21 budget, as at 30 June 2020.

#### Key variances against 2020/12 budget

1. As at 30 June 2020, a net underspend of £68k was being projected against the budget, i.e. an underspend of 2.4%. However, this figure includes an additional £15k of spend on a review of Brunel's portfolios by Mercer, which was commissioned by the Committee. Taking this into account, the projected underspend is £83k.
2. The key variances that contributed towards the net underspend against budget were:
  - a) Lower than originally budgeted staffing costs as a result of a team restructure. However, members should be aware that the position for the investments team is still quite uncertain – a vacancy is currently being carried as a result of a restructure, but this is currently approximately being offset by temporary consultancy support while a recruitment exercise is being carried out. It is anticipated that the final position may not be too far from the agreed budget;
  - b) Lower than expected spend on external legal advice in the quarter to June, which is unlikely to occur later in the year;
  - c) The additional £15k on the Mercer review of the Brunel portfolios, as mentioned above;
  - d) Lower than budgeted spend against the local pension board budget.

#### Investment fees and costs

3. In previous budget monitoring reports to Committee, information about the investment management fees and costs was included. It is proposed that going forward, this information is excluded from this paper, and is reported elsewhere, in order to allow the focus to be on monitoring of the controllable costs.
4. The costs associated with the management of the investment portfolios are made up of two parts, fees (which are agreed up front, usually as a percentage of the market value of the portfolios), and costs (which include transaction and other costs, and are dependent on the volume of transactions which have taken place). In multi-manager portfolios (CBRE for property, and Partners Group for infrastructure), there are also costs associated with the underlying funds held in the portfolios.
5. Unless a manager invoices for fees throughout the year, all fees and costs will be passed through the portfolios, and are reported to Wiltshire once a year as part of detailed cost transparency reporting. All the fees and costs are then included in the year end accounts, to show the complete position.

6. It is therefore proposed that a separate paper is brought to Committee annually to report on these costs. The first such report is included in the agenda for this meeting, as Item 24.

**Environmental Impact of the Proposal**

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

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

8. There are no known implications at this time.

**Proposals**

9. The Committee is asked to:
  - a) note the projected outturn for 2020/21;
  - b) approve that going forward, the costs of managing the investment portfolios are reported separately to the controllable budget, on an annual basis.

JENNIFER DEVINE Head of Pension Fund Investments

Report Author: Jennifer Devine, Head of Pension Fund Investments

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

**Budget vs Forecast for 2020/21 as at 30 June 2020**

	2020/21	2020/21		
	Budget £	Forecast as at Jun-20 £	Variance £	Comment
<b>Investment Administration Staffing Costs</b>	123,364	123,364	0	Actual position will likely be slightly different to budget, but too early to be precise at this stage, so forecast kept as budget for now
<b>Investment Administration Travel Costs</b>	3,600	3,600	0	
<b>INVESTMENT ADMINISTRATION COSTS</b>	<u>126,964</u>	<u>126,964</u>	<u>0</u>	0.0%
<b>Scheme Administration</b>				
<b>Pension Scheme Administration Staffing Costs</b>	1,071,844	1,014,161	57,683	5.4% There have been some changes in staffing as a result of a team restructure
<b>Staff Training</b>	32,200	32,200	0	0.0%
<b>Corporate charges</b>	311,450	311,450	0	0.0%
<b>Pension Administration systems and data cleansing</b>	353,600	353,600	0	0.0%
<b>Other Administration Costs</b>	79,000	79,100	-100	-0.1%
<b>SCHEME ADMINISTRATION COSTS</b>	<u>1,848,094</u>	<u>1,790,511</u>	<u>57,583</u>	3.1%
<b>Oversight and Governance</b>				
<b>Staffing and Related</b>	181,945	184,383	-2,438	-1.3%
<b>Training and Conferences</b>	8,000	6,000	2,000	25.0% Lower than budgeted spend on external advice in the first quarter of the year
<b>Subscriptions, memberships and levies</b>	44,950	44,450	500	1.1%
<b>Actuarial Services</b>	156,000	156,000	0	0.0%
<b>Audit</b>	27,300	27,300	0	0.0%
<b>Legal Fees</b>	58,250	46,188	12,063	20.7% Lower than budgeted spend on external advice in the first quarter of the year
<b>Advisory Fees</b> (Investment and Independent Advisor)	169,500	184,500	-15,000	-8.8% An additional £15k of spend on a review of Brunel's portfolios was commissioned by the Committee post setting of the budget
<b>Corporate Charges &amp; other costs</b>	146,250	146,250	0	0.0%
<b>OVERSIGHT AND GOVERNANCE COSTS</b>	<u>792,195</u>	<u>795,071</u>	<u>-2,876</u>	-0.4%
<b>LOCAL PENSION BOARD COSTS</b>	<u>27,400</u>	<u>14,000</u>	<u>13,400</u>	48.9% Lower than budgeted spend on consultancy support
<b>GRAND TOTAL</b>	<u><b>2,794,653</b></u>	<u><b>2,726,546</b></u>	<u><b>68,107</b></u>	2.4%

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
24 September 2020

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### **ANNUAL REPORT AND ACCOUNTS**

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

1. The purpose of this report is to present the Wiltshire Pension Fund annual report and accounts for the year ended 31 March 2020 for the Committee's review.

#### **Background**

2. As originally set out in Regulation 34 of the LGPS (Administration) Regulations 2008, the Pension Fund is required to produce an annual report, and the latest draft version for 2019/20 is attached.

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

3. The Pension Fund accounts, which form part of the annual report, are subject to audit, as part of the Wiltshire Council accounts. However, as members have previously been informed, the Wiltshire Council accounts for 2018/19 are yet to be signed off, and 2019/20 are also likely to be delayed. The annual report for 2018/19 was published without an audit report, as the auditors had concluded their work on the Pension Fund and confirmed that the accounts and annual report were finalised.
4. The current draft has been reviewed by officers and the Director of Finance & Procurement, but as the audit is yet to be finalised, it may be necessary to make minor changes to the annual report from the version attached prior to publication. A verbal update will be provided at the meeting on the audit. At the time of writing, Deloitte, the external auditors, were still liaising with CBRE, the Fund's property manager about the classification of some of the property funds, as some had imposed restrictions on redemptions as at 31 March 2020. Any reclassifications will not affect the valuations of the property portfolio or the investments as a whole, but some of the classifications within Note 14.
5. The annual report this year contains new information on the Fund's position and actions with regard to climate change risk, in order to improve transparency and to provide a single place where people can read about this important area.
6. As part of a process agreed by the Local Pension Board, members of the board were sent the annual report for their review, questions, and comments, with time to feed back in advance of this Committee meeting. At the time of writing this paper, no board members had raised any concerns or recommended any amendments to the annual report.

#### **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:

- a) note the attached annual report for the year to 31 March 2020.
- b) authorise the officers to make any necessary minor amendments to the annual report prior to publication, such as those to the reclassification of some property funds.
- c) approve the annual report for online publication.
- d) recommend to the audit committee that the accounts be approved.

JENNIFER DEVINE  
Head of Pension Fund Investments

Report Author: Jennifer Devine, Head of Pension Fund Investments

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

**Appendices:**

Appendix 1 – Wiltshire Pension Fund Annual Report 2019/20

**ANNUAL  
REPORT  
2020**



**WILTSHIRE  
PENSION FUND**



# REPORT AND ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2020

Chairman's foreword	3
Scheme Management and Governance	4
Training Report	7
Scheme Administration Report	11
Investment report	23
Climate Change Statement and Report	30
Pooling Report	33
Financial Performance	38
Risk	42
Statutory Statements	44
Actuarial position	46
Statement of Responsibilities for the Financial Statements	48
Independent auditors statement	49
Statement of accounts	50
IAS26 statement	75
Further information and contacts	78





# CHAIRMAN'S FOREWORD

It is with pleasure that I present this Annual Report of the Wiltshire Pension Fund.

The year to 31 March 2020 saw extraordinary changes to our lives on a global scale. We have felt the effects of the coronavirus pandemic in our investment performance, with all asset classes being negatively impacted, and of course in our way of working. I want to reassure you that in these challenging times, we are being adaptable and flexible. Wiltshire Council has always been up to speed on technological developments, and staff in the pension administration and investment and accounting teams are equipped with all the tools they need to successfully work from home. I would like to thank the officers for their dedication and willingness to embrace new ways of working so that business can continue as usual. We held our first remote Pension Fund Committee meeting in March and now have the necessary delegations in place to continue to make important decisions in the absence of face-to-face discussion. We are in regular contact with our investment managers and advisers and are ensuring that we take appropriate actions to protect the Fund's investments, as well as taking advantage of any opportunities which may arise.

During 2020, the Pension Fund Committee concluded its work into the review of the Strategic Asset Allocation. This work was done in conjunction with the triennial actuarial valuation, and sets the mix of assets which will give the Fund the best chance of meeting its objectives over the long term. We have reviewed the asset classes we hold, and have made new allocations to various private markets portfolios, which will be delivered via our pooling company, Brunel Pension Partnership. Overall, the new Strategic Asset Allocation is designed to deliver the required returns, but from a lower risk mix of assets.

Investment performance during March 2020 has taken the value of the assets to £2.5bn at the end of the year, down from £2.6bn one year ago. However, since the end of March we have seen significant recovery, and by the end of June 2020 the assets were valued at £2.8bn. We need to bear in mind that we are long term investors, and once the dust has settled, we will take professional advice on any need to amend our strategic asset allocation. More detail on investment performance, including that of the individual portfolios, can be found in the Investment Report on page 23.

2019 was a triennial valuation year, and the actuarial valuation for 31 March 2019 has now been completed, and employers have been notified of the new contributions rates. Largely due to the Fund benefitting from better than expected investment returns, the valuation showed a significant improvement in the funding level (i.e. the ratio of assets to liabilities), which was 97% as at 31 March 2019. This enabled us to keep many employer contributions rates the same and to reduce some others. The Fund also introduced an alternative, lower risk investment strategy for some employers, particularly those which are only expected to have a short time horizon within the Fund.

This year the Pension Fund Committee undertook research into ways in which to invest in an environmentally responsible way, without sacrificing any investment performance. I was delighted that members took the decision to move our entire passive equities

exposure into a low carbon passive global equities portfolio, managed by Brunel. This represents around 20% of the Fund's total assets. This transition took place in December 2019, and in January 2020 we issued a press release, alongside our partners at Brunel, who were launching their climate change policy statement. This was developed following significant engagement with shareholders, and Brunel have been active in taking a public stand regarding responsible investment issues in the investment management industry. We have been proactive in taking action in this area in other ways, and this year the Annual Report includes for the first time a statement on our climate change policies and actions. You can find all the detail on page 30.

We have continued to work to deliver investment pooling, alongside nine other shareholder funds, as part of the Brunel Pension Partnership pool. This year we transferred our passive global equities portfolio into the pool, and combined this with our other passive equities portfolios, which were already in the pool, to create our new allocation to low carbon passive global equities. We also transitioned our active global equities portfolio into the pool. This means that Brunel now hold 36% of the Pension Fund's assets (just under £1bn), so significant progress has been made. We continue to hold Brunel to account, both in terms of monitoring performance, and monitoring savings. You can read more about this significant area in the Pooling Report on page 33.

During the year, the Fund has made excellent progress in delivering the objectives of its Business Plan including the successful launch of a new member portal, so that members can see their pensions online, and the start of the rollout of the i-Connect platform across all employers whilst at the same time collecting the data which will be needed to administer the expected regulatory amendments resulting from the McCloud case. Officers have also released a new employer website and made pensioner pay slips available online. Processes and controls continue to be worked on to improve efficiency and customer service.

There are now 174 employers within the Wiltshire Pension Fund with approximately 77,180 members (18,150 pensioners, 23,487 current employees and 39,187 deferred members). The average pension paid in 2019/20 was £5,050.

The Committee is also responsible for the administrative performance of the Fund which is administered by key officers, namely Andy Brown (Treasurer to the Pension Fund), Andy Cunningham (Head of Pensions Administration and Relations) and Jennifer Devine (Head of Pension Fund Investments) following the requirements set out in the Local Government Pension Scheme (LGPS) Scheme Regulations and the principles laid down by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Many thanks for taking the time to read this report. Please contact me if you have any questions, and I look forward to updating you on where we are in a year's time.

**Tony Deane, Chairman**

On behalf of the Wiltshire Pension Fund Committee

24 September 2020

# SCHEME MANAGEMENT AND GOVERNANCE

<b>Administering authority</b>	Wiltshire Council County Hall Trowbridge Wiltshire BA14 8JN
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## PENSION FUND COMMITTEE AS AT 31 MARCH 2020

<b>Wiltshire Council members</b>	Councillor Tony Deane (Chairman) Councillor Simon Jacobs (Vice Chairman) Councillor George Jeans Councillor Gordon King Councillor Christopher Newbury
<b>Swindon Borough Council members</b>	Councillor Steve Allsopp Councillor Brian Ford
<b>Employer representatives</b>	Diane Hall Chris Moore
<b>Employee observers</b>	Mike Pankiewicz (observer) – Wiltshire Council Stuart Dark (observer) – Swindon Unison Branch

## OFFICERS, ADVISORS AND MANAGERS AT 31 MARCH 2020

<b>Wiltshire Council officers</b>	Andy Brown – Treasurer to the Fund Andy Cunningham – Head of Pensions Administration and Relations Jennifer Devine – Head of Pension Fund Investments
<b>Investment managers in place at 31 March 2020</b>	Barings Asset Management Brunel Pension Partnership CBRE Global Multi Manager Loomis Sayles Legal & General Magellan Group M&G Financing Fund Ninety One Partners Group
<b>AVC providers</b>	Prudential Clerical Medical Funds Phoenix AVCs Utmost Life & Pensions (formerly Equitable Life)
<b>Investment consultant</b>	Mercer
<b>Actuary</b>	Hymans Robertson
<b>Independent adviser</b>	Anthony Fletcher, MJ Hudson Allenbridge
<b>Auditor</b>	Deloitte LLP
<b>Custodian</b>	State Street
<b>Legal adviser</b>	Osborne Clarke
<b>Bankers of the Fund</b>	HSBC

## MANAGEMENT OF THE SCHEME

The members who served on the Wiltshire Pension Fund committee during the year are shown in the table opposite.

## MEMBERS TABLE

Wiltshire Pension Fund Members, their roles and dates of Appointment and/or Departure during the Fund Year							
Name	Role	Meeting Attendance	Appointed	Left	Committee Member	Investment Sub-Committee Member	Board Member
Cllr T Deane	Committee Chairman	10	–	–	✓	✓	
Cllr R While	Committee Vice-Chairman	2	–	19/08/2019	✓	✓	
Cllr S Jacobs	Committee Vice-Chairman	6	26/11/2019	–	✓	✓	
Cllr G King	Committee Member	8	–	–	✓	✓	
Cllr C Newbury	Committee Member	2	–	–	✓		
Cllr G Jeans	Committee Member	3	26/02/2019	–	✓		
Cllr S Allsop	Committee Member	5	–	–	✓		
Cllr T Swinyard	Committee Member	0	21/06/2018	17/05/2019	✓	✓	
Cllr B Ford	Committee Member	3	17/05/2019	–	✓	✓	
Cllr R Jandy	Substitute Committee Member	3	17/05/2019	–	✓	✓	
C Moore	Committee Employer rep.	4	21/05/2019	–	✓		
D Hall	Committee Employer rep.	3	–	–	✓		
M Pankiewicz	Committee and Board Vice Chair and Member rep.	10	–	–	✓	✓	✓
S Dark	Employee Member Observer	3	–	–	✓		
H Pearce	Board Chairman	6	–	31/03/2020			✓
S Holbrook	Board Employer rep.	1	–	23/02/2020			✓
Cllr Britton	Board Employer rep.	6	–	–			✓
I Jones	Board Employer rep.	2	26/11/2019	–			✓
P Smith	Board Employer rep.	1	25/02/2020	–			✓
D Bowater	Board Member rep.	0	–	14/07/2019			✓
B Reed	Board Member rep.	3	–	–			✓
R Lauder	Board Member rep.	2	26/11/2019	–			✓

Please note the following points concerning Members;

- There were five Committee meetings including an Extraordinary Valuation meeting, four Investment sub-Committee meetings and four Local Pension Board meetings during 2019–20;
- Meeting attendance information reflects both a member's presence and attendance throughout the year, irrespective of a requirement to be present;
- Not reflected in the table but in attendance for one Board meeting was the new Board Chair from 1 April 2020 M Spilsbury;
- Cllr S Jacobs replaced Cllr R While as Vice Chair of the Pension Fund Committee;
- Cllr B Ford, supported by Cllr R Jandy replaced Cllr T Swinyard as one of the Swindon Councillors sitting on the Committee;
- C Moore replaced L Stuart as an Employer representative on the Committee;
- M Spilsbury replaced H Pearce as Board Chair;
- P Smith replaced S Holbrook as an Employer representative on the Board;
- I Jones filled the vacant Employer representative post on the Board;
- R Lauder replaced D Bowater as the Active member representative on the Board;
- M Pankiewicz and B Reed were reappointed as member representatives on the Board;
- M Pankiewicz sits on the ISC as a member observer without voting rights; and
- With the exception of R Jandy substitute members are not included in the table.



## THE WILTSHIRE PENSION FUND COMMITTEE

The Wiltshire Pension Fund Committee has nine voting members. This consists of five Wiltshire Council members, including the Chairman, two members from Swindon Borough Council as the second largest employer and two employer representatives.

The two Unison representatives observe on behalf of the employees, deferred, and pensioner members within the scheme to ensure their interests are considered at the Committee.

The Committee typically meets four times a year for regular business. In this valuation year it increased to five meetings. All decisions are taken by a simple majority with the Chairman having the casting vote.

The Wiltshire Pension Committee meets at regular quarterly intervals to review the affairs of the Fund, to review Fund performance and to plan the implementation of policy. In addition, a separate Investment Sub Committee meets periodically to review specific issues relating to Fund investments. The role of the pension board is to ensure that the management of fund administration and investments complies with the relevant regulations and legislation and that the Fund is managed in the best interests of its stakeholders.

Details of the meetings and minutes can be found at the following link:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>

## INVESTMENT SUB-COMMITTEE

The Investment Sub-Committee (ISC) met four times during the year. The role of the ISC is to implement and monitor investment manager performance while considering and making recommendations to the main committee on changes in the investment strategy of the Fund.

The ISC consists of four members of the main committee, being the Chairman, Vice-Chairman, and two other co-opted Members from the Wiltshire Pension Fund Committee.

All Members of the main committee are invited to attend the ISC as observers. The minutes and any decisions made are reported back to the next available main committee meeting.

Details of the meetings and minutes can be found at the following link:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1281&Year=0>

## LOCAL PENSION BOARD

The Wiltshire Pension Fund Committee is supported by a Local Pension Board which is responsible for:

- securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- ensuring the effective and efficient governance and administration of the Scheme.

To fulfil its obligations under the legislation, Wiltshire Council approved the Terms of Reference for the LPB at its meeting on 24 February 2015 to ensure the LPB had been established by 1 April 2015.

The LPB consists of an independent chairman, three employer representatives, and three scheme member representatives and meets four times per year. The LPB has an oversight function to ensure the Fund is compliant with the Pensions Regulator.

Details of the meetings and minutes can be found at the following link:

<https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0>

The Annual Report from the Local Pension Board summarises its role, activities, costs, and future work plans. This can be found on the following link:

<https://www.wiltshirepensionfund.org.uk/media/5445/local-pension-board-annual-report-2020.pdf>

## STATUTORY STATEMENTS

The Fund's statutory statements are summarised and linked on pages 44–45. The strategic fund documents reviewed during the year were as follows:

Strategic Fund documents approved during the Fund Year	
Date	Document
03/10/2019	Funding Strategy Statement
25/10/2019	Actuarial Valuation Report
17/12/2019	Pensions Administration Strategy Report
17/12/2019	Communications Strategy Report
13/02/2020	Data Retention Strategy
26/03/2020	Employer Cessation Policy
26/03/2020	Business Continuity Policy
26/03/2020	Treasury Management Strategy

Governance arrangements concerning Wiltshire's involvement in the Brunel Pension Partnership are covered in detail in the Pooling Report on page 33.



# TRAINING REPORT

## BACKGROUND

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator and accordingly an increased emphasis on member and Pensions Board training, knowledge and understanding. The Fund's current training policy covering the period 2018 to 2021 records of the training activity undertaken by members which is kept and reported on. Whilst the overarching strategy is reviewed every three years annual training reviews of members are conducted to ensure that the strategy remains relevant.

The maintenance of the current training policy for the Committee and Board members will better place- them to make well-informed decisions and consequently- enable them to comply with the increased requirements of the Regulator and the overarching governance requirements of the Fund. A major factor in the governance arrangements of the Fund is to ensure that Committee and Board members, as well as their officers, have the relevant skills and knowledge through the application of the CIPFA Knowledge and Skills Framework as well as other key information resources.

As an administering authority Wiltshire Council recognises the importance of ensuring that all officers and members of the Pension Fund Committee and Investment Sub Committee charged with the financial management and decision making of the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The current training plan for both the Fund's Committee & Investment sub-Committee is therefore viewed as – a living document enabling the substitution of topical training items eluded to above as well as recognising the need for flexibility by inviting members of the different groups to attend training organised for other groups.

Consequently, consideration has been given to the co-ordination of future training and development reviews as part of the strategy;

- a) To coincide future reviews with Local Government elections to enable the early assessment of training needs for new members of the Committee; and
- b) To continue to annually self-assess members concerning the maintenance of their knowledge and understanding.

As part of the training strategy all new members to the Committee (and Board) will be asked to complete the following basic training requirements;

- a) Attend the three sections of the LGPS Fundamentals training course conducted by the LGA;
- b) Complete the Pension Regulator's (tPR) toolkit within six months of being appointed a member of either the Committee or Board;
- c) Attend an officer lead induction training session or one-to-one training session; and
- d) Receive a copy of the Member's handbook

Specific to the Investment sub-Committee links to the Myners principles on best practice in managing investment funds will be made available. In particular, Principle 1 'effective decision making' states administering authorities should ensure that:

- a) Decisions are taken by persons or organisations with the skills, knowledge, advice and with the resources necessary to make them effective and monitor implementation; and
- b) Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Regular training will be delivered through several means including in-house at Committee meetings, structured training events undertaken by advisers, as well as briefings and research material. All members will also be encouraged to attend conferences, seminars and other external events as part of their ongoing development.

A separate plan for the training of the Local Pension Board is also in place and outlined in its annual report. Both plans are managed by the Fund Governance & Performance Manager on behalf of the Treasurer to the Fund.

The table overleaf illustrates the training undertaken by Committee members during the period 2019/20. Training undertaken by Board members during the same period is set out in the Wiltshire Pension Fund's Local Pension Board's Annual Report.

## ASSESSMENTS AND TRAINING UNDERTAKEN

		Clr. Tony Deane	Clr. Roy White	Clr. Simon Jacobs	Clr. Gordon King	Clr. Christopher Newbury	Clr. George Jeans	Clr. Steve Allsopp	Clr. Timothy Swinyard	Clr. Brian Ford	Clr. Robert Jandy	Chris Moore	Diane Hall	Mike Pankiewicz	Stuart Dark
Date of training	Topics covered	Wiltshire Councillors					Swindon Councillors					Employer Reps	Member Reps		
2019/20	tPR on-line toolkit											✓			
05/06/2019	Mercer Market and Manager performance presentation	✓	✓		✓										
05/06/2019	Baillie Gifford Q1 2019 Presentation	✓	✓		✓										
05/06/2019	Barings Q1 2019 Presentation	✓	✓		✓										
05/06/2019	Loomis Q1 2019 Presentation	✓	✓		✓										
18/07/2019	CIPFA guidance changes to the Annual Report and Accounts	✓	✓					✓				✓		✓	
22/08/2019	TPR Breach Reporting	✓												✓	
05/09/2019	Manager performance presentation from Magellan	✓			✓					✓	✓				
05/09/2019	Manager performance presentation from Brunel	✓			✓					✓					
23/09/2019	ESG and Climate Change training	✓			✓		✓	✓		✓	✓				✓
17/10/2019	Investments – Private Debt and Insurance Linked Strategies	✓		✓	✓		✓	✓						✓	
25/10/2019	Valuation refresher training	✓			✓	✓	✓	✓				✓	✓	✓	
31/10/2019	LGPS Fundamentals – Day 1											✓			
19/11/2019	Brunel Investor Day (Oxford)							✓							
21/11/2019	LGPS Fundamentals – Day 2											✓			
28/11/2019	MiFID II compliance	✓		✓	✓						✓			✓	
28/11/2019	Manager performance presentation from CBRE	✓		✓	✓						✓			✓	
28/11/2019	Manager performance presentation from Investec	✓		✓	✓						✓			✓	
12/12/2019	LGPS Fundamentals – Day 3											✓			
23/01/2020	Induction Training									✓		✓			

## ASSESSMENTS AND TRAINING UNDERTAKEN

A new officer training policy covering the period 1 April 2020 to 31 March 2023 was approved in December 2019, incorporating Wiltshire Council's policy – that all officers receive an appraisal once a year with an interim review on a half yearly basis. Following assessment of each officers training needs an individual training plan is agreed consistent with the Fund's business plan and their personal development.

There are a variety of sources of reference to facilitate the training framework, which reflect the increasing complex nature of pension fund administration and these include CIPFA's Knowledge and Skills Framework for practitioners, Heywood's TEC platform and the CIPP framework. Combined they assist in recognising and providing training needs to ensure the requisite knowledge and skills are obtained.

As the officer responsible for ensuring that the Fund's training policies and strategy are implemented, the Director of Finance and Procurement can confirm that the officers and Members charged with the financial decision making for the pension scheme collectively possess the requisite knowledge and skills necessary to discharge these duties and make decisions required during the reported period.

**Andy Brown**

Treasurer of Pension Fund  
September 2020

## MEMBERS TRAINING PLAN APRIL 2020 – MARCH 2021

Wiltshire Pension Fund Committee and Investment sub-Committee – Training Plan 2020–21					
Period	Actual meeting date framework category	Meeting type	CIPFA Framework category	Proposed training item	Comments
New members inducted to the Committee will receive a Member Handbook, Induction training from Officers, attend the LGPS Fundamentals training course and be recommended to complete the Pension Regulator's on-line toolkit					
All members, in addition to the organised training set out below will be invited to attend additional internal training events, plus external conferences, seminars and pension forums to supplement and maintain their knowledge and understanding. Technical notes will also be circulated as required.					
Q2 2020	21/05/20	Board meeting	Governance	Treasurer and monitoring responsibilities, plus conflicts of interest	Committee members to be invited
Q2 2020	02/07/20	Investment sub-Committee meeting	Investment performance and Risk	Understanding the nature of risk	All members to be invited
Q2 2020	02/07/20	Investment sub-Committee meeting	Investment performance and Risk	Tax on investments, particularly overseas investments	All members to be invited
Q2 2020	16/07/20	Committee meeting	Accounting and Audit	Understanding the role of Third Party assurance	Board members to be invited
Q3 2020	06/08/20	Board meeting	Legislation	Legal roles and responsibilities of members	Committee members to be invited
Q3 2020	10/09/20	Investment sub-Committee meeting	Financial Markets and Products and Governance	Regulatory investment restrictions on LGPSs, Myners Principles and MiFID II	All members to be invited
Q3 2020	24/09/20	Committee meeting	Actuarial Method	Employer Covenants	Board members to be invited
Annual self-assessment review					
MiFID II certification					
Q4 2020	15/10/20	Board meeting	Legislation	Legal framework - External bodies, scrutiny framework and Statutory obligations	Committee members to be invited
Q4 2020	03/12/20	Investment sub-Committee meeting	Financial Markets and Products	Fund ESG policy	All members to be invited
Q4 2020	17/12/20	Committee meeting	Governance	Fund delegation, within the Administering Authority and BPP	Board members to be invited
Q1 2021	11/02/21	Board meeting	Administration	Complaints, Dispute and Disclosure requirements	Committee members to be invited
Q1 2021	25/02/21	Investment sub-Committee meeting	Governance	Internal controls and treasury management	All members to be invited
Q1 2021	11/03/21	Committee meeting	Governance	tPR Breach reporting	Board members to be invited

# SCHEME ADMINISTRATION REPORT

## LEGAL FRAMEWORK

The Local Government Pension Scheme (LGPS) is governed by the Superannuation Act 1972. The current scheme rules are contained within the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Amendment) Regulations 2015. The Regulations are fixed on a national basis; however, the Scheme is administered by 101 designated Administering Authorities throughout England and Wales.

Wiltshire Council is responsible for administering Wiltshire Pension Fund for the benefits of employees of Wiltshire Council and the employees of scheme employers and admissions bodies. A list of participating scheme employers is shown on page 19–20.

The LGPS is granted 'exempt approval' status by HM Revenue and Customs (HMRC) for the purposes of Income and Corporation Taxes Act 1988. The LGPS is also classified as a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004.

The Regulations specify the type and amounts of pension and other benefits payable in respect of Scheme members, and specifies the member contribution rates payable. Members have the freedom to opt out of the Scheme and make alternative arrangements. Scheme members currently pay a contribution rate of 5.5% to 12.5%, based on their actual pensionable pay. The bands are revised annually to allow for inflationary increases.

Employer contribution rates are set by the Fund's Actuary every three years following a valuation of the Fund, this ensures the solvency of the Fund. The most recent triennial valuation took valuation in 2019 with new employer contribution rates applying from 1 April 2020.

## SCHEME BENEFITS

The Local Government Pension Scheme (LGPS) provides the following benefits for its members:

- An inflation protected pension with the option to convert part of the pension to a lump sum payment (subject to HMRC limits). Since April 2014 benefits are accrued on a Career Average Revalued Earnings basis;
- Early payment of pension benefits due to ill-health;
- Early payment of pension if aged 55 or over if:
  - Made redundant;
  - Retired through business efficiency;
  - Taken flexible retirement;
  - Taken early retirement.
- A lump sum death grant payable to the nominated beneficiary or the most appropriate recipient deemed by Wiltshire Pension Fund, plus an inflation protected dependant's pension if death occurs before retirement;

- An inflation protected dependant's pension for death after retirement and a guaranteed lump sum death grant if death occurs within 10 years of retirement (depending on eligibility).

For leavers not entitled to the immediate payment of benefits.

- An inflation protected deferred pension to be paid at normal retirement age or at any time before age 75; or
- An opportunity to transfer to another pension scheme provider; or
- A refund (depending on eligibility criteria but generally if scheme membership is less than two years).

The ability to increase personal benefits is available as follows:

- Purchase of extra pension by means of Additional Voluntary Contributions (AVC's) through the Fund's approved AVC provider;
- Purchase of additional pension through Additional Pension Contributions (APC's) arrangements.

## HOW THE SERVICE IS DELIVERED

The Fund undertakes nearly all pension administration services in-house as part of the Wiltshire Pension Fund team. Pensioners and dependents are paid by Wiltshire Council's payroll based on instructions from Wiltshire Pension Fund. The Fund use a number of external providers to support its administration services such as actuaries, legal advisers, technical advisors, tracing agents and AVC providers. However, with the exception of some AVC providers, nearly all members only need to directly contract either Wiltshire Pension Fund or Wiltshire Council payroll as per the contact details on the website.

## Value for Money

The Fund is committed to becoming an exemplar Fund, which will include providing value for money. In 2019, the Fund outlined its Business Plan for 2019 to 2022 which set out how it intended to achieve this goal. Actions related to the Business Plan are updated annually. The Fund is overseen by both a Local Pension Board and the Wiltshire Pension Fund Committee and is subject to internal and external audit reviews which assess its efficiency and effectiveness amongst other matters. For administration matters, the Fund informally compares itself to other funds on an adhoc basis but it does not compare itself using any standardised key performance indicators as it believes there are material differences in methodology used by different funds which means like for like comparisons are not possible or reliable. However, the Fund's most recent Common Data score was 97.9% and its Conditional Data score was 95.4%, based on data from October 2019, which according to some informal analysis from the Fund's administration software provider placed the Fund above average compared to a sample of LGPS peer Funds (these comparisons used the same report so should be more reliable). Data quality forms part of the Fund's risk register and the actuary's considerations when valuing fund liabilities.

## Accuracy and Confidentiality

All pension administration staff are trained on their area of work before they begin to work independently, either internally or externally as appropriate for their role and needs. Work is logged on the pension administration software using workflows which outline the process to be followed and contain checklist items. All work which results in a payment out of the Fund is peer checked and approved before payment is made unless the values and risks associated with the task are deemed small and in such cases only approvals occur (no peer checking). The Fund also employs a team of data quality officers whose responsibility is to undertake reconciliations, improve and maintain high data quality standards. Internal and external audits also take place each year to test controls.

To help ensure confidentiality is maintained, staff are trained on data protection and procedures integrate with policies on data protection.

## Assurance Framework

The Fund is subject to an annual internal audit review which is now undertaken by South West Audit Partnership (SWAP). An annual audit plan is agreed with the Wiltshire Pension Fund looking to provide assurances over key controls and the systems being used. The outcomes of these audits are reported to the main committee and any action plans arising from them are reviewed on a periodical basis.

Last year, Deloitte replaced KPMG as external auditor and provides the external audit of the Fund as part of its main audit of the Wiltshire Council accounts. The outcome of this audit is reported to Wiltshire Council's audit committee and to the Wiltshire Pension Fund committee in July. Any recommended actions are periodically reviewed by the pension committee.

## Use of Technology

Last year, the Fund launched a new website called My Wiltshire Pension for active and deferred members to see their pension online and for the Fund to provide further education and engagement with its membership. Members are able to change their personal details, see the pension accrued to date and forecast what pension they could receive at a future date. The Fund is also currently implementing the i-Connect platform to further enhance its use of technology and gain efficiency and control improvements.

The Fund also provide an online ePayslip facility for circa 20,000 pensioners to access their payslips. ePayslips provide pensioner members with quicker access to their payslips while making a saving in both paper and cost to the Fund.

## Employer Satisfaction

The Fund currently issues requests for employer feedback following each quarterly employer forum and it plans to start issuing a more generic periodic employer satisfaction survey later this year.

## Internal Dispute Resolution Procedure

The Wiltshire Pension Fund operates a two stage Internal Dispute Resolution Procedures (IDRP) if a scheme member or prospective member remains dissatisfied with a decision made.

An application made under Stage 1 of the process will be considered carefully by a person nominated by the Wiltshire Pension Fund. This person is known as the 'Adjudicator'. The adjudicator will conduct a formal review of the initial decision or act or omission and is an opportunity for the matter to be reconsidered. For the purpose of the IDRP process, the Stage 1 adjudicator appointed by Wiltshire Pension Fund is Muse Advisory.

If the scheme member, dependant or prospective member remains dissatisfied with the adjudicator's decision, (or their failure to make a decision) they can make an application under Stage 2 of the process to Wiltshire Council. The Director of Finance and Procurement at Wiltshire Council will reconsider the determination made by the Stage 1 adjudicator.

A member also has the right to refer their complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

During 2019/20, the Fund received two applications under the Stage 1 IDRP process. One of these applications moved to stage 2 following the determination by Muse Advisory.

## PENSION'S SECTION OVERVIEW

The administration function of the Pensions team comprises of the following teams and roles:

**The Benefits Team** acts as the main point of contact for all membership enquiries. This team is responsible for setting up new members, monitoring and maintenance of pension member records, payment of benefits, transfer payments and AVCs. This team comprises of approximately twelve members of staff.

**The Data and Systems Team** is responsible for ensuring all the systems being used by the team are up to date, working correctly, and developed to ensure the most efficient and effective use of technology in delivering the administration services. This team is also responsible for monitoring and cleansing members' data to ensure it is fit for purpose and meets the requirements imposed on the Fund by the regulators. This team comprises of approximately eight members of staff.

**Fund Communications** are handled by the Fund Communications manager who deals with all aspects of scheme members' communications and is responsible for the development and implementation of the Fund's Communications Strategy. This includes areas such as scheme members' newsletters, issuing of Annual Benefit Statements, delivery of presentations, road shows, the Fund's website and the marketing of the Fund. This role also supports employer communications and helps ensure that all team members are trained accordingly.

**Technical and Compliance Manager** provides the technical support to the Fund in respect of interpretation of the Scheme Regulations and associated legislations. The Technical and Compliance Manager is also responsible for ensuring the process and procedures are compliant with all the relevant regulations.

**Employer Relationships** are handled by the Employer Relationship Manager. This role acts as a conduit between the employers and the Fund to address any issues or problems that may arise. This person is also responsible for and providing advice on new admission, transfers, employers ceasing membership and any other pension related issues facing employers.

**The Fund Governance and Performance Manager** is responsible for supporting the Wiltshire Pension Fund Committee and Local Pension Board, including overseeing governance training and supporting governance recruitment. The role is also responsible for overseeing Fund administration and service performance, including the performance of various service providers.

**The Investment and Accounting Team** is responsible for all matters associated with the Fund's investments and also for accounting for all aspects of the Fund's activities. This includes development of the Fund's strategic asset allocation, selection and monitoring of the Fund's investment managers, working with the Brunel Pension Partnership pool in setting up portfolios, transitioning assets and representing the Fund's interests and holding Brunel to account. Accounting responsibilities include the setting and monitoring of three-year budget plans, production of the year end accounts and Annual Report, and the provision of IAS19/FRS102 information to employer organisations within the Fund. The team comprises of four members of staff.

## KEY STAFFING INDICATORS

### Staff to fund-member ratios: Average case per member of staff

	All Staff	Processing related staff*
<b>Ratio to Fund</b>	<b>(35)</b>	<b>(23.5)</b>
Active	1:671	1:1000
Pensioner (and Dependant)	1:519	1:772
Deferred	1:1120	1:1668
<b>Total</b>	<b>1:2310</b>	<b>1:3440</b>

\*All benefits, data and systems related staff but excludes roles in management, communication, governance, finance and investments.

### Average (completed) cases per member of staff

	All Staff	Processing related staff*
	<b>(35)</b>	<b>(23.5)</b>
Total cases completed	15024	15024
<b>Average per member of staff</b>	<b>442</b>	<b>668</b>

\*All benefits, data and systems related staff but excludes roles in management, communication, governance, finance and investments.

## COST AND PERFORMANCE BENCHMARKING

### Cost benchmarking

The Fund benchmarks its costs against the SF3 data collected annually by the Department for Communities and Local Government. The most recent data is for the financial year 2018/19.

Process	2016/17	2017/18	2018/19
<b>Investment management expenses</b>			
Total cost (£'000)	9,117	9,401	18,070
Total membership no.	64,855	67,307	77,180
Cost per member (£)	140.58	139.67	234.13
<b>Administration costs</b>			
Total cost (£'000)	1,955	1,867	1,977
Total membership no.	64,855	67,307	77,180
Cost per member (£)	30.14	27.74	25.61
<b>Oversight and Governance costs</b>			
Total cost (£'000)	109	135	153
Total membership no.	64,855	67,307	77,180
Cost per member (£)	1.68	2.01	1.98
<b>Total cost per member (£)</b>	<b>172.40</b>	<b>169.42</b>	<b>261.73</b>

2017/18 figures have been restated to correct an error. This has resulted in an increase of £3.2m in investment management expenses. Due to the introduction of improved cost transparency reporting, it became possible to include additional underlying figures associated with the costs of managing the portfolios in the figure for 2018/19. Please note that the increase in 2018/19 does not represent an increase in managers' fees, but better available information about the underlying costs of investment management.

In 2019 for the first time, members categorised as undecided leavers and frozen refunds have been included in the membership numbers, under deferred members.



## KEY PERFORMANCE INDICATORS (KPIs)

The Fund monitors performance against internally set KPIs as well as the legal requirements. The Fund also monitors cases outstanding at the beginning and end of the period, as shown in the following two tables:

**Table 1**

Process		No. cases outstanding at start of period	No. of cases commenced in year	No. of cases completed in year	No. cases outstanding at year end	% completed in year	Notes
<b>Deaths</b> – initial letter acknowledging death of active/deferred/pensioner member		83	463	449	97	82.2%	See note 1a
<b>Deaths</b> – letter notifying amount of dependant's pension		4	441	440	5	98.9%	See note 1a
<b>Retirements</b> - letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, later etc)	<b>Active</b>	89	728	737	80	90.2%	See notes 1a & 3
	<b>Deferred</b>	25	1254	1277	2	99.8%	
	<b>Total</b>	114	1982	2014	82	96.1%	
<b>Retirements</b> – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, later etc)	<b>Active</b>	6	469	472	3	99.4%	See notes 1a, 2 & 3
	<b>Deferred</b>	9	703	711	1	99.9%	
	<b>Total</b>	15	1172	1183	4	99.7%	See note 1a
<b>Retirements</b> – process and pay benefits on time	<b>Active</b>	6	469	472	3	99.4%	See notes 1a, 2 & 3
	<b>Deferred</b>	9	703	711	1	99.9%	
	<b>Total</b>	15	1172	1183	4	99.7%	
<b>Deferment</b> – calculate and notify deferred benefits		1849	5157	4023	2983	57.4%	See notes 1b, 4 & 6.
<b>Transfers in</b> – letter detailing transfer in quote		0	93	93	0	100.0%	See note 1a
<b>Transfers in</b> – letter detailing transfer in		0	66	66	0	100.0%	See note 1a
<b>Transfers out</b> – letter detailing transfer out quote		31	518	480	69	87.4%	See note 1a
<b>Transfers out</b> – letter detailing transfer out		0	523	522	1	99.8%	See note 1a
<b>Refund</b> – process and pay a refund		225	1192	1371	46	96.8%	See notes 1b & 4

## KEY PERFORMANCE INDICATORS (KPIs) (continued)

**Table 1 (continued)**

Process	No. cases outstanding at start of period	No. of cases commenced in year	No. of cases completed in year	No. cases outstanding at year end	% completed in year	Notes
<b>Divorce quote</b> – letter detailing cash equivalent value and other benefits	0	222	222	0	100.0%	See note 1a
<b>Divorce settlements</b> – letter detailing implementation of pension sharing order	1	5	6	0	100.0%	See note 1a
<b>Member estimates/projections</b>	21	383	384	20	95.1%	See note 1a
<b>Joiners</b> – Send notification of joining the LGPS to scheme member	0	4199	4199	0	100.0%	See note 5

### Notes and Assumptions

- The Fund has used two different approaches to producing the table above, as detailed in a) and b), to attempt to match its processes against the requirements of the table.  
This creates some apparent, relatively minor inconsistencies such as 'Deaths – letter notifying amount of dependants pension' is greater than 'Deaths – initial letter acknowledging death' which are in fact due to the timing of different tasks.
  - Items relate to specific task within an overall case.
  - Items relate to actual cases rather than individual tasks.
- Retirements – 'letter notifying actual retirements' and 'process and pay benefits on time' are one in the same process for the Fund and hence the figures disclosed are identical.
- Ill Health estimates and retirements are all included within active status due to limitations in reporting capability.
- Deferments created and outstanding includes cases still to be decided if deferred or refund, this means that there is some movement between opening and closing figures across deferments and refunds.
- 'Joiners – notification of date of enrolment' is estimated as the statutory notifications are batched as part of a separate process and hence this information is not currently available.
- The Fund undertook an exercise during 2018/19 and 2019/20 to identify deferment and aggregation cases which had yet to be logged which accounted for the large increase in the number of cases set up.

**Table 2**

Process		KPI (WPF) (Working days)	% met target	No. cases completed within KPI	Legal Requirement (Calendar days)	% met target	No. cases within Legal Requirements
<b>Deaths</b> – initial letter acknowledging death of active/deferred/pensioner member		5 days	92.3%	405	2 months	99.8%	438
<b>Deaths</b> – letter notifying amount of dependant's pension		5 days	52.8%	227	2 months	98.4%	432
<b>Retirements</b> – letter notifying estimate of retirement benefits (including all retirement types: normal, ill health, early, late etc)	<b>Active</b>	10 days	n/a		2 months	n/a	
	<b>Deferred</b>		n/a			n/a	
	<b>Total</b>		44.5%	761		98.4%	1685
<b>Retirements</b> – letter notifying actual retirement benefits (including all retirement types: normal, ill health, early, late etc)/process and pay benefits on time	<b>Active</b>	10 days	66.2%	323	2 months	92.0%	449
	<b>Deferred</b>	5 days	58.2%	417		99.9%	716
	<b>Total</b>		62.2%	740		95.9%	1165
<b>Deferment</b> – calculate and notify deferred benefits		20 days	19.4%	289	2 months	50.2%	749
<b>Transfers in</b> – letter detailing transfer in quote		10 days	45.2%	42	2 months	95.5%	88
<b>Transfers out</b> – letter detailing transfer out quote		10 days	32.1%	158	2 months	90.3%	441
<b>Refund</b> – process and pay a refund		20 days	27.1%	249	2 months	34.0%	312
<b>Divorce quote</b> – letter detailing cash equivalent value and other benefits		46 days	98.2%	218	3 months	100.0%	220
<b>Divorce settlements</b> – letter detailing implementation of cash equivalent value and application of pension sharing order		46 days	50.0%	3	3 months	62.5%	4
<b>Joiners</b> – Send notification of joining the LGPS to scheme member					2 months	89.8%	4971

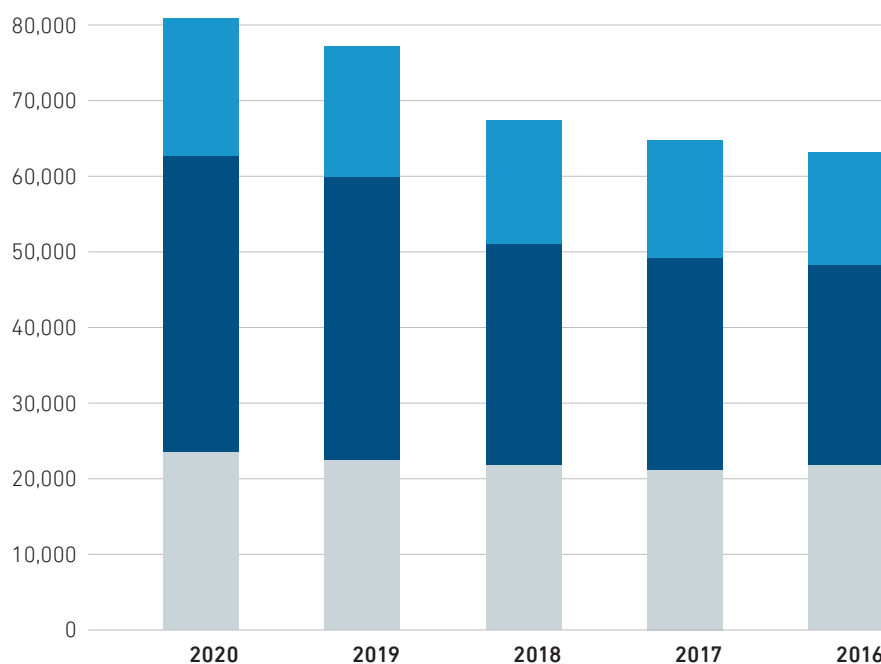
**Notes and Assumptions**

1. This table just covers completed cases in the year.
2. The Fund uses working days for its KPIs and has assumed 23 working days per calendar month.
3. Retirements – 'letter notifying actual retirements' and 'process and pay benefits on time' are treated as one and the same for this purpose.
4. Joiners – Due to the current way starters are loaded onto the administration system it is not possible to report on the date of creation and this issue of notifications at this time.
5. Refunds excludes those where no response was received from the member.
6. Internal KPIs are set at ambitious levels in line with the Fund's goal of delivering top service. The ways in which the Fund is approaching achieving these objectives are set out in the Business Plan, which can be accessed via the following link:  
<https://www.wiltshirepensionfund.org.uk/media/4565/business-plan-2019-2022-final.pdf>

## SCHEME MEMBERSHIP

The membership of the scheme at the end of the year is set out below:

### 5-year analysis of fund membership



	2020	2019	2018	2017	2016
Active members	23,487	22,541	21,781	21,245	21,831
Deferred members	39,187	37,417	29,253	28,087	26,517
Pensions in payment	18,150	17,222	16,273	15,523	14,905
<b>Total membership</b>	<b>80,824</b>	<b>77,180</b>	<b>67,307</b>	<b>64,855</b>	<b>63,253</b>

In 2019 for the first time, members categorised as undecided leavers and frozen refunds have been included in the membership numbers, under deferred members.

New retirements during the year are analysed as follows:

New Pensioners by retirement type (from active and deferred status)	No. of cases
Ill Health Retirements	112
Early Retirements (Under 65)	932
Normal Retirements and others	170
<b>Total</b>	<b>1,214</b>

## EMPLOYER (ERS) AND EMPLOYEE (EES) CONTRIBUTIONS

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
WCCPost1April97	35,489,423.31	8,347,070.59	Wilts&Swin Sprts Prt	29,088.44	11,791.86
SBC	20,035,857.46	4,821,485.02	Elior UK plc	3,706.09	839.64
SBC – Agincare	16,103.22	4,520.59	Excalibur Academy	557,953.75	118,007.11
New College	1,027,152.04	282,993.54	Holy Family Academy	91,668.06	23,460.17
Swindon College	1,043,078.70	251,739.79	St Catherine's Academy	46,508.09	11,614.07
Wiltshire College	2,615,585.50	530,076.42	Wansdyke Academy	39,396.86	8,797.35
TPCouncils	2,093,850.70	519,918.67	Education Fellowship	1,305.99	–
Wiltshire Police	5,909,889.25	1,992,418.43	Longmeadow Academy	19,934.50	5,411.63
Wiltshire Fire	1,983,397.48	601,792.36	Rowde Academy	32,004.30	7,033.21
Swindon Academy	404,119.31	147,621.11	Malmesbury Primary Academy	113,427.38	27,182.51
Aster Group	219,253.88	5,686.26	Atkins Limited	45,881.31	13,515.70
AsterPropMgmt	57,868.91	14,516.57	GLL	21,482.05	13,774.87
Sarsen Housing	282,137.03	12,401.93	Lifeways	317.08	–
Capita Business	6,703.07	1,902.63	Reach	734.31	–
CIPFA	1,940,918.64	161,073.61	Hazelwood Academy	70,382.23	14,863.49
Community First	56,068.09	21,549.20	Dauntsey Primary Academy	31,787.73	7,437.13
DC Leisure	69,661.13	18,408.55	Morgan Vale&Woodfall	29,331.51	6,398.95
Devizes Museum	21,000.00	–	Christian Malford Academy	344,414.84	85,627.85
FOCSA	754.08	–	Millbrook Academy	147,698.27	32,840.58
Order of St John	660,143.80	26,083.25	Peatmoor Primary Academy	52,913.49	12,201.89
Salisbury Museum	294,762.23	3,434.25	Westlea Academy	106,177.99	24,486.55
SelwoodHsgSoc	672,375.99	108,467.38	Whitesheet Academy	408,114.01	97,896.18
Swindon Dance	11,197.51	2,284.58	Shawridge Academy	95,127.64	23,907.18
Westlea	2,775,572.35	1,811.10	Mears Care Ltd	12,147.11	2,387.81
Direct Cleaning	34.60	–	Pewsey Primary Academy	71,198.55	14,405.11
Salisbury City Council	143,173.44	80,188.40	Twigmarket	10,710.06	3,563.44
Wellington Academy	303,962.65	98,866.78	Churchill Services	11,640.63	2,126.04
Swindon Commercial Services	102,983.05	39,480.25	Direct Cleaning	1,560.80	318.34
Hardenhuish School Ltd	289,792.54	72,800.23	UTC Swindon	24,074.99	5,480.99
Goddards Park Primary	56,909.18	74,901.20	Somerset Road Academy	405,713.74	95,356.38
Caterlink	36.58	178.95	Wiltshire CCG	98.93	–
Lavington Academy	314,564.48	71,705.83	Uplands Education	5,408.53	1,601.83
S.Wilts Grammar Academy	186,841.04	48,217.94	Greenwich Leisure	131,647.01	37,389.83
Bishop Wordsworth	191,370.10	42,004.24	Create Studios	20,193.34	2,649.00
Corsham Secondary	265,780.72	63,466.95	Athelstan Trust	366,562.03	89,107.84
Sheldon Academy	271,352.02	69,063.27	The Landscape Group	140,606.75	58,939.25
Wootton Bassett School	683,273.21	164,959.15	South Wiltshire UTC	19,624.69	4,201.26

Employer Name	TOTAL ERS	TOTAL EES	Employer Name	TOTAL ERS	TOTAL EES
Pewsey Vale Academy	79,588.10	18,207.51	Swindon Wildcats	3,899.08	1,208.76
Highworth Warneford	188,091.03	46,437.06	Blue Kite Academy	421,642.29	110,520.59
Commonweal Academy	319,602.84	77,706.94	Spurgeons	5,394.84	1,479.46
Holy Rood Infants	121,928.04	27,671.34	Salisbury Plain MAT	445,928.11	94,929.18
Holy Rood Junior	66,639.12	15,782.80	Ringway	132,557.12	32,683.70
Lethbridge Academy	128,960.96	31,472.72	BPP – Brunel Pension	547,705.17	289,465.83
Lydiard Academy	505,441.55	121,995.30	Mears Care East 2	13,019.16	2,537.09
St Joseph's Academy	405,578.40	98,548.72	Mears Care North 1	7,421.69	1,616.22
St Mary's Academy Swindon	99,367.74	25,183.43	Mears Care West 1	161.20	–
Kingdown Academy	756,397.88	187,015.35	First City Nursing	24,551.64	5,237.03
St Laurence Academy	279,138.21	67,249.53	NHS South Central	5,459.67	2,394.22
Kingsdown Academy Swindon	309,353.53	81,375.22	Edwards & Ward Ltd	534.74	123.70
St Josephs Dev Academy	30,189.36	6,992.85	Edwards & Ward Ltd – St Peters	65.43	–
Holy Trinity CE P Academy	29,894.54	7,027.33	Deeland Ltd t/a Serv	1,937.02	327.02
St Augustines Acadmy	170,604.15	41,700.68	Eynon Catering	25.13	–
St Edmunds Calne Academy	48,652.77	10,882.96	Pickwick Academy Trust	421,380.44	84,559.68
Eastrop Infants Academy	33,722.49	7,873.73	Magna Learning Partnership	640,183.32	162,255.42
Southfield Junior Academy	24,844.41	5,423.21	Reach South Academy	2,971.18	–
Visit Wiltshire	507.07	162.36	Wyclean	5,401.33	1,403.96
St Leonards P Acadmy	25,389.69	7,106.61	SEQOL GWH NHS	32,334.90	6,995.19
Springfields Academy	310,206.49	70,770.21	Turning Point (CGL)	2,467.71	48.15
John Bentley Academy	3,355.18	–	Thera South West	34,473.22	7,400.42
Somerset Care Ltd	–	5,273.38	Churchill Cont Serv2	1,894.23	410.16
Colebrook Infants Academy	30,456.61	7,161.75	Grt West Academ-270	50,022.63	12,269.11
Dorcan Technology Academy	187,775.79	50,217.60	Hills Group Ltd-410	861,913.87	146,635.41
Woodford Valley Academy	41,224.43	9,739.81	Swindon Mus Serv-375	27,845.67	10,114.97
Smrst Care Pt2 Selwd	–	844.20	Braybourne Facilities	2,238.06	533.96
Great Western Hosptl	2,769.36	1,043.04	Brunel SEN MAT – 497	805,198.57	210,498.52
John of Gaunt Academy	247,003.98	60,097.88	Community Golf & Leisure	5,097.80	1,781.72
Bybrook Valley Academy	42,855.47	11,073.20	Carehome Selection	3,629.29	1,162.87
The Mead Primary Academy	360,229.34	98,386.87	Direct Cleaning	3,167.11	667.80
Holy Trinity Calne Academy	46,082.91	9,460.88	Imperial Cleaning	1,054.86	243.12
Sevenfields Academy	80,255.98	22,458.19	Adoption west	116,167.53	39,168.63
Collaborative School	18,529.54	5,100.79	Community First	11,182.87	2,796.45
Oxford Health NHS Trust	9,279.84	2,554.80	Palladian MAT	58,761.09	12,594.87
White Horse Federation	3,066,764.84	819,715.86	Grove Learning Trust	31,497.91	6,836.68
King William Academy	39,394.36	8,963.66	Direct Cleaning	1,574.83	309.34
				<b>97,048,327.08</b>	<b>22,887,591.06</b>

## EMPLOYER ACTIVITY

This year we have a total of 174 employers within Wiltshire Pension Fund, this has changed due to a mixture of reasons such as the amalgamation of schools or academies into Multi Academy Trusts and previous admitted bodies leaving and others joining the Fund. Despite these changes, the number of members has still increased overall.

The full list of contributing employers can be seen on page xx.

A summary of employers for the year to 31 March 2020 is as follows:

	Active 2019	New	Ceased	Merged	Total 2020
Scheduled Body	118	3	0	14	107
Admitted Body	63	14	10	0	67
<b>Total</b>	<b>181</b>	<b>14</b>	<b>20</b>	<b>14</b>	<b>174</b>

The Wiltshire Pension Fund employs an Employer Relationship Manager whose role is to act as an advocate for employers, help foster relationships and assist employers with any pension specific queries.

There is also an Employers' Guide available, including details of the Fund's discretions policy which can be found on the Fund's website. The policy was reviewed and updated during 2015–16 by the Pension Fund Committee. The website is used as a substantive source of employer information, along with the regular technical newsletters and Employer Forums meetings. The Fund works alongside Employer organisations to assist and provide training on their pension responsibilities and undertakes site visits to guide teams through the process and forms when required. This is particularly useful where changes in key staff at an employer have recently occurred.

Further information specific to employers can be found on the website at the following web addresses:

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/employers/>

<https://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/forms-and-publications/>

The Fund's Employer Relationship Manager is Denise Robinson and her contact details are: Denise.Robinson@Wiltshire.gov.uk (01225 713505).

## MEMBER SCHEME CONTRIBUTIONS

The following pay bands and contribution rates will apply in the main and 50/50 sections of the LGPS from 1 April 2019 to 31 March 2020 (inclusive).

Band	Salary range	Main section Contribution %	50/50 section Contribution %
1	£0 to £14,400	5.50%	2.75%
2	£14,401 to £22,500	5.80%	2.90%
3	£22,501 to £36,500	6.50%	3.25%
4	£36,501 to £46,200	6.80%	3.40%
5	£46,201 to £64,600	8.50%	4.25%
6	£64,601 to £91,500	9.90%	4.95%
7	£91,501 to £107,700	10.50%	5.25%
8	£107,701 to £161,500	11.40%	5.70%
9	£161,501 or more	12.50%	6.25%

Further information on the LGPS 2014 scheme can be found at <https://www.lgpsregs.org/>

## COMMUNICATIONS

With the digital world constantly developing, the Fund continues to review its communication processes and procedures in order to meet both member and employer expectations. The Fund's Communication Strategy outlines the different methods in order to meet two of the main objectives from the Fund's 2019–22 business plan: To provide outstanding customer service and stakeholder relationships, and embracing technology. The communications strategy can be viewed on the Wiltshire Pension Fund website at: <https://www.wiltshirepensionfund.org.uk/media/5196/communications-strategy-2019.pdf>

The Fund continues to keep employers and employees updated with the latest changes affecting the scheme, options to increase pension entitlements through the purchase of additional pensions and notifying members of changes to legislation, particularly the tax implications from the new thresholds to Annual and Lifetime Allowances.

This includes the Fund's standard publications to members which are the Annual Benefits Statements for active and deferred members; Annual Allowances statements to those who breach the limits, letters and presentations to high earners informing them of changes to the pension tax relief regimes, annual active members and pensioners' newsletters, induction presentations, pre-retirement presentations and early retirement seminars, and presentations including training to employers.

The Fund's website is frequently reviewed and updated to ensure the latest information is available for scheme members. This includes updated guides to the LGPS 2014 scheme, updated benefit calculator, and information on how pension tax relief affects members along with relevant calculators. The News Update section of the website is also kept up to date to reflect important announcements and any other relevant news affecting members.

The Fund recently published a website solely for employer use. The purpose of the website is to bring all information, including employer newsletters, member communications and training opportunities into one place. The employer website can be found at: [employer.wiltshirepensionfund.org.uk](http://employer.wiltshirepensionfund.org.uk)

The Fund has also launched an online secure portal called My Wiltshire Pension for its Active and Deferred members. Members can run pension projections and calculate the exchange of pension for a lump sum. It also allows the Fund to publish member documents and communications to member's individual accounts and members can also upload forms and documents to their accounts rather than send via post.

The Fund's Twitter account enable members to keep up to date with all the latest Fund and pension news. You can follow the Wiltshire Pension Fund by using the following link: <https://twitter.com/WiltsPensions>

## AVC PROVIDER

Prudential is the Fund's current AVC provider. This facility allows members, if they wish, to top up their current LGPS pension provision by paying additional contributions into one of the many different funds offered by the Prudential which best fits their risk profile. Members still making contributions to the closed schemes run by Clerical Medical, Utmost Life & Pensions (formerly Equitable Life) and Phoenix AVCs can continue paying into these funds or can decide to transfer their accumulated benefits into one of the new Prudential funds.

## PENSION INCREASE

Public Service Pensions which have been in payment for at least one year will have received a 2.4% increase effective from 8 April 2019. This is based on the Consumer Price Index (CPI) as at September of the previous year. Pensions which have been in payment for less than one year will receive a proportionate increase based on the amount of time they have been in payment.

## DISCRETIONS POLICIES

Under the LGPS Regulations, the Fund has a certain number of discretions as the Administering Authority in the administration of benefits. Its current policy was reviewed and approved by the Committee on 10 December 2015 which can be viewed at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

Each employer in the Fund must have completed their own discretions policy which guides the Fund as to how to process their employee benefits. This must be approved by the appropriate people within their organisation and is 'published' and made available to its employees. Copies of these policies must be submitted to the Fund on approval along with any changes within one month of them becoming active.

The current policies for the Fund's scheme employers can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3476/employer-discretions-policy-and-template.docx>

## OTHER MATTERS

The Fund continues to support its employers by co-ordinating the provision of IAS 19 and FRS102 accounting reports from the actuary, so that they can meet their obligations to show their pension liabilities relative to their pension assets in their annual accounts.



# INVESTMENT REPORT

## INVESTMENT STRATEGY STATEMENT (ISS)

The ISS sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been kept short, in order to be read in as user-friendly manner as is possible. The Fund's ISS is a living document and is an important governance tool for the Fund. The ISS was last reviewed and approved by the Committee in July 2020. The full ISS can be found at the following link: <https://wiltshirepensionfund.org.uk/media/3391/investment-strategy-statement-july-2020.pdf>

## OBJECTIVES OF THE PENSION FUND

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations, whilst at the same time seeking to minimise the contributions that need to be paid in to the Fund by employer bodies.

The level of employer contribution is assessed every three years through an actuarial valuation of the Fund. This valuation establishes the solvency position of the Fund, that is, the extent to which the assets of the Fund are sufficient to meet the Fund's pension liabilities accrued to date. The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit. The projection is that full funding is achieved over a time frame agreed appropriate by the Actuary for each employer, as set out in the Funding Strategy Statement.

## FUNDING STRATEGY STATEMENT

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a document called a 'Funding Strategy Statement' (FSS). The purpose of the FSS is:

- a) to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- b) to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- c) to take a prudent longer-term view of funding those liabilities.

However, there will be conflicting objectives which need to be balanced and reconciled. For example, for most employers, objective a) implies low contribution rates, because they would see pension liabilities being 'best met' by gaining as much help as possible from the investment strategy over the long term, which would lead you towards an equity-biased investment strategy. By contrast, objectives b) and c) imply stability and prudence of employer contribution rates, which would lead you towards a bond biased investment strategy.

Therefore, the best that can be achieved is a sensible balance between these different objectives, while considering the affordability of employer contributions.

The FSS and ISS are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed at the link below: <https://www.wiltshirepensionfund.org.uk/media/5113/funding-strategy-statement-final.pdf>

## INVESTMENT POWERS

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which outline the wide investment powers allowing committees to invest in line with its ISS, with certain restrictions as long as proper advice has been obtained.

The Secretary of State also now has the power to direct should an authority fail to act in accordance with the guidance issued under these regulations.

## RESPONSIBILITY FOR DECISIONS

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from independent external advisors (Mercer) and from the Head of Pension Fund Investments and the Treasurer to the Pension Fund (the Director of Finance and Procurement). The Committee is also supported by its Independent Adviser (Anthony Fletcher). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions. Increasingly, as implementation of pooling takes place, the Brunel Pension Partnership Limited ("the pool") will be responsible for the appointment of external investments managers to implement the Fund's investment policy.

The Committee believes these arrangements strike the right balance between their own overall responsibilities in acting in a quasi trustee role and having decisions taken with the most appropriate level of expertise available.

## TYPES OF INVESTMENTS HELD

The Committee has freedom to operate within the Regulations and its policy is outlined below. Its expectation, however, is that the majority of assets are invested in major stock markets, where the underlying investments can be easily traded if required.

The Fund therefore invests in pooled funds managed by properly authorised organisations (equities, property, infrastructure and government bonds) and sterling and overseas cash deposits. The Fund also hedges a proportion of its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property. The Fund also invests and has commitments to private markets mandates, including Infrastructure, Private Equity, Private Lending & Secured Finance.

## EXPECTED RETURNS ON INVESTMENTS

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk. The target return set by the actuary at the valuation is 1.6% per annum in excess of gilt yields. Based on the Actuarial valuation carried out by Hymans, this is currently estimated at 3.8% p.a.

## RISK CONTROL

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy. The key themes for the Fund include equity risk, inflation and interest rate protection. All risks are continually monitored and a high level asset allocation review is undertaken annually to check the appropriateness of the Fund's current strategy.

## INVESTMENT BELIEFS AND OBJECTIVES

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered within the ISS.

The Fund has formed the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

## SECURITIES LENDING

The Fund does not currently engage in any securities lending as all the equity holdings are now held within pooled fund structures. The intention going forwards is to increase returns through employing securities lending through the Brunel portfolios, when viable.

## CUSTODIAL ARRANGEMENTS

Fund assets are held by State Street who handles all custodial arrangements of the Fund. The custodian is also able to carry out stock lending on behalf of the Fund. Fund assets are held under the legal name 'Wiltshire County Council Pension Fund'.

## ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) POLICY

ESG are important factors for the sustainability of investment returns over the long term. The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). To provide guidance, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Brunel will publish its voting policy and provide online voting records no less than twice a year.

The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities on corporate governance issues. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Details of their activities can be found on the following link:

**<http://www.lapfforum.org/about-us>**

The Fund has a fiduciary duty to act in the best interest of its members and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that the bodies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

## CLIMATE CHANGE POLICY

The Fund is developing its approach in this area, and has set out its policy and actions in a separate statement, which can be found on page xx.

## RESPONSIBLE INVESTMENT INITIATIVES

To deliver the Fund's Responsible Investment policy the Fund is active in supporting a number of responsible investment initiatives. The Fund plans to become a signatory to the new UK Stewardship code. The Fund is a member of the LAPFF. The Fund supports the Transition Pathway Initiative ('TPI'). In addition, the Fund supports Brunel as a signatory to the UN supported Principles for Responsible Investment ('PRI').

## INVESTMENT MANAGEMENT COSTS

As set out in the Investment Strategy Statement, one of the Fund's core beliefs is that 'Value for money from investments is important, not just absolute costs.' This is reflected in the fact that the Fund expects to (and does) pay lower fees for passive mandates compared to active management. The Fund reviews the investment managers' performance on a net basis against an agreed benchmark (plus an outperformance target where appropriate). The Committee monitors costs on a quarterly basis, as part of overall budget monitoring. The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement. An analysis of the total investment costs is provided in Note 9 to the Accounts, and a detailed analysis by portfolio is provided with the Pooling Report on page 33.

## INVESTMENT MANAGEMENT ARRANGEMENTS

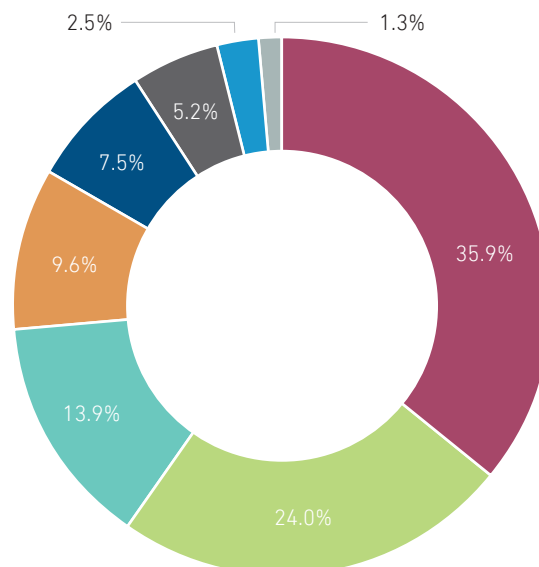
The Fund's current asset allocation as at 31 March 2020 is shown in the following table:

Asset Class/Portfolio	Actual allocation as at 31 March 2020	Market value as at 31 March 2020 £m	Interim allocation	Long term strategic allocation
Active global equities	16.6%	416.5	16.1%	10.0%
Passive low carbon equities	19.2%	479.8	14.9%	12.0%
Emerging market equities	4.8%	119.1	5.0%	5.0%
Private equity	–	–	–	7.5%
<b>Total equity</b>	<b>40.6%</b>	<b>1,015.4</b>	<b>36.0%</b>	<b>34.5%</b>
Diversified growth fund	1.3%	33.1	–	–
Infrastructure	7.9%	192.2	8.0%	8.0%
<b>Total growth assets</b>	<b>49.8%</b>	<b>1,240.7</b>	<b>44.0%</b>	<b>42.5%</b>
Multi asset credit	7.5%	187.2	5.0%	5.0%
Emerging market debt	4.8%	119.1	5.0%	5.0%
Property	14.1%	347.1	13.5%	15.0%
Private lending	–	–	–	7.5%
Private lending interim portfolio	–	–	7.5%	–
<b>Total income generating assets</b>	<b>26.4%</b>	<b>653.4</b>	<b>31.5%</b>	<b>32.5%</b>
Index linked gilts	23.9%	598.3	25.0%	15.0%
Secured income	–	–	–	10.0%
<b>Total protection assets</b>	<b>23.9%</b>	<b>598.3</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Total</b>	<b>100.0%</b>	<b>2,492.4</b>	<b>100.0%</b>	<b>100.0%</b>

The Fund has set both a long-term allocation and an interim allocation. This reflects the fact that private markets commitments will take several years to become full invested, and also the fact that any large movements between asset classes need to be considered in the light of the timetable of portfolio transitions agreed with the Brunel pool. Specifically, the Fund has made commitments to Brunel's private equity, infrastructure, private debt and secured income portfolios. These were made as at 31 March 2020, and in order to achieve vintage year diversification, these portfolios will be built up to the long term target allocations over several years. In addition, the private lending interim portfolio was agreed as part of the strategy by the Committee, but was not implemented until September 2020.

### Split of Assets by Manager

Manager	£m	% of Fund Total
Brunel (pooled assets)	896.3	35.9%
LGIM (Gilts)	598.3	24.0%
CBRE (property)	347.1	13.9%
Investec (emerging market multi-asset)	238.2	9.6%
Loomis Sayles (multi-asset credit)	187.2	7.5%
Magellan (listed infrastructure)	129.6	5.2%
Partners (unlisted infrastructure)	62.6	2.5%
Barings (diversified growth fund)	33.1	1.3%
Locally held (cash and Brunel long term investment)	1.0	0.0%
<b>Total</b>	<b>2,493.4</b>	<b>100.0%</b>

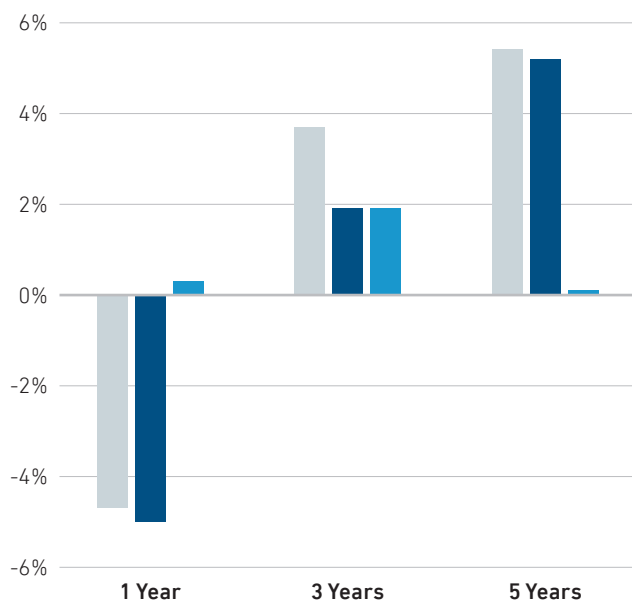


## Performance

This section shows performance for the whole fund, and all investment portfolios over 1, 3- and 5-year periods (where available) against the benchmarks. Baillie Gifford's global equities portfolio transferred into the Brunel pool in November 2019, and in December 2019 the LGIM passive global equities portfolio transferred into the Brunel pool and was merged with the passive fundamental equities and passive UK equities portfolios to create the passive low carbon equities portfolio, so there is no complete 1-year period of performance data yet for these portfolios.

Markets globally suffered from coronavirus related disruption and saw large negative falls in March 2020, which reversed any gains earned earlier in the year. Over the year to March 2020, global equities returned -6.2% as measured by the MSCI All Countries World Index, and UK equities returned -18.5% as measured by the FTSE All Share Index. UK Index Linked Gilts returned -1.1% over the year. Wiltshire's overall returns were impacted by this market performance, and the whole fund return for the year to 31 March 2020 was -4.7%. This represented an outperformance of 0.3% relative to a composite of the managers' benchmarks.

Whole Fund returns to 31 March 2020	1 Year	3 Years	5 Years
Net Return	-4.7%	3.7%	5.4%
Benchmark	-5.0%	1.9%	5.2%
Return Against BM	0.3%	1.9%	0.1%

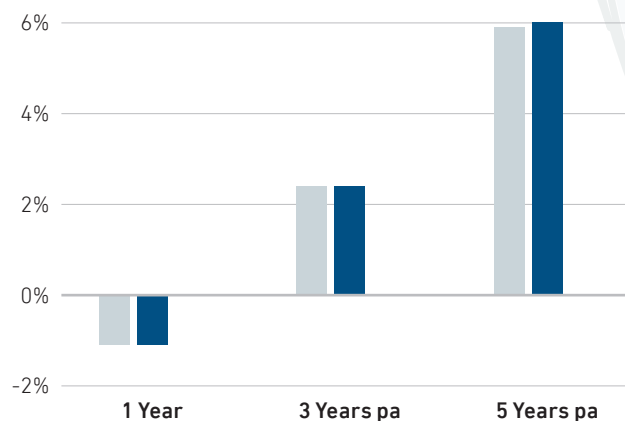


## Passive portfolios

The Brunel low carbon passive equities portfolio has only been in place since December 2019, so it is not possible to show performance data this year. The portfolio aims to match its benchmark indices, and so has met the performance objectives over the short period since inception.

The LGIM passive UK gilts portfolio has also matched its benchmark over all periods as expected.

LGIM passive UK Gilts	1 Year	3 Years pa	5 Years pa
Net Return	-1.1%	2.4%	5.9%
Benchmark	-1.1%	2.4%	6.0%
Return Against BM	0.0%	0.0%	0.0%



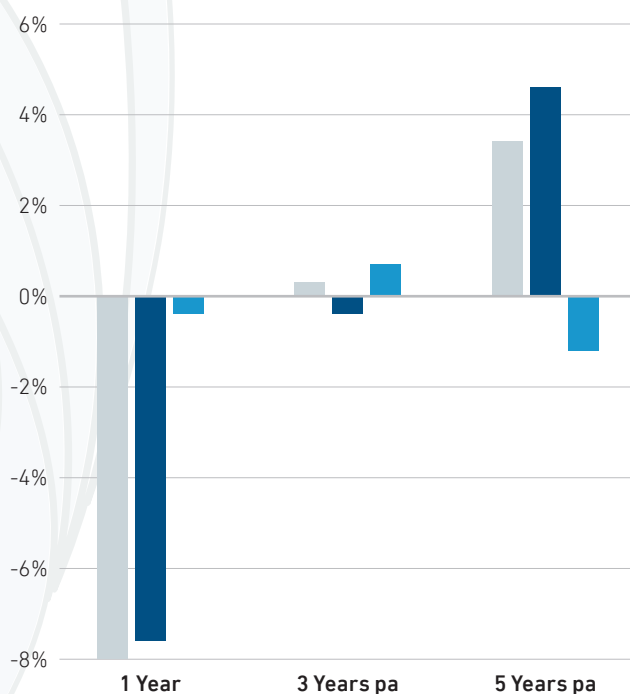
## Brunel Global High Alpha equities

Baillie Gifford's global equities portfolio transitioned into Brunel in November 2019. Consequently it is too early to show performance data. Over the period to 31 March 2020 the portfolio had returned -9.0% since inception, which was 4.1% ahead of the benchmark index. This portfolio targets 2–3% outperformance over the index.

## Investec

Investec's emerging market multi-asset portfolio is made up of approximately 50% equities and 50% debt investments. This portfolio has a composite benchmark which reflects the composition of the portfolio, plus an outperformance target of 2-4%. This portfolio has underperformed this target over all time periods.

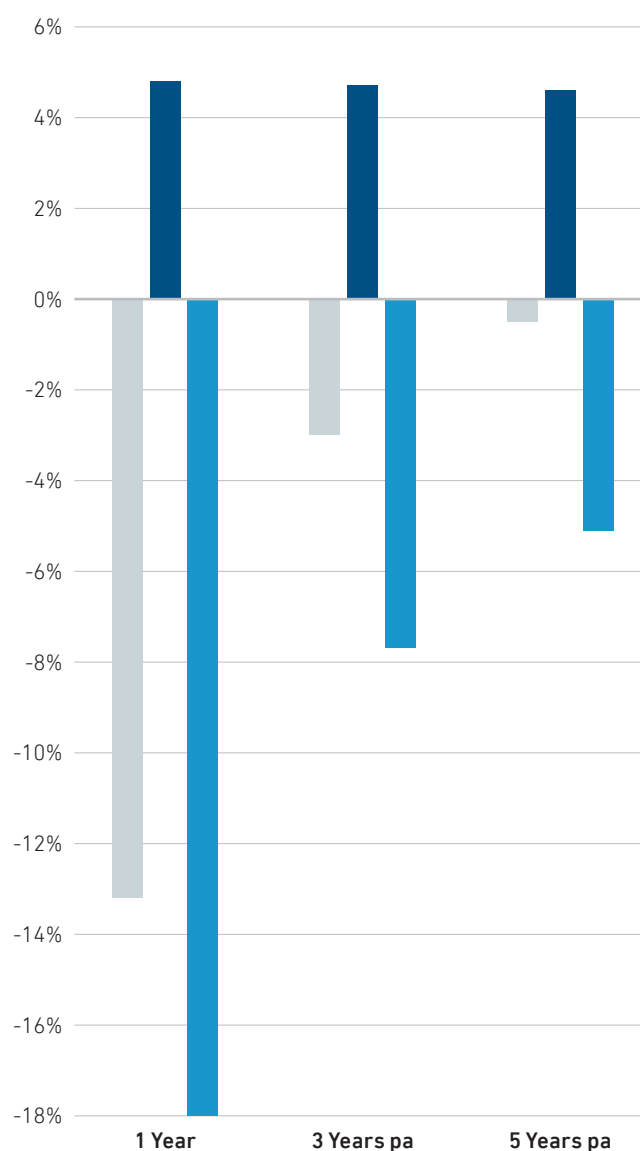
Investec	1 Year	3 Years pa	5 Years pa
Net Return	-8.0%	0.3%	3.4%
Benchmark	-7.6%	-0.4%	4.6%
Return Against BM	-0.4%	0.7%	-1.2%



## Barings

Barings manage a diversified growth fund portfolio, which is benchmarked against cash +4%. The portfolio has underperformed this target over all time periods. Performance over the last year was particularly hit in the first quarter of 2020. The Fund is in the process of redeeming this portfolio following a change to the strategic asset allocation.

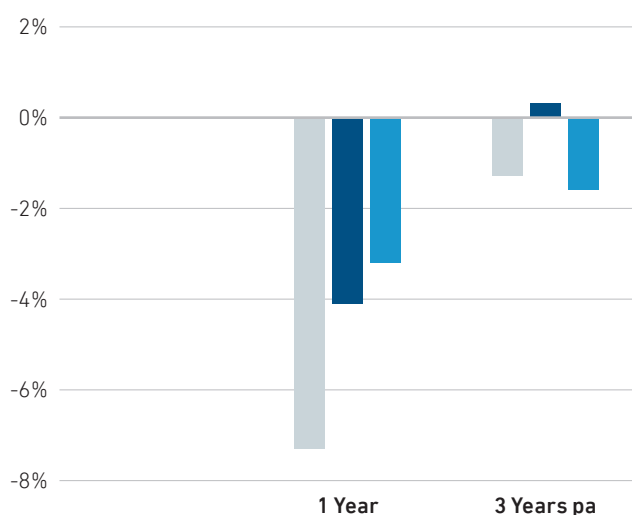
Barings	1 Year	3 Years pa	5 Years pa
Net Return	-13.2%	-3.0%	-0.5%
Benchmark	4.8%	4.7%	4.6%
Return Against BM	-18.0%	-7.7%	-5.1%



## Loomis Sayles

Loomis Sayles manage a multi-asset credit portfolio, which is benchmarked against a composite benchmark, plus an outperformance target of 2–4%. Inception for this portfolio was March 2015 so 5 year performance is not quite yet available. The portfolio has underperformed against its benchmark and target over one and three year time periods.

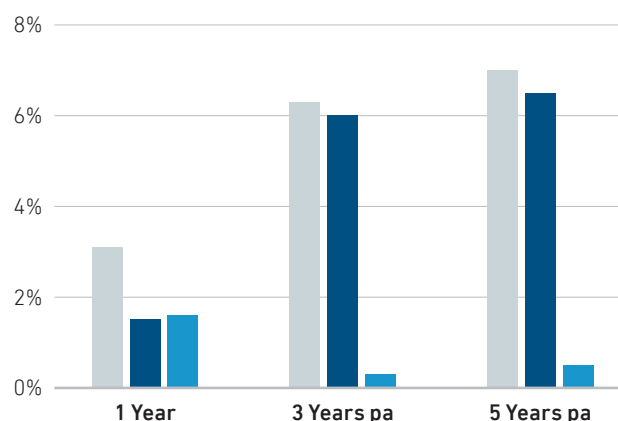
Loomis – Multi-asset credit	1 Year	3 Years pa
Net Return	-7.3%	-1.3%
Benchmark	-4.1%	0.3%
Return Against BM	-3.2%	-1.6%



## CBRE

CBRE manage a portfolio of indirect property funds, split approximately between 75% UK and 25% global. During the year, the Committee approved an increase to 35% global, but this will take time to implement. The performance objective is to deliver a return in excess of a 75:25 benchmark based on the MSCI/AREF UK QPFI All Balanced Property Fund Index and the MSCI Global Property Fund Index over five years. There is also an outperformance target of 0.4% on top of this benchmark. CBRE have met this outperformance target over one year end five year time periods.

CBRE	1 Year	3 Years pa	5 Years pa
Net Return	3.1%	6.3%	7.0%
Benchmark	1.5%	6.0%	6.5%
Return Against BM	1.6%	0.3%	0.5%



## Infrastructure

Magellan manage a portfolio of listed infrastructure equities. The inception date for this portfolio was May 2019, so it is too early to show performance information.

Partners Group manage a portfolio of unlisted infrastructure via three limited partnership funds. The internal rates of return for these funds as at 31 March 2020 were 9.5%, 11.9%, and too early to be applicable for the third fund. This is compared to an absolute return target of 8–11%.

# CLIMATE CHANGE STATEMENT AND REPORT

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential.

The Fund's approach to Climate Change Risk is to acknowledge that investing in companies who have properly considered this risk, and who have made plans for a transition to a low-carbon economy, is an essential part of being able to generate returns over the long term. The Fund takes action by a combined approach – through the Brunel Pension Partnership pool (Brunel), and on its own initiative, at a strategic level. Brunel is well resourced in this area, and the Fund views the work Brunel carry out on behalf of all clients as one of the key benefits of pooling. Further detail on Brunel's policy, and also Wiltshire's specific monitoring and actions is below.

## BRUNEL 2020-22 CLIMATE CHANGE POLICY OBJECTIVES

Brunel's Climate Change Policy sets out a plan to build a financial system which is fit for a low carbon future. The Policy explains how Brunel see three areas where they have a particular contribution to make. Namely: they will have significant direct influence over the investment managers they appoint; they can exert broader influence in the investment industry and with policy makers and lastly their ability to influence company practice and performance, in particular in conjunction with their Client Funds and others.

The Committee fully encourages and supports Brunel's 2020–2022 policy objectives on climate change which are set out in their Climate Change Policy below. The Committee are currently supportive of Brunel's approach of not issuing exclusion lists as the Fund believes that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

## MONITORING OF CLIMATE CHANGE POLICY AND REPORTING PROGRESS

Reporting on climate change is an area that is rapidly developing, and the Fund is working with Brunel and other member funds to continue to improve this. The Fund is supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C.

The Fund currently undertakes climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within the Fund's portfolios.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to

## BRUNEL'S 2020-2022 CLIMATE CHANGE POLICY OBJECTIVES

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

Further details of Brunel's Climate Change policy are set out on its website: <https://www.brunelpensionpartnership.org/wp-content/uploads/2020/01/Brunel-Climate-Change-Policy-rev01.pdf>



on progress, the effectiveness of our approach, and potentially to raise our ambitions.

One of the key questions the Fund will be answering as part of this review is whether Brunel's decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, the Fund will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

The Fund will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the other partner funds and Brunel.

In addition to the full review, the Committee will be reviewing its beliefs and commitments on an annual basis to ensure that they remain fit for purpose and that strategic objectives are set with these in mind. To support this, the Fund will ensure there is regular training on climate change for the Committee, Board, and Officers so that those in charge of the decision making for the Fund are sufficiently informed.

## RELEVANT STRATEGIC DECISIONS AND ACTIONS TAKEN DURING THE YEAR TO 31 MARCH 2020

During the year, the Committee instructed officers to carry out research into options for low carbon investing. Following this, the Committee decided to transfer its entire passive equity exposure (around 20% of the Fund at the time of transfer) into a low carbon passive equities portfolio managed by Brunel, which was completed in December 2019. This portfolio gave the Fund the ability to lower its carbon footprint, whilst not sacrificing any investment returns compared to the broader global equity index. The Fund published a press release, an extract of which is shown below, to share with members of the Fund and the general public the action it had taken.

### PENSION COMMITTEE CHAIRMAN, COUNCILLOR TONY DEANE :

**“Climate change is an increasingly material issue for investors and we believe that investing to support the Paris goals is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of Wiltshire’s beneficiaries. We also want to invest in a world worth living in, and investing in low carbon passive equities through our pool operators at Brunel gives us an ideal, cost-effective solution. It also helps us benefit from the wider expertise of our Pool. As the world steps up to meet the global climate emergency its vital that investors like us play their part.”**

The Committee also agreed to sign up as a supporter of the Transition Pathway Initiative (TPI), which is a global initiative which assesses companies' preparedness for transition to a low-carbon economy, with the following statement:

**We support TPI because as long term investors we consider all investment risks in developing our strategy, which includes climate change risk. The work TPI is doing in quantifying how companies are managing climate change risk is something that we will use to help hold our asset managers to account.**

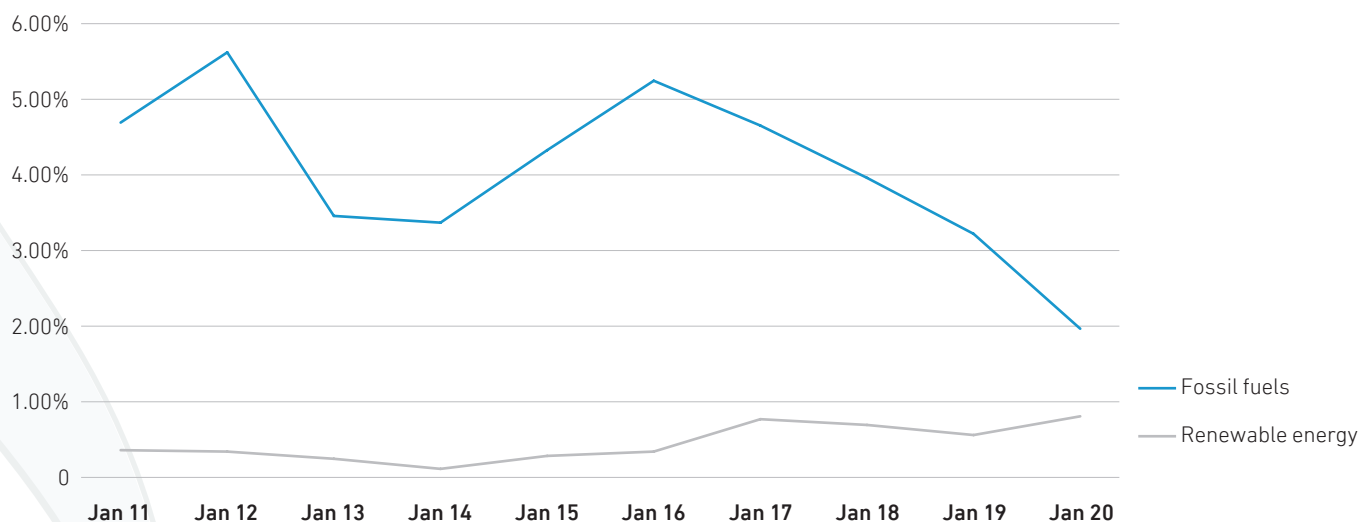
In order to begin setting a benchmark for progress, the Committee commissioned Brunel to carry out a carbon footprinting exercise on all equity portfolios (these are the portfolios on which this type of analysis is possible) as at 31 March 2019. The analysis was repeated at 31 December 2019 and the results are shown below. This exercise will be continued into the future in order to monitor trends and empower the Committee to hold Brunel to account in this area.

The Committee has also instructed an exercise which will model various climate change scenarios, and the effects of these on the Fund's portfolios. This will help inform policy and the direction of travel for the Fund going forward.

## MONITORING OF RELEVANT METRICS

The Committee monitors on an annual basis, as at 31 March, the Fund's overall exposure to companies which derive the bulk of their revenues from fossil fuels, as well as companies or assets (via the infrastructure portfolio) which are focussed on renewable energy. A graph showing the exposure as a percentage of the total Fund value over the last 10 years is shown below. Due to the transition to low carbon passive equities, the exposure of the Fund to fossil fuels is at an all-time low. Increased deployment of capital into infrastructure assets via the unlisted infrastructure portfolio managed by Partners Group has also increased the Fund's exposure to renewable energy sources.

### Percentage of Fund held in Fossil Fuels and Renewable Energy



The results of the carbon footprinting exercise are shown below:

#### Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 December 2019

Metric	Unit	Portfolio	Benchmark	Relative Efficiency
Weighted Average Carbon Intensity	tCO <sub>2</sub> e/mGBP	153	301	49%
Extractive Industries Revenue Exposure (VOH)	%	2.3	5.3	57%

#### Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 March 2019

Metric	Unit	Portfolio	Benchmark	Relative Efficiency
Weighted Average Carbon Intensity	tCO <sub>2</sub> e/mGBP	292	450	35%
Extractive Industries Revenue Exposure (VOH)	%	4.3	8.0	46%

#### Definitions

- WACI:** The weighted average carbon intensity shows the portfolio's exposure to carbon intensive companies. This measure is determined by taking the carbon intensity of each company and weighting it based on its holding size within the Portfolio. Because carbon intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing, this is a useful indicator of potential exposure to transition risks such as policy intervention and changing consumer behaviour.
- Extractives Industries Revenue Exposure (VOH):** This is calculated by summing the weights of any holdings in companies that have a revenue dependency on extractives-related activities. This measure is useful as an indicator to show potential exposure to stranded assets.

This analysis shows that between March and December 2019, there has been significant improvement in Wiltshire's carbon footprint. Of particular note is the change in the WACI, which has reduced by 48% over the period.

# POOLING REPORT

## IMPLEMENTATION: APPROACH TO ASSET POOLING

The Fund pools investments with 8 other local authorities and the Environment Agency through the Brunel Pension Partnership and its operator Brunel Ltd.

The Fund first transferred assets to BPP Ltd in July 2018 and, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This includes ensuring BPP Ltd are able to implement the Committees strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

BPP Ltd is a company which is wholly owned by the Administering Authorities. The company is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within investment portfolios with defined risk and return characteristics. In particular it researches and selects the underlying investment managers needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Fund is a client of BPP Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement is in place which sets out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

The governance of the Brunel partnership is of the utmost important to ensure the Fund's assets are invested well and the needs of the Fund and its beneficiaries are met. Governance controls exist at several levels within Brunel.

- As shareholders in Brunel the Fund entered into a shareholder agreement with the company and the other shareholders. This gives considerable control over Brunel – several matters, including significant changes to the operating model and finances, are reserved matters requiring the consent of all shareholders.
- An Oversight Board comprising representatives from each of the Administering Authorities has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.

- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel, which are appointed by the Fund and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.
- Finally, as an authorised firm, Brunel has to meet the extensive requirements of the FCA which cover standards such as conduct, good governance, record keeping, training and competency, policy and process documents, and internal controls.

The arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. The Fund's first investment assets were transitioned across to BPP in July 2018. At the time of writing BPP are still working to finalise a number of their portfolio offerings, with the target date for all portfolios operational extending into 2021. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance.

Following the completion of the transition plan, it is currently envisaged that the majority of the Wiltshire Pension Fund's assets will be invested through BPP Ltd. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd.

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate. In this case, where BPP cannot accommodate a specific solution, these assets would remain outside the Fund and continue to be managed by the Fund until such time as they are liquidated, and capital is returned.

In order to monitor progress, the following information has been prepared to show set-up and ongoing costs associated with investment pooling, along with actual and projected savings.

## Set up costs

The following table shows the set-up costs (all of which were charged in prior years), and the current year's transition costs associated with transferring the passive UK and fundamental equities to Brunel.

2019/20				
Set up costs	Direct £'000	Indirect £'000	Total	Long term strategic allocation
Recruitment	–	–	–	18
Legal	–	–	–	133
Consulting, Advisory & Procurement	–	–	–	82
Other support costs eg IT accommodation	–	–	–	–
Share purchase	–	–	–	840
Other working capital provided eg loans	–	–	–	–
Staff Costs	–	–	–	–
<b>Total set up costs</b>	–	–	–	<b>1,072</b>
<b>Transition costs</b>	–	<b>2,054</b>	<b>2,054</b>	<b>2,088</b>

Note – transition costs for 2019/20 per Note 9 of the Accounts is £2,550k. This also includes £496k of costs associated with transitioning into the low carbon passive equities portfolio. This was carried out partially using portfolios already held with Brunel. The transition costs in the table above are only those incurred at launch of a new portfolio.

## Projected Savings

The following table shows the expected costs and savings over the next few years, as taken from the Brunel business plan. These figures come from the original 2015 business case submission to the Ministry of Housing, Communities & Local Government (MHCLG), in line with the CIPFA guidance. Since then the business case has been revised to include a significant budget increase, as well as increased savings projections. The figures show that Wiltshire is expected to breakeven from pooling in 2023. The revised business case is still consistent with this position.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/36 £'000
Set up costs	117	1,041	–	–	–	–	–	–	–	–	–
Transition costs	–	–	1,350	2,644	13	–	–	–	–	–	–
Ongoing costs associated with management and running of the pool	–	–	430	558	577	595	614	634	655	676	8,093
Projected fee savings	–	–	(343)	(1,159)	(1,888)	(2,031)	(2,181)	(2,339)	(2,503)	(2,676)	(39,695)
Client savings	–	–	(150)	(154)	(159)	(163)	(168)	(173)	(179)	(184)	(2,172)
Net costs/ (savings) for the period	117	1,041	1,288	1,889	(1,457)	(1,599)	(1,735)	(1,878)	(2,027)	(2,184)	(33,775)
Net cumulative costs/(savings)	117	1,158	2,446	4,335	2,878	1,279	(456)	(2,334)	(4,361)	(6,545)	(40,320)

## Expected vs Actual Costs and Savings to date

The following table shows a comparison between the expected and the actual savings and costs achieved to date, for the past two years and cumulatively. Budget figures are those from the original 2015 business case submission to the MHCLG, in line with the CIPFA guidance.

	2018/19				2019/20			
	Actual		Budget		Actual		Budget	
	In year £'000	Cumulative to date £'000	In year £'000	Cumulative to date £'000	In year £'000	Cumulative to date £'000	In year £'000	Cumulative to date £'000
Set up costs	–	1,072	–	1,158	–	1,072	–	1,158
Transition costs	33	33	1,350	1,350	2,054	2,087	2,644	3,994
Ongoing costs	693	693	430	430	901	1,594	558	989
Client savings	–	–	(150)	(150)	–	–	(154)	(304)
Fee savings	(281)	(281)	(343)	(343)	(823)	(1,104)	(1,159)	(1,502)
Net savings realised	432	1,504	1,288	2,446	2,132	3,636	1,889	4,335

Client savings represent the cost savings as a result of moving over some of the management of investments to Brunel. These were estimated to mainly be for expenses such as fund investment advice, financial / performance measurement and custodian costs. No savings have yet been recognised, as at this stage in the pooling process costs for consultancy etc. have in fact been higher, in assuring that portfolio specifications are appropriate etc.

## Ongoing investment management costs

The following information has been prepared in order to enable comparison between the ongoing investment management costs between asset pools and non-pooled investments.

Investment management costs for year to 31 March 2020										
	Asset Pool				Non-Asset Pool				Fund Total	
	Direct £'000	Indirect £'000	Total £'000	Bps	Direct £'000	Indirect £'000	Total £'000	Bps	Total £'000	Bps
Management fees	–	1,180	1,180	8.9	2,678	4,595	7,273	37.8	8,453	26.0
Performance fees	–	–	–	–	12,455	640	13,095	68.0	13,095	40.2
Fees and costs of underlying fund investments	–	–	–	–	–	3,861	3,861	20.0	3,861	11.9
<b>Total fees</b>	<b>–</b>	<b>1,180</b>	<b>1,180</b>	<b>8.9</b>	<b>15,133</b>	<b>9,096</b>	<b>24,229</b>	<b>125.8</b>	<b>25,409</b>	<b>78.1</b>
Asset pool shared costs	888	–	888	n/a	–	–	–	n/a	888	n/a
<b>Transaction costs:</b>										
– Transaction taxes	–	18	18	0.1	–	148	148	0.8	166	0.5
– Broker commission	–	1	1	–	–	227	227	1.2	228	0.7
– Transaction related services	–	–	–	–	–	293	293	1.5	293	0.9
– Other explicit transaction costs	–	–	–	–	–	463	463	2.4	463	1.4
– Implicit transaction costs	–	191	191	1.4	–	2,949	2,949	15.3	3,140	9.6
– Indirect transactions costs	–	385	385	2.9	–	802	802	4.2	1,187	3.6
– Anti-dilution levy	–	160	160	1.2	–	57	57	0.3	217	0.7
<b>Total transaction costs</b>	<b>–</b>	<b>435</b>	<b>435</b>	<b>3.3</b>	<b>–</b>	<b>4,825</b>	<b>4,825</b>	<b>25.1</b>	<b>5,260</b>	<b>16.2</b>
Operating expenses	–	–	–	–	–	415	415	2.2	415	1.3
<b>Total of all fees and costs</b>	<b>888</b>	<b>1,615</b>	<b>2,503</b>	<b>18.8</b>	<b>15,133</b>	<b>14,335</b>	<b>29,468</b>	<b>153.0</b>	<b>31,971</b>	<b>98.2</b>

Direct costs are those which are directly invoiced to Wiltshire Pension Fund. Indirect costs are those which are charged to the underlying investments – these are disclosed to Wiltshire by cost transparency reporting each year, and are accounted for in the total investment management costs reported in the statement of accounts. These includes fees and costs charged by the underlying funds held in the property and infrastructure portfolios, in order to show a complete reflection of the costs of holdings these investments, in line with the CIPFA guidance on accounting for local government pension scheme management expenses 2016.

Asset pool shared costs represent the quarterly amounts invoiced by the Brunel pool for management and ongoing running costs, and also includes monthly consultancy costs associated with administering the Brunel client and oversight board groups.

Custody fees in the table above relate to custody fees incurred by the investment managers in the course of managing their portfolios, and are do not relate to the custody fees paid by Wiltshire to its global custodian, State Street. These are shown separately in Note 9 to the accounts.

The fee rates in basis points (bps) shown in the table above are based on the actual fees or costs, pro-rated up to a full year where the portfolio was only held for part of the year, as a percentage of the closing market value of the total assets held in the pool or held outside the pool, plus the closing market value for any portfolios which were terminated partway through the year. Assets currently held in the pool are low carbon passive equities, and global high alpha equities. All the Fund's passive equities are held in the pool, so costs associated with this portfolio are much lower than portfolios which are actively managed, and this brings down the average costs of pooled portfolios compared to those still held outside the pool.

## Asset performance

Asset performance for portfolios held inside and outside the pool is shown as part of the Investment Report on pages 23–29.

Risks associated with the pooling arrangements

Risks of pooling are considered, identified, reviewed and monitored as part of the Fund's overall risk management process. Specific risks are set out in the Fund's risk register, which is reported as part of the quarterly Committee papers, which can be found at the following link: <https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>.

# FINANCIAL PERFORMANCE

## ANALYTICAL REVIEW

The following tables show a brief review of key movements in the Fund Account and Net Asset Statement for the financial year.

### Major movements in Fund Account and the Net Assets Statement for the financial year

Fund Account	2019/20 £'000	2018/19 £'000	Notes
Net additions from dealings with members	36,623	45,105	An additional £7.1m transferred out to other funds and £2m in benefits paid out during 2019/20 compared to the previous financial year.
Management expenses	-36,936	-21,152	Increase in costs mostly relate to £2m cost of transitions into the Brunel Pool, £10m in performance fees owed to an investment manager on termination of the contract, and £2m increase on 2018/19 in respect of un-invoiced transaction costs paid to pooled fund managers.
Return on Investments	-115,729	197,489	Reduction in returns due to market fluctuations
<b>Net (decrease)/increase in the Fund</b>	<b>-116,042</b>	<b>221,442</b>	

Net Asset Statement	2019/20 £'000	2018/19 £'000	Notes
Long Term Investments – Brunel	427	840	10% share in Brunel initially measured at cost is now accounted for at fair value
Equities	–	432,614	Overseas equities moved into Brunel Pool during 2019/20
Pooled Funds	2,145,268	1,800,530	Funds previously invested in overseas equities were moved into the Brunel Pool during 19/20
Property	329,510	334,978	
Cash	17,950	15,321	
Other	247	182	
Purchases	–	-2,326	There was a pending purchase in the property portfolio at 31 March 2019, and none at 31 March 2020
<b>Total Net Investments</b>	<b>2,493,402</b>	<b>2,582,139</b>	

## MOVEMENT IN ASSETS AND LIABILITIES

The funding level (i.e. the ratio of the assets to liabilities) at 31 March 2019 (last valuation) was 97% being valued at £2.589 million. Hymans Robertson's previous valuation at 31 March 2016 was 82%. This means that the total of the Fund's assets was sufficient to meet 97% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £92 million.

Since the last formal valuation, the impact of Covid-19 on the financial markets has had a negative impact on investment returns on the Fund's assets and the funding level reduced to 88% as at 31 March 2020.

## ANALYSIS OF PENSION CONTRIBUTIONS

The table below shows the value of contributions received on time and late.

	Total	On time		Late	
	£'000	£'000	%	£'000	%
Employee	22,888	22,838	99.8%	49	0.2%
Employer	97,048	96,865	99.8%	183	0.2%
<b>Total</b>	<b>119,936</b>	<b>119,703</b>	<b>99.8%</b>	<b>233</b>	<b>0.2%</b>

In total 54 monthly contribution payments were received late of which 47 were received within the month, five received between one and three months late and two received more than three months late.

No interest was charged on any of the late payments.



## FORECASTS

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the two years to 31 March 2020.

Fund Account	2020/21	2019/20		2018/19	
	Forecast £'000	Forecast £'000	Actual £'000	Forecast £'000	Actual £'000
Contributions	143,047	142,104	139,380	105,059	138,715
Payments	-105,460	-95,897	-102,757	-88,191	-93,610
Investment management expenses	-15,167	-21,669	-36,936	-9,172	-21,152
Net investment income	12,412	11,500	12,411	11,000	11,355
Change in market value	75,146	204,747	-128,141	210,857	186,134
<b>Net increase in the Fund</b>	<b>109,978</b>	<b>240,786</b>	<b>-116,043</b>	<b>229,553</b>	<b>221,442</b>

Contributions and payments are based on current expectations, the administration and investment management expenses are based on current budgets; and the net investment income and change in market value are based on the long-term forecast returns for each asset class.

Net Asset Statement	2020/21	2019/20		2018/19	
	Forecast £'000	Forecast £'000	Actual £'000	Forecast £'000	Actual £'000
Brunel Shareholdings	427	427	427	840	840
Pooled funds – equities	1,118,278	1,296,307	1,058,975	1,326,740	1,222,931
Emerging market equities	127,785	139,588	119,091	136,655	128,890
Infrastructure	65,916	55,835	62,598	38,615	51,556
Gilts	610,274	435,592	598,308	261,979	424,140
Multi Asset Credit	195,629	119,486	187,205	118,349	116,345
Absolute Return Bonds	–	164,722	–	165,222	160,391
Emerging market debt	123,855	139,588	119,091	136,655	128,890
Property	343,020	350,052	329,510	294,091	334,978
Cash	17,950	39,351	17,950	28,757	15,321
Income due and current assets	10,723	38,571	10,723	16,818	35,639
<b>Total Investment Assets</b>	<b>2,613,856</b>	<b>2,779,518</b>	<b>2,503,878</b>	<b>2,524,721</b>	<b>2,619,921</b>

The forecasts for total investment assets are based on the actual figures for 2019/20 multiplied by the forecast long term returns for each asset used at the last strategic asset allocation review in 2019. No future changes in asset allocation have been considered as the timings of these are not known with certainty.

The long-term asset return forecasts for each asset class are as follows (the forecasts in the table were determined when the Fund's latest Strategic Asset Allocation was set during 2019/20):

### Long-term forecast asset returns from 1 April 2020

Asset Class	Long term forecast return (%)
Equities	5.6
Emerging market equities	7.3
Infrastructure	5.3
Gilts	2.0
Multi Asset Credit	4.5
Emerging market debt	4.0
Property	4.1

## OPERATIONAL EXPENSES

The following table shows the forecast and outturn for the Fund Account and Net Asset Statement for the two years to 31 March 2020, and the forecast for the year to 31 March 2021.

	2020/21	2019/20		2018/19
Fund Account	Forecast £'000	Forecast £'000	Actual £'000	Actual £'000
<b>Fund Investment</b>				
Custodians Fees	143	144	193	113
Brunel cost of Pooling	963	891	888	769
Staffing and other costs	127	114	127	181
<b>Total net cost of investment</b>	<b>1,233</b>	<b>1,149</b>	<b>1,208</b>	<b>1,063</b>
<b>Scheme Administration</b>				
Pension Scheme Administration staffing costs	1,072	969	996	800
Staff training	32	28	19	16
Corporate charges	311	311	311	248
Pension Administration systems and data Cleansing	354	332	310	397
Other administration costs	79	95	102	78
<b>Scheme Administration Costs</b>	<b>1,848</b>	<b>1,735</b>	<b>1,738</b>	<b>1,540</b>
<b>Oversight and Governance</b>				
Staffing and Related	182	169	168	135
Training and conferences	8	12	10	–
Subscriptions, memberships and levies	45	43	34	39
Actuarial services	156	273	206	187
Audit	27	27	10	16
Legal Fees	58	20	13	67
Advisory Fees	170	165	142	111
Corporate charges and other costs	146	146	224	100
<b>Oversight and Governance costs</b>	<b>792</b>	<b>855</b>	<b>807</b>	<b>655</b>
<b>Local Pension Board costs</b>	<b>27</b>	<b>16</b>	<b>14</b>	<b>20</b>
<b>Grand Total (Inc Invest Man Fees)</b>	<b>3,900</b>	<b>3,755</b>	<b>3,767</b>	<b>3,278</b>

From 2019/20 the Fund has changed the way it manages its budget, with the main changes being a review of which types of expenditure are classified as oversight and governance. The 2018/19 figures shown in the table above have been reclassified to allow for ease of comparison between years.

## CASH FLOW

Officers continue to monitor the cashflow position of the Fund to ensure sufficient resources are available to pay benefits as they fall due. The position for 2019/20 is shown below:

	Year ending 31 March 2020 £m
Receipts	149.9
Payments	-132.0
Surplus/ (Deficit)	17.9
Cash returned from managers	5.0
Cash returned from custodian	0.6
Funds sent to investment managers	-22.9

This shows that excluding investment income, cashflow is broadly neutral for the year.

## ANALYSIS OF PENSION OVERPAYMENTS

The table below shows an analysis of the pension benefits overpaid and recovered. These mainly relate to overpayment of pensioners between the date of their death and notification.

Analysis of Pension Overpayments	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000
Overpayments recovered	27	19	29	29	19
Overpayments not recovered	11	14	12	12	10
<b>Total</b>	<b>37</b>	<b>33</b>	<b>41</b>	<b>41</b>	<b>29</b>
Annual payroll	77,241	72,224	68,165	65,540	63,698
Write offs as a % of payroll	0.01%	0.02%	0.02%	0.02%	0.02%
No. of cases – not recovered	157	167	185	151	106
No. of cases – recovered	24	31	52	41	35
No. of cases – in process of recovery	9	7	9	11	6

# RISK

## RISK MANAGEMENT

The Administering Authority has an active risk management programme in place. Controls are in place to cover the following risks.

### Financial/Funding Risk

This is essentially the risk that the funding level drops and/or contribution rates must rise due to one or more of the following factors:

- Investment Risk – This is the risk that the investments assets underperform the level assumed in the Triennial Actuarial Valuation. This can occur due to poor economic/market conditions, the wrong investment strategy or poor selection of investment managers.
- Liability Risk – This is the risk that there is a fall in the so-called 'risk free' returns on Government bonds, which form the basis of assumptions about future investment returns. The assumed future investment return is used to "discount" future liabilities (i.e. over the next 0-80 years) back to today's values (net present value). Therefore, falling bond yields means higher liabilities.
- Inflation Risk – Notwithstanding other factors, Pension Fund liabilities increase in line with inflation, because the CPI is applied to pensions annually. Therefore, rising inflation causes the liabilities to increase.
- Insufficient Funds Risk - This is the risk that there is insufficient money in the Fund to pay out pensions as they become due.

### Demographic Risk

This is the risk of that the pensioners live longer and therefore the liabilities of the Fund increase.

### Regulatory Risk

This risk could manifest itself in several ways. For example, it could be the risk that the liabilities will increase due to the introduction of an improved benefits package, or that investment returns will fall due to tighter regulation being placed on what can be invested in.

It could also arise through a failure to comply with LGPS or other regulations.

### Governance Risk

This is the risk that governance arrangements of the Fund are sub-optimal. For example, this could arise through a lack of expertise on the Committee arising from insufficient training. Another possibility is that potential conflicts of interest between the Fund and the Council are not managed sufficiently well.

### Employer Risk

There is a risk to the Pension Fund that an employer will be unable to meet its financial obligations during its membership or when it ceases. An employer may cease due to the end of a service contract or the last active contributing member leaves the Fund. If a guarantor is in place then they will pick up the cost of any default, if there is no guarantor and the employer is unable to meet its obligations the cost will be spread across all the employers in the Pension Fund.

## Management Risk

This risk can manifest itself in several ways:

- Failure to process pensions
- Failure to collect contributions
- Failure to have proper business continuity plans in place
- Fraud or misappropriation
- Failure to maintain up-to-date and accurate data and hold it securely
- Failure to maintain expertise or over-reliance on key staff
- Failure to communicate effectively with members and employers
- Failure to provide the service in accordance with sound equality principles

A Risk Register was formally adopted by the Wiltshire Pension Committee in May 2009 and a report of the key highlights is reported to the Committee at each quarterly meeting. In 2019 a reconfiguration of the risk register took place to make it a more dynamic document and more consistent with the Administering Authority's management of risk. One visible change to the Fund's management of risk was to split the risks into Horizon, Dynamic, Ongoing and Dormant to better manage the nature of each risk from its identification through to its mitigation. Risks in a dormant or closed phase will continue to be monitored by officers and will only be represented to the Committee if a circumstance has changed. This approach enables the Committee to take a more responsive approach to risks as they arise. The risk register is published in full in the quarterly Committee papers, which are available at the following link: <https://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=142&Year=0>

Other risks concerning the Fund are disclosed in the Funding Strategy Statement and note 16 of the Statement of Accounts relating to Financial Instruments.

## Third party risks

Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received.

In respect of Investment Managers, internal control reports (ISAE3402 and SSAE16) are received and reviewed regularly for any non-compliance issues. These are also reviewed by our internal and external auditors.

# STATUTORY STATEMENTS

## BUSINESS PLAN

The latest Business Plan was approved by the Pension Fund Committee in March 2019 and outlines the planned activities of the Fund up to 2022. Each scheme year the overarching business plan is reviewed & objectives set for that specific year. This plan can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/4565/business-plan-2019-2022-final.pdf>

## CESSATION POLICY

The latest Cessation Policy was approved by the Pension Fund Committee in March 2020. The Policy outlines the process and the flexibilities available to the Fund to work with employer organisations to pay off any cessation deficit payment. The policy can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3811/employer-cessation-policy-1-oct-2018.pdf>

## COMMUNICATIONS POLICY STATEMENT

The latest Communications Policy was approved by the Wiltshire Pension Fund Committee in December 2019. Its purpose aims to meet the Fund's communication responsibilities as it transitions to a more digital platform.

<https://www.wiltshirepensionfund.org.uk/media/3183/communications-policy.pdf>

## PENSION ADMINISTRATION STRATEGY

The pension administration strategy outlines the roles, responsibilities and expectations in terms of provision of data and service delivery of both the administration teams of the Wiltshire Pension Fund and the employer organisations. This policy was last approved by the Pension Fund Committee in December 2019 following consultation with employers.

This latest pension administration strategy incorporates the Fund's transition to an automated way of working with its sponsoring employers and seeks to improve data quality, efficient working practices and cost savings.

This policy can be found at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3308/pension-administration-strategy-2015.pdf>

## WILTSHIRE PENSION FUND DISCRETIONS POLICY

This policy outlines discretions made under the following LGPS Regulations approved by the Fund's Committee on 10 December 2015

<https://www.wiltshirepensionfund.org.uk/media/3556/wiltshire-pension-fund-discretions-policy.pdf>

## WILTSHIRE PENSION FUND FULL PRIVACY NOTICE

This notice is designed to give members of the Fund information about the data we hold about them, how we use it, their rights in relation to it and the safeguards that are in place to protect it.

<https://www.wiltshirepensionfund.org.uk/media/3666/wiltshire-pension-fund-full-privacy-notice.pdf>

## GOVERNANCE POLICY STATEMENT

The Governance Compliance Statement lays out the overarching framework within which the Wiltshire Pension Fund Committee operate. Notably it identifies the structure of operations, the representation and Selection of Members, their voting rights and scope of the Committee's responsibilities. The Statement was approved in June 2018 and will be reviewed as required, subject to a formal review every three years.

On receipt of SAB's final Good Governance report, it is intended that such a review will take place to ensure that both the governance policy statement and the Council's constitution are consistent with the findings of the report.

[https://www.wiltshirepensionfund.org.uk/media/4115/governance\\_compliance\\_statement.pdf](https://www.wiltshirepensionfund.org.uk/media/4115/governance_compliance_statement.pdf)

## TREASURY MANAGEMENT STRATEGY

The purpose of this strategy is to outline the process and policies for the cash held by the Fund. The strategy aims to achieve the optimum return on the cash held commensurate with the high levels of security and liquidity required. These funds are invested separately from cash balances held by Wiltshire Council.

The strategy was reviewed and approved by the Pension Fund Committee in March 2020, and the current version can be viewed on the Wiltshire Pension Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/media/4214/wpf-treasury-management-strategy.pdf>

## DATA IMPROVEMENT STRATEGY AND PLAN

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

<https://www.wiltshirepensionfund.org.uk/media/4559/wpf-data-improvement-strategy-and-plan.pdf>

## FUNDING STRATEGY STATEMENT (FSS)

The FSS outlines how the Fund calculates employer contributions, what other amounts might be payable in different circumstances, and how this fits in with the investment strategy. The document follows CIPFA guidance ('Preparing and maintaining a funding strategy statement in the Local Government Pension Scheme 2016').

The FSS was prepared in collaboration with the Fund's Actuary, Hymans Robertson and forms an integral part of the framework within which they carry out triennial valuations to set employers' contributions and to provide recommendations on funding decisions.

The latest FSS was approved by the Pension Fund Committee in October 2019 as part of the 2019 valuation.

The current FSS can be viewed on the Wiltshire Fund website at the following link:

<http://www.wiltshirepensionfund.org.uk/media/3178/funding-strategy-statement.pdf>

## STEWARDSHIP CODE COMPLIANCE STATEMENT

This document describes the Fund's approach to stewardship and how it seeks to comply with each of the seven principles outlined in the FRC Stewardship Code 2016.

As a signatory to the Code, Wiltshire Pension Fund has been given tier one status which describes the good quality and transparent description of our approach to stewardship.

The Fund will be publishing a revised statement to demonstrate compliance with the updated Stewardship Code by 31 March 2021.

In the meantime, the current statement can be viewed at the following link.

<https://www.wiltshirepensionfund.org.uk/media/3379/stewardship-code-compliance-statement-2016.pdf>

## TRIENNIAL VALUATION REPORT 2019

A triennial valuation is used to set employers' contributions and to provide recommendations on funding decisions. The Fund is currently undergoing a valuation and the results will be available later in the year.

The results of the last valuation in 2019 can be viewed at the following link.

<https://www.wiltshirepensionfund.org.uk/media/3184/valuation-report.pdf>

## INVESTMENT STRATEGY STATEMENT

The Committee approved the current ISS at its meeting on 16 July 2020.

The ISS sets out the Funds current Investment Strategy. Investment regulations specify the areas that must be included in the statement.

The statement is kept under review and revised from time to time, in particular when there is a material change in risk, and at least every three years. The current version of the ISS now incorporates more information about the Fund's position with regard to responsible investment, and climate change risk in particular.

The current ISS can be viewed at the following link:

<https://www.wiltshirepensionfund.org.uk/media/3391/investment-strategy-statement-2018.pdf>

# ACTUARIAL POSITION

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

## DESCRIPTION OF FUNDING POLICY

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated November 2019. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

## FUNDING POSITION AS AT THE LAST FORMAL FUNDING VALUATION

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,589 million, were sufficient to meet 97% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £92 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

## PRINCIPAL ACTUARIAL ASSUMPTIONS AND METHOD USED TO VALUE THE LIABILITIES

Full details of the methods and assumptions used are described in the 2019 valuation report.

## METHOD

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.



## ASSUMPTIONS

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.8%
Salary increase assumption	2.7%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Male	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners*	22.5 years	25.5 years

\*Aged 45 at the 2019 Valuation

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

## EXPERIENCE OVER THE PERIOD SINCE 31 MARCH 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.



### Barry Dodds FFA

For and on behalf of Hymans Robertson LLP  
29 April 2020  
Hymans Robertson LLP  
20 Waterloo Street, Glasgow, G2 6DB

# STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibility for the Financial Statements, which form part of this Annual Report, is set out below.

## ADMINISTRATION AUTHORITY

The Administering Authority is required to:

- Make arrangements for the proper administration of the financial affairs of the Pension Fund and to secure that an officer has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Procurement
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets,
- Prepare, approve and publish a statement in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

## DIRECTOR OF FINANCE AND PROCUREMENT

The Director of Finance & Procurement is responsible for the preparation of the Fund's financial statements, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Based on International Reporting Standards (the Code), are required to present a true and fair view of the financial position of the Fund for the year ended 31 March 2020. This report includes the financial statements for the Pension Fund only.

In preparing these financial statements, the Director of Finance and Procurement has:

- Selected and applied consistently suitable accounting policies;
- Made judgements and estimate that were reasonable and prudent;
- Complied with the Code of Practice;
- Ensured proper accounting records are maintained;
- Ensured systems of internal control are in place.

## CERTIFICATE

I hereby certify that the following Annual Report and Accounts give a true and fair view of the financial position of the Wiltshire Pension Fund for the financial year ending 31 March 2020.

**Andy Brown**

Director Finance and Procurement  
Wiltshire Pension Fund  
24 September 2020

# INDEPENDENT AUDITOR'S REPORT

To be added once available.

# STATEMENT OF ACCOUNTS

## FUND ACCOUNT

For the year ended 31 March 2020

	Notes	2019/20 £'000	2018/19 £'000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	5a	119,936	108,207
Transfers in from other pension funds	5b	19,444	30,507
		<b>139,380</b>	<b>138,714</b>
Benefits	6	(91,621)	(89,608)
Payments to and on account of leavers	7	(11,136)	(4,002)
		<b>(102,757)</b>	<b>(93,610)</b>
<b>Net additions from dealings with members</b>		<b>36,623</b>	<b>45,104</b>
Management expenses	8 & 9	(37,221)	(21,152)
Net additions inc. Fund management expenses		<b>(598)</b>	<b>23,952</b>
<b>Returns on investments</b>			
Investment income	10	12,489	11,452
Taxes on income		(78)	(97)
Profits and losses on disposal of investments and changes in market value of investments	12	(127,856)	186,134
<b>Net returns on investments</b>		<b>(115,445)</b>	<b>197,489</b>
<b>Net (decrease)/increase in the net assets available for benefits during the year</b>		<b>(116,043)</b>	<b>221,441</b>
Opening net assets of the scheme		2,619,921	2,398,479
<b>Closing net assets of the scheme</b>		<b>2,503,878</b>	<b>2,619,920</b>

The notes on pages 52–74 form an integral part of these financial statements.

## NET ASSET STATEMENT

At 31 March 2020

	Notes	31 March 2020 £'000	31 March 2019 £'000
<b>Long term investments</b>			
Brunel Pension Partnership		427	840
		<b>427</b>	<b>840</b>
<b>Investment assets</b>			
Equities	12b	0	432,614
Pooled investment vehicles		2,145,268	1,800,530
Pooled property investments		329,510	334,978
Cash held on deposit		17,950	15,321
Other investment balances		246	182
		<b>2,492,974</b>	<b>2,583,625</b>
<b>Total Investment Assets</b>		<b>2,493,401</b>	<b>2,584,465</b>
<b>Investment liabilities</b>			
Amounts Payable for Purchases	12b	0	(2,326)
		<b>0</b>	<b>(2,326)</b>
<b>Total net investments</b>		<b>2,493,401</b>	<b>2,582,139</b>
Current assets	17	28,917	42,155
Long term debtors	17a	0	965
Current liabilities	18	(10,645)	(5,339)
Long term liabilities	18a	(7,795)	0
<b>Net assets of the scheme available to fund benefits at the end of the reporting period</b>		<b>2,503,878</b>	<b>2,619,920</b>

# NOTES

Related notes form an integral part of these financial statements.

## 1. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its financial position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. IAS26 requires the actuarial present value of promised benefits to be disclosed. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. A separate report has been prepared by Hymans Robertson and is enclosed below after note 23.

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure are accounted for as it is earned or incurred, rather than as it is received and paid.

The accounts have been prepared on a going concern basis.

## 2. Summary of Significant Accounting Policies

The principal accounting policies of the Fund are as follows:

### Fund account – revenue recognition

#### a) Contributions

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions.

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with Local Government Pension Scheme regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. An

amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

#### b) Transfers to and from other schemes

Individual transfers in/out, i.e. those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 5b).

Bulk (group) transfers are accounted for on an accrual's basis at the point when the members will be transferred in accordance with the terms of the transfer agreement.

#### c) Investment Income

Dividends, interest and coupon receipts have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in the value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

### Fund account – expense items

#### d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

#### e) Taxation

The fund is a registered public service scheme under Section 1(1) of Schedule 36 of the **Finance Act 2004** and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

#### f) Management expenses

The fund discloses its pension fund management expenses in accordance with the **CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016)** as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

<b>Administrative expenses</b>	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
<b>Oversight and governance</b>	All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
<b>Investment management expenses</b>	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are invoiced directly these are included on an accruals basis. Where fees are netted off valuations by investment managers, these expenses are shown separately in Note 9 and the change in value of investments is grossed up to account for this. Transactions costs which have been passed through the investment portfolios (which include costs directly attributable to the Fund's investment portfolios, such as fees, commissions, stamp duty and other fees) are identified via year end transparency reporting provided by the managers, and are accounted for and disclosed separately in Note 9. Fees and costs associated with the underlying funds in multi-manager portfolios are also accounted for and disclosed separately in Note 9. The costs of the investment team are charged to the Fund, as well as a proportion of the time spent by officers on investment management activity.

### Net Asset Statement

#### g) Financial assets

Wiltshire Pension Fund and the nine other shareholders each hold a 10% share in Brunel Pension Partnership Ltd (company number 10429110) so no fund is deemed to have a significant influence. This long-term investment has been included in the accounts at the Fund's share of the total equity in Brunel Pension Partnership as taken from the latest audited accounts.

All other financial assets are included in the accounts on a fair value basis in line with the SORP as at the reporting date using the valuations for the Fund's assets based on the figures provided by the Fund's custodian, State Street. A financial asset is recognised

in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

### Valuation of Investments

Investments are shown in the accounts at market value, determined on the following basis:

#### (i) Quoted securities

Quoted Securities have been valued at 31 March 2020 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

#### (ii) Unquoted securities

Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

#### (iii) Pooled investment vehicles

Pooled investments are stated at bid price for funds with bid/offer spreads, or single price/net asset value where there are no bid/offer spreads, as provided by the investment manager.

#### h) Foreign Currency Transactions

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2020.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

#### i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

#### j) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

#### k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a separate report which has been prepared by the fund's actuary Hymans Robertson and is enclosed below after note 23.

#### l) Additional Voluntary Contributions (AVCs)

The Wiltshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. These are money purchase arrangements made by individual fund members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits.

AVCs are not included in the accounts in accordance with Section 4(1)(b) of the **Local Government Pension Scheme (Management and Investment of funds) Regulations 2016** but are disclosed for information in note 19.

#### m) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events.

Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

### 3 Critical Judgements in Applying Accounting Policies

#### Pension Fund Liability

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19.

Assumptions underpinning the valuations are agreed with the actuary and are summarised in the actuarial position statement. This estimate is subject to significant variances based on changes to the underlying assumptions.

Actuarial re-valuations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

### 4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates are made considering historical experience, current trends and future expectations. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates made.

The items in the net asset statement at 31 March 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	Unlisted assets, specifically pooled property investments (valued at £329m), and private infrastructure funds (valued at £63m)
<b>Uncertainties</b>	Quarterly valuation statements for the underlying funds in these portfolios are delivered a significant length of time after the quarter end, and consequently lagged valuations are included in the accounts. Due to particular uncertainty following the market falls experienced in March 2020, the managers for these portfolios were asked to provide estimates of impairments, which have been applied to the valuations. However, the true position will not be known for several months. The Fund's property investments are subject to an industry standard material uncertainty disclosure as at 31 March 2020. This disclosure reflects increased difficulty in determining property values when few comparable transactions have occurred. However, the Trustees regard the market values as comparable to fair value.
<b>Effect if actual results differ from assumptions</b>	If valuations of the underlying property and infrastructure assets turn out to be lower than expected, then the value of the Fund's investments will have been overstated. A 10% fall in the valuations included in the accounts for these portfolios would result in a reduction of £35m in total Fund assets.



## 5a. Contributions receivable

	2019/20 £'000	2018/19 £'000
<b>Employers' contributions</b>		
Normal	78,960	71,279
Augmentations	2,248	1,625
Deficit recovery contributions*	15,840	14,198
	<b>97,048</b>	<b>87,102</b>
<b>Employees' contributions</b>		
Normal	22,726	20,941
Additional contributions	162	164
	<b>22,588</b>	<b>21,105</b>
<b>Total contributions receivable</b>	<b>119,936</b>	<b>108,207</b>

	2019/20 £'000	2018/19 £'000
<b>Analysis of contributions by type of employer</b>		
<b>Contributions from employees (Including Additional Contributions)</b>		
Wiltshire Council	8,347	7,724
Other scheduled bodies	13,400	12,364
Admitted bodies	1,141	1,017
	<b>22,888</b>	<b>21,105</b>
<b>Contributions from employers (Including Augmentations)</b>		
Wiltshire Council	35,489	32,580
Other scheduled bodies	52,057	46,876
Admitted bodies	9,502	7,646
	<b>97,048</b>	<b>87,102</b>
<b>Total contributions receivable</b>	<b>119,936</b>	<b>108,207</b>

\* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2017 with a minimum specified in the Rates and Adjustment Certificate dated 31 March 2017 to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

## 5b. Transfers in from other pension funds

	2019/20 £'000	2018/19 £'000
Group transfers	9,305	25,003
Individual transfers	10,139	5,504
	<b>19,444</b>	<b>30,507</b>

The volume of transfers was higher in 2019/20, both due to timings of requests from members and prioritisation of workload within the pensions administration team. Additionally, several large transfers were processed during the year.

Group transfers in 2019/20 comprises an amount of £9.3m due from White Horse Federation. In 2018/19 group transfers included £25m from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians.

## 6. Benefits payable

	2019/20 £'000	2018/19 £'000
Pensions	77,241	72,224
Commutation and lump sum retirement benefits	13,087	15,168
Lump sum death benefits	1,293	2,216
	<b>91,621</b>	<b>89,608</b>

Analysis of benefits payable	2019/20 £'000	2018/19 £'000
<b>Pensions payable</b>		
Wiltshire Council	39,161	37,330
Other scheduled bodies	30,336	27,709
Admitted bodies	7,744	7,185
	<b>77,241</b>	<b>72,224</b>
<b>Retirement and Death grants payable</b>		
Wiltshire Council	5,817	7,152
Other scheduled bodies	6,999	8,303
Admitted bodies	1,564	1,929
	<b>14,380</b>	<b>17,384</b>
<b>Total benefits payable</b>	<b>91,621</b>	<b>89,608</b>

## 7. Payments to and on account of leavers

	2019/20 £'000	2018/19 £'000
Individual transfers	10,943	3,751
Refunds to members leaving service	195	250
State Scheme Premiums	(2)	1
	<b>11,136</b>	<b>4,002</b>

## 8. Management Expenses

	2019/20 £'000	2018/19 £'000
Administration costs	1,738	2,940
Investment management expenses (Note 9)	34,662	18,070
Oversight & Governance costs	821	142
	<b>37,221</b>	<b>21,152</b>

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance **Accounting for Local Government Pension Scheme Management Expenses (2016)**.

## 8a. External Audit Costs

	2019/20 £'000	2018/19 £'000
Payable in respect of external audit	19	19
	<b>19</b>	<b>19</b>

External audit costs are also included in oversight and governance costs in note 8 above.

## 9. Investment management expenses

	2019/20 £'000	2018/19 £'000
Management fees	8,268	8,683
Performance related fees	13,095	2,283
Transaction and other costs (pooled funds)	4,972	2,714
Transaction and other costs (multi-manager portfolios)	737	604
Transaction and other costs (Segregated portfolios)	(34)	88
Fees and costs for underlying funds in multi-manager portfolios	3,861	2,668
Custody fees	193	86
Transition costs	2,550	33
Costs associated with investment pooling	888	617
Indirect costs incurred in managing investment portfolios	132	294
	<b>34,662</b>	<b>18,070</b>

In 2019/20, the Fund transitioned its active global equity portfolio into the Brunel pool. The previous manager charged a performance fee, which was calculated based on accumulated outperformance, with an annual cap. The cap was removed at the end of the contract, per the investment management agreement, which resulted in a large final fee. This will be paid in four annual instalments.

During 2019/20, the Fund also transitioned its passive global equity portfolio into the pool. These two transitions resulted in the much higher transition costs shown above compared to 2018/19.

## 10. Investment income

	2019/20 £'000	2018/19 £'000
Income from equities	1,262	1,369
Pooled property investments	9,835	8,375
Pooled investments - unit trusts & other managed funds	111	162
Interest on cash deposits	201	950
Stock lending income	245	596
Other	835	0
<b>Total before taxes</b>	<b>12,489</b>	<b>11,452</b>

## 11. Stock Lending

During the year, the Council participated in a securities lending programme administered by State Street. Participation in this programme ended when the segregated global equities portfolio for which the programme operated transitioned over into the Brunel pool in November 2019. Securities in the beneficial ownership of the Council to a value of £0million (0% of the total fund value) were on loan at 31 March 2020. No collateral was held at 31 March 2020. Income earned from this programme amounted to £0.245 million in the year.

	2019/20 £m	2018/19 £m
WC securities on loan	–	46.8
Percentage of total	0.0%	1.8%
WC collateral share of pool	0.0%	0.014%
Value of WC pooled share	0.0	51.0
Percentage of securities on loan	0.0%	108.9%
Income earned in year	0.245	0.596

## 12. Investments held at year end

	31 March 2020 £'000	31 March 2019 £'000
<b>Long term investments</b>		
Brunel Pension Partnership	427	840
<b>Investment assets</b>		
Equities	0	432,614
Pooled investment vehicles	2,145,268	1,800,530
Pooled property investments	329,510	334,978
Cash deposits	17,950	15,321
Investment income due	6	28
Recoverable tax	240	154
<b>Total investment assets</b>	<b>2,493,401</b>	<b>2,584,465</b>
<b>Investment liabilities</b>		
Amounts payable for purchases	0	(2,326)
<b>Total investment liabilities</b>	<b>0</b>	<b>(2,326)</b>
<b>Net investment assets</b>	<b>2,493,401</b>	<b>2,582,139</b>

## 12a. Reconciliation of Movements in Investments

	Value at 1 April 2019 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2020 £'000
<b>Long term investments</b>					
Brunel Pension Partnership	840	0	0	(413)	427
<b>Funds held with Brunel</b>					
Pooled funds	409,784	1,414,164	(806,969)	(120,738)	896,241
Equities	432,614	13,111	(472,843)	27,118	0
<b>Pooled investment vehicles</b>					
Other	1,390,746	1,481,839	(1,592,582)	(30,975)	1,249,028
Property	334,978	16,809	(19,531)	(2,746)	329,510
	<b>2,568,961</b>	<b>2,925,924</b>	<b>(2,891,925)</b>	<b>(127,754)</b>	<b>2,475,205</b>
<b>Other investment balances</b>					
FX contracts	(1)			(2)	0
Cash deposits	15,321			(100)	17,950
Investment income due	29			0	6
Tax reclaims due on investment income	154			0	240
Payables for investment purchases	(2,326)			0	0
<b>Net investment assets</b>	<b>2,582,139</b>			<b>(127,856)</b>	<b>2,493,401</b>

## 12a. Reconciliation of Movements in Investments (continued)

	Value at 1 April 2018 £'000	Purchases at cost and derivative payments £'000	Sales proceeds and derivative receipts £'000	Change in market value £'000	Value at 31 March 2019 £'000
<b>Long term investments</b>					
Brunel Pension Partnership	840	0	0	0	840
<b>Funds held with Brunel</b>					
Pooled funds	0	406,742	(234)	3,277	409,784
Equities	368,094	54,663	(55,383)	65,240	432,614
<b>Pooled investment vehicles</b>					
Other	1,684,739	611,670	(1,000,856)	95,192	1,390,746
Property	299,464	206,043	(192,692)	22,163	334,978
	<b>2,353,138</b>	<b>1,279,118</b>	<b>(1,249,166)</b>	<b>185,871</b>	<b>2,568,961</b>
<b>Other investment balances</b>					
FX contracts	0			(1)	(1)
Cash deposits	28,722			263	15,321
Receivable for investment sales	10			0	0
Investment income due	308			0	29
Tax reclaims due on investment income	168			0	154
Payables for investment purchases	(122)			0	(2,326)
<b>Net investment assets</b>	<b>2,382,224</b>			<b>186,134</b>	<b>2,582,139</b>

## 12b. Analysis of Investments

				31 March 2020 £'000	31 March 2019 £'000
<b>Long term assets</b>					
Brunel Pension Partnership				427	840
<b>Investment assets</b>					
<b>Equities</b>					
Overseas	Equities	Quoted		0	432,614
				<b>0</b>	<b>432,614</b>
<b>Pooled investment vehicles</b>					
<b>Unit trusts</b>					
UK	Government bonds	Quoted		598,308	424,140
UK	Equities	Quoted		0	86,480
Overseas	Equities	Quoted		1,058,972	702,307
Overseas	Emerging Markets Multi-Asset	Quoted		238,182	257,780
Overseas	Multi Asset Credit	Quoted		187,206	276,736
Overseas	Property	Quoted		209,259	167,237
<b>Limited Liability Partnerships</b>					
UK	Fixed income	Unquoted		3	1,531
Overseas	Property	Unquoted		120,250	167,741
Overseas	Infrastructure	Unquoted		62,598	51,556
				<b>2,474,778</b>	<b>2,135,508</b>
<b>Cash</b>					
Cash deposits	UK			17,950	10,433
	Overseas			0	4,888
				<b>17,950</b>	<b>15,321</b>
<b>Other investment balances</b>					
<b>Debtors</b>					
Outstanding dividend entitlements				6	28
Tax reclaims due on dividend income				240	154
				246	182
<b>Total investment assets</b>				<b>2,493,401</b>	<b>2,584,465</b>

## 12b. Analysis of Investments (continued)

	31 March 2020 £'000	31 March 2019 £'000
<b>Other investment balances</b>		
<b>Creditors</b>		
Amounts payable for purchases	0	(2,326)
<b>Total investment liabilities</b>	<b>0</b>	<b>(2,326)</b>
<b>Net investment assets</b>	<b>2,493,401</b>	<b>2,582,139</b>



## 12c. Investments Analysed by Fund Manager

	31 March 2020 £'000	31 March 2019 £'000
<b>Investments managed by Brunel Pension Partnership asset pool</b>		
Brunel – UK Equity	0	66,052
Brunel – Multi Factor Equity	0	343,732
Brunel – Low Carbon Hedged Passive Equities	479,769	0
Brunel – Global High Alpha	416,472	0
	<b>896,241</b>	<b>409,784</b>
Long-term investment – Brunel Pension Partnership	427	840
<b>Investments managed outside of Brunel Pension Partnership asset pool</b>		
Baillie Gifford – Global Equity	240	436,612
CBRE Global Multi Manager – Property	347,080	343,114
Legal & General – Global Equity	0	132,922
Legal & General – Gilts	598,308	424,140
Barings – Dynamic Assets Allocation	33,096	246,080
Partners Group – Infrastructure	62,598	51,556
Investec – Emerging Markets	238,182	257,780
Loomis Sayles – Multi Asset Credit	187,206	116,345
Loomis Sayles – Absolute Return Bond Fund	0	160,391
M&G – Financing Fund	3	1,531
Magellan Select Infrastructure Fund	129,636	0
Cash held at custodian	384	1,044
	<b>1,596,733</b>	<b>2,171,515</b>
<b>Total</b>	<b>2,493,401</b>	<b>2,582,139</b>

The following investments represent over 5% of the net assets of the fund.

Security	31 March 2020	
	Market value £m	% of total net assets
Brunel – GPCU MSCI World Low Carbon OFC	479.77	19.16%
Brunel – Global High Alpha	416.47	16.63%
Investec – Emerging Markets	238.18	9.51%
LSAA 2068 Index Linked Gilts	205.77	8.22%
LUAB 2062 Index Linked Gilts	205.54	8.21%
Loomis Sayles – Multi Asset Credit	187.21	7.48%
BSAR 2071 Gilt Fund	186.99	7.47%
MFG Select Infrastructure Fund	129.64	5.18%
	<b>2,049.57</b>	<b>81.83%</b>

Security	31 March 2019	
	Market value £m	% of total net assets
Investec – Emerging Markets	257.78	9.98%
Barings – Dynamic Asset Allocation Fund	246.08	9.53%
Legal & General – Multi Factor North America	225.94	8.75%
LSAA 2068 Index Linked Gilts	213.56	8.27%
LUAB 2062 Index Linked Gilts	210.58	8.16%
Loomis Sayles Alpha Bond Fund	160.39	6.21%
L&G World Equity Index	132.92	5.15%
	<b>1,447.25</b>	<b>56.1%</b>

### 13. Derivative Contracts

There are no balances to report for the 2019/20 financial year.

## 14. Fair value basis of valuation

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Unquoted pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
UK and Overseas property and infrastructure partnerships	Level 3	Valued using a number of different market and income valuation methods as well as comparable market transaction prices	Market transactions, market outlook, cash flow projections, last financings and multiple projections	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts
Unquoted equity holding in Brunel pool	Level 3	Valued as share of the company's equity as per the latest available audited financial statements	Earnings and revenue multiples, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

### Note on property assets:

Pooled property vehicles which are regularly traded are generally included in level 2. The current, ongoing economic uncertainty brought about by the coronavirus pandemic means that asset valuation techniques which rely on unobservable inputs are less certain at a time when market transactional activity is lower than normal. Level 3 assets are valued in line with the industry standard guidelines, which is the RICS methodology for property investments. Wiltshire Pension Fund consults annually with CBRE, who manage the portfolio of indirect property funds, about which level each fund should be classified within, and the analysis takes into consideration any changes in liquidity of the funds, and whether gating has been put in place. As a consequence, one fund, Industrial Property Investment Mutual Fund, was reclassified from Level 3 to Level 2 for 31 March 2020, as there was no gating in place.

Having analysed historical data and current market trends, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

<b>Sensitivity of assets valued at level 3</b>	<b>Assessed valuation range (+/-)</b>	<b>Value at 31 March 2020 £'000</b>	<b>Value on increase £'000</b>	<b>Value on decrease £'000</b>
Pooled property	2.49%	121,902	124,937	118,867
M&G Financing Fund	28.3%	3	4	2
Infrastructure	10.4%	62,598	69,086	56,110
Brunel Pension Partnership	0.0%	427	427	427
		<b>184,930</b>	<b>194,454</b>	<b>175,406</b>

## 14a. Fair value hierarchy

The Fund measures fair values using the following three-level fair value hierarchy that reflects the quality and reliability of the inputs used in making the measurements used to determine the fair value:

- **Level 1:** Unadjusted quoted prices in an active market for identical assets or liabilities that the Fund can access at the measurement date.
- **Level 2:** Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Unobservable inputs for the asset or liability used to measure fair value that rely on the Funds own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The tables below analyse financial instruments, measured at fair value at the end of the reporting period 31 March 2020 and 31 March 2019, by the level in the fair value hierarchy into which the fair value measurement is categorised. This has been produced from analysis provided by our custodian State Street, which is based on valuations provided by the investment managers.

<b>2020</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Brunel Pension Partnership	0	0	427	427
<b>Pooled investment vehicles</b>				
– Other	0	2,082,667	62,601	2,145,268
– Property	0	209,259	120,251	329,510
Cash deposits	122	17,827	0	17,950
	<b>122</b>	<b>2,309,753</b>	<b>184,930</b>	<b>2,493,154</b>
Other investment balances				247
				<b>2,493,401</b>

<b>2019</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Brunel Pension Partnership	0	0	840	840
Equities	432,614	0	0	432,614
<b>Pooled investment vehicles</b>				
– Other	0	1,747,442	53,087	1,800,529
– Property	0	167,237	167,741	334,978
Cash deposits	15,321	0	0	15,321
	<b>445,792</b>	<b>1,914,679</b>	<b>221,668</b>	<b>2,584,282</b>
Other investment balances				(2,143)
				<b>2,582,139</b>

Wiltshire Pension Fund determines that transfers between levels of the fair value hierarchy have occurred when the investment manager for those assets notifies the Fund's custodian of the change. During 2019/20 one pooled property asset was reclassified as Level 2 (from Level 3) following consultation with the investment manager, due to an error in the previous year. This is shown in Note 14b below.

## 14b. Reconciliation of fair value measurements within Level 3

The following tables present the movement in level 3 instruments for the year end 31 March 2020.

2020	£'000
Opening balance	221,668
Adjustment for reclassifications	(31,237)
Total gains/losses	(9,290)
Purchases	17,552
Sales	(13,763)
<b>Closing balance</b>	<b>184,930</b>

## 15. Classification of Financial Instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

	2019/20			2018/19		
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>						
Long term investment in Brunel*	427			840		
Equities	0			432,614		
Pooled investment vehicles	2,145,268			1,800,530		
Pooled property investments	329,510			334,978		
Cash		25,422			22,184	
Other investment balances		247			182	
Long-term debtors		0			965	
Sundry debtors and prepayments		21,445			35,293	
	<b>2,475,205</b>	<b>47,113</b>	<b>0</b>	<b>2,568,961</b>	<b>58,624</b>	<b>0</b>
<b>Financial liabilities</b>						
Other investment balances			0			(2,326)
Sundry creditors			(10,645)			(5,339)
Long-term creditors			(7,795)			0
<b>Total</b>	<b>2,475,205</b>	<b>47,113</b>	<b>(18,440)</b>	<b>2,568,961</b>	<b>58,624</b>	<b>(7,665)</b>

\*The figure for the long-term investment in Brunel was stated at cost in 2018/19.

## Net gains and losses on financial instruments

	2019/20 £'000	2018/19 £'000
<b>Financial assets</b>		
Fair value through profit and loss	(127,754)	185,871
Amortised cost – realised/unrealised gains	(102)	263
<b>Total</b>	<b>(127,856)</b>	<b>186,134</b>

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## 16. Nature and extent of risks arising from financial instruments

### Risk and risk management

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. The Fund's primary long-term risk is that its assets will fall short of its liabilities (ie promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The fund manages these investment risks as part of its overall pension fund risk management programme.

The Committee obtains regular reports from each investment manager and its Investment Consultant on the nature of investments made and associated risks.

The analysis below is designed to meet the disclosure requirements of IFRS 7.

## 16.1 Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. This could be as a result of changes in market price, interest rates or currencies. The objective of the Funds Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general, excessive volatility in market risk is managed through diversification across asset class and investment manager. Each manager is also expected to maintain a diversified portfolio within their allocation.

### Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

### Market Price – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices has been analysed using the volatility of returns experienced by asset classes. The volatility data was provided by the Fund's custodian (State Street) and was calculated as the monthly volatility of returns using 36 months of historical data, where available. Where this data was not available, due to the Fund holding a portfolio for less than 36 months, historical data for the strategy was provided by the investment manager, or data for an appropriate benchmark was used. Such a measure is appropriate for measuring 'typical' variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant

Movements in market prices would have increased or decreased the net assets valued at 31 March 2020 and 2019 by the amounts shown opposite.

<b>As at 31 March 2020</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
Baillie Gifford – Global Equity	240	16.48%	40	-40
Brunel – Global High Alpha	416,472	16.48%	68,638	-68,638
Brunel – Low Carbon Equities	479,769	12.16%	58,348	-58,348
CBRE Global Multi Manager – Property	347,080	2.49%	8,640	-8,640
Legal & General – Gilts	598,308	18.63%	111,465	-111,465
Barings – Dynamic Assets Allocation	33,096	10.05%	3,325	-3,325
Magellan – Listed Infrastructure	129,636	12.20%	15,816	-15,816
Partners Group – Infrastructure	62,598	10.36%	6,488	-6,488
Investec – Emerging Markets	238,182	10.78%	25,677	-25,677
Loomis Sayles – Multi Asset Credit	187,206	8.24%	15,432	-15,432
M&G – Financing Fund	3	28.32%	1	-1
Cash held at custodian	385	0.00%	0	0
Long-term investment – Brunel Pension Partnership	427	0.00%	0	0
	<b>2,493,401</b>		<b>313,869</b>	<b>-313,869</b>

<b>As at 31 March 2019</b>	<b>Value £'000</b>	<b>Volatility of return</b>	<b>Increase £'000</b>	<b>Decrease £'000</b>
Baillie Gifford – Global Equity	436,612	16.11%	70,338	-70,338
CBRE Global Multi Manager – Property	343,114	2.76%	9,470	-9,470
Brunel Pensions Partnership – UK Equity	66,052	9.41%	6,215	-6,215
Legal & General – Gilts	424,140	17.30%	73,376	-73,376
Legal & General – Global Equity	132,922	10.40%	13,824	-13,824
Brunel Pensions Partnership – Multi Factor	343,733	10.38%	35,679	-35,679
Barings – Dynamic Assets Allocation	246,080	5.56%	13,682	-13,682
Partners Group – Infrastructure	51,556	10.61%	5,470	-5,470
Investec – Emerging Markets	257,780	12.22%	31,501	-31,501
Loomis Sayles – Multi Asset Credit	116,345	3.16%	3,677	-3,677
Loomis Sayles – Absolute Return Bond Fund	160,391	1.78%	2,855	-2,855
M&G – Financing Fund	1,531	31.78%	487	-487
Cash held at custodian	1,044	0.00%	0	0
Long-term investment – Brunel Pension Partnership	840	0.00%	0	0
	<b>2,582,139</b>		<b>266,574</b>	<b>-266,574</b>

## 16.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements from its investments, including those indirectly held in through pooled investment vehicles, in cash and cash equivalents, fixed interest and loans at 31 March 2020 and 2019 are provided below:

	31 March 2020 £'000	31 March 2019 £'000
Cash held locally and by managers	25,422	22,184
Multi-asset credit	187,206	–
Fixed interest securities	–	276,736
Loans	3	1,531
	<b>212,631</b>	<b>300,451</b>

### Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the effect of a 100-basis point (1%) change in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	As at March 2020			As at March 2019		
	Value £'000	Change in net assets		Value £'000	Change in net assets	
		+100BP £'000	-100BP £'000		+100BP £'000	-100BP £'000
Cash held on deposit	25,422	0	0	22,184	0	0
Fixed Interest Securities	187,206	(11,607)	11,607	276,736	(6,680)	6,680
Loans	3	0	0	1,531	0	0
	<b>212,631</b>	<b>(11,607)</b>	<b>11,607</b>	<b>300,451</b>	<b>(6,680)</b>	<b>6,680</b>

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrowers pay a fixed annual interest rate agreed at the outset.

Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

## 16.3 Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

The tables below show approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the two global equity managers Baillie Gifford and Legal & General.

	2020		2019		
	US Dollar £'000	Euro £'000	US Dollar £'000	Euro £'000	HKD £'000
Net currency exposure	119,883	33,823	423,420	94,325	49,973



### Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates has been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2020 and 31 March 2019 would have increased or decreased the net assets by the amount shown below.

	2020			2019		
	Change in net assets			Change in net assets		
	Assets held at fair value £'000	+10% £'000	-10% £'000	Assets held at fair value £'000	+10% £'000	-10% £'000
US Dollar	119,883	11,988	(11,988)	423,420	42,342	(42,342)
Euro	33,823	3,382	(3,382)	94,325	9,433	(9,433)
Hong Kong Dollar				49,973	4,997	(4,997)
<b>Net Currency Exposure</b>	<b>153,706</b>	<b>15,371</b>	<b>(15,371)</b>	<b>567,718</b>	<b>56,772</b>	<b>(56,772)</b>

The Fund hedges 50% of its overseas equity holdings therefore only a proportion of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

### 16.4 Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss.

The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of counterparties.

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds an AA- long term fitch credit rating and it maintains its status as a well-capitalised and strong financial institution. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers, besides those in pooled investment vehicles, is invested with the custodian in a diversified money market fund rated AAAm.

The Fund's exposure to credit risk at 31 March 2020 and 2019 is the carrying amount of the financial assets.

	Balance as at 31 March 2020 £'000	Balance as at 31 March 2019 £'000
<b>Summary</b>		
Cash held at custodian	17,950	15,321
Bank current account – HSBC	(357)	(250)
Money Market Funds	7,829	7,113
	<b>25,422</b>	<b>22,184</b>

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2020 and 31 March 2019 (£8.9m and £7.8m respectively) were received in the first two months of the financial year.

## 16.5 Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The following table analyses the Fund's non-investment financial liabilities as at 31 March 2020 and 2019, grouped into relevant maturity dates.

	2020			2019		
	Carrying amount £'000	Less than 12 months £'000	Greater than 12 months £'000	Carrying amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Sundry creditors	15,543	7,748	7,795	3,079	3,079	0
Benefits payable	927	927	0	947	947	0
Other	1,970	1,970	0	1,313	1,313	0
	<b>18,440</b>	<b>10,645</b>	<b>7,795</b>	<b>5,339</b>	<b>5,339</b>	<b>0</b>

## 17. Current assets

	31 March 2020 £'000	31 March 2019 £'000
<b>Contributions due from employer organisations</b>		
Employees	1,814	1,674
Employers	7,059	6,111
	<b>8,873</b>	<b>7,785</b>
Debtors (Magistrates)	0	965
Bulk transfer values receivable	9,305	25,003
Sundry debtors	2,865	2,133
Prepayments	402	370
	<b>12,572</b>	<b>28,472</b>
Cash balances	<b>7,472</b>	<b>6,863</b>
Less: Long Term debtors (Magistrates)	0	(965)
<b>Current assets due in less than one year</b>	<b>28,917</b>	<b>42,155</b>

Contributions due at the year-end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment Certificate.

On 8 April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary's Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would be in 10 instalments over the next 10 years. The total amount of the remaining debt is £0.965m, which represents the final instalment, included within sundry debtors as it is repayable within one year.

## 17a. Long-term Debtors

	31 March 2020 £'000	31 March 2019 £'000
Magistrates	0	965
<b>Total</b>	<b>0</b>	<b>965</b>

For details about this amount, please refer to the comment under Note 17.

## 18. Current Liabilities

	31 March 2020 £'000	31 March 2019 £'000
Sundry creditors	7,748	3,079
Benefits payable	927	947
Wiltshire Council	1,970	1,313
	<b>10,645</b>	<b>5,339</b>

Amounts due to Wiltshire Council include costs incurred throughout the year, including corporate recharges and payroll.

## 18a. Long-term creditors

	31 March 2020 £'000	31 March 2019 £'000
Manager fees	7,795	0
<b>Total</b>	<b>7,795</b>	<b>0</b>

This balance represents a final performance fee due to an investment manager on termination of their contract, due to transferring the portfolio into the Brunel pool. The fee is due in four annual instalments, one of which is due within one year, included in sundry creditors in note 18, and the remainder due over 2021-2023.

## 19. Additional Voluntary Contributions (AVCs)

AVC contributions are not included in the Fund's financial statements as they do not come under the requirements of Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016 regarding regulation 69(1) (a) of the Local Government Pension Scheme Regulations 2013.

Fund members paid contributions totalling £0.999 million (£0.934million in 2018/2019) into AVC funds held with Prudential during the year.

At 31 March 2020, the value of funds invested on behalf of members with Prudential, the Fund's open AVC provider, was £4.1m (£3.8m at 31 March 2019).

## 20. Employer Related Assets

There were no employer related assets within the Fund during 2019/20.

## 21. Related Party Transactions

The Wiltshire Pension Fund is administered by Wiltshire Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.819m (2018/2019: £1.477m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £35.5m to the Fund in 2019/2020 (2018/2019: £32.6m). A balance of £2.0m was owed by the Pension Fund to the Council at year end.

Part of the pension fund cash holdings are invested in the money markets by the treasury management operations of Wiltshire Council, through a service level agreement. During the year to 31 March 2020, the fund had an average investment balance of £8.5m (31 March 2019: £6.9m), earning interest of £66k (2018/2019: £44k) in these funds.

Brunel Pension Partnership Limited (BPP Ltd.) was formed on the 14th October 2016 and oversees the investment of pension fund assets for Wiltshire, Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire and Somerset Funds.

Each of the 10 local authorities, including Wiltshire Pension Fund own 10% of BPP Ltd. In 2017/18 the Pension Fund paid BPP £840k and there was no further investment in 2018/19 or in 2019/20. The fair value of the shareholding as at 31st March 2020 was £0.427m.

### Governance

Two members of the Pension Fund Committee are active members of the Pension Fund. One member of the Committee is a pensioner member of the Pension Fund.

Each member of the pension fund committee is required to declare their interests at each meeting. No declarations were made during the year.

## 22. Guaranteed Minimum Pension

The Guaranteed Minimum Pension (GMP) Rectification project (Stage 3) whereby LGPS pensions will be amended with the reconciled Stage 2 GMP information continues to be in an analysis phase. Automated recalculation of all individual GMP values based on a first principles approach has taken place, whereby members original values have been taken and revalued each year to arrive at a present-day amount. Comparison of the results of these recalculations is now underway against the GMP values currently being paid to pensioners & the impact of any changes identified. However, whilst the practical task of identifying the appropriate GMP value has moved forward, before any change affecting pensioners can be implemented clear guidance is required to ensure that those pensioners in payment who will be affected by the changes are treated fairly and appropriately.

Guidance is subject to several dependencies and the Fund along with other LGPSs in the South West continue to work with the Scheme Advisory Board to establish a national approach concerning the appropriate completion of this exercise. It is currently anticipated that on receipt of all the necessary guidance the Administering Authority to the Wiltshire Pension Fund will seek individual legal advice on the guidance received before making a final determination on the implementation arrangements to be applied.

The effect of LGPS pensions not showing the correct amount of GMP for its members means that their pensions will be increased by more than they should be. For LGPS members who have a State Pension Age (SPA) prior to 06/04/2016 their GMP should not be increased by the Fund in respect of their Pre-1988 GMP (This period being 06/04/1978 to 05/04/1988). In respect of their Post 1988 GMP element (This period being 06/04/1988 to 05/04/1997) it should only be increased by up to a maximum of 3% per annum. The Government will increase the State Pension for the member fully on their Pre-1988 GMP element and in respect of their Post 1988 GMP element only by the increased amount above 3% per annum, if the prevailing rate in CPI requires it.

Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary. The Government has announced that future GMP increases will be met in full by the Fund where a member's SPA falls between 06/04/2016 and 05/04/2021. We await further confirmation from the Government detailing how GMPs will be increased for those members whose SPA falls after 05/04/2021.

## 23. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) at 31 March 2020 totalled £734.5m (£94.7m at 31 March 2019).

£650.0m of these commitments relate to amounts committed to private equity, infrastructure, secured income and private debt portfolios managed by the Brunel Pool. The balance (£84.5m)

relates to outstanding call payments due on unquoted limited partnership funds held in the infrastructure part of the portfolio. The amounts 'called' are irregular in both size and timing from the original commitment.

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

### The 'McCloud case'

On 21 December 2018, the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015 were unlawfully discriminatory. This case is known as the 'McCloud case'.

On 27 June 2019, the Supreme Court refused the Government permission to appeal the McCloud case in respect of age discrimination and pension protection, and the **Government announced** it would work with employment tribunals to find a solution. On 26 March 2020, a **ministerial statement** confirmed that detailed proposals for removing the discrimination will be published later in 2020 and be subject to public consultation. It is likely that the remedy applied to the LGPS will involve extending the transitional protections to younger members in some way. The LGPS England & Wales Scheme Advisory Board (SAB) maintains a **McCloud page** on its website with regular updates, and is engaging with the Government and with Administering Authorities to discuss the remedy and its implementation. We will await further details to confirm the next steps in the process, and continue to keep members informed through newsletters and [wiltshirepensionfund.org.uk](http://wiltshirepensionfund.org.uk).

Last year the Fund actuary's central estimate for the potential impact of the McCloud judgement on the pension fund liabilities for the Wiltshire Council Pool as at 31 March 2019 was an increase of approximately £2.7m. This year the impact has been updated to £1.9m, allowing for changes to overall membership and the assumptions made for the 2019 fund valuation. The estimate will be refined in future as new details about the potential remedy come to light. As well as the liability impact the remedy to the McCloud judgement will have a significant impact on administration costs and complexity, for potentially many decades to come. We have not sought to quantify these costs at this stage.

Similarly to the calculation carried out last year, the Fund's actuary has adjusted GAD's estimate of the estimated impact on liabilities to better reflect the Wiltshire Pension Fund's local assumptions, particularly salary increases and withdrawal rates. In carrying out the adjustment, we have made allowance for the assumptions adopted as at the 2019 formal valuation.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

# ACTUARIAL STATEMENT IN RESPECT OF IAS26 AS AT 31.03.2020

## Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Wiltshire Pension Fund ('the Fund').

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

## Present value of Promised Retirement Benefits

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Active members	1,169	1,750
Deferred pensioners	905	929
Pensioners	1,294	1,107
<b>Total</b>	<b>3,368</b>	<b>3,786</b>

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

## Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £323m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £88m.

## Financial assumptions

Year ended (%p.a.)	31 March 2020 £'000	31 March 2019 £'000
Pension Increase Rate	1.9%	2.5%
Salary Increase Rate	2.3%	2.8%
Discount Rate	2.3%	2.4%

## Longevity assumption

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.7 years	24.0 years
Future Pensioners*	22.5 years	25.5 years

\*Future pensioners (assumed to be aged 45 at the latest formal valuation)

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

## Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

## Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2020	Approximate % Increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	303
0.5% p.a. increase in Salary Increase Rate	1%	23
0.5% decrease in Real Discount Rate	10%	328

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3–5%.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2020 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by



**Barry Dodds FFA**

29 April 2020

For and on behalf of Hymans Robertson LLP



# FURTHER INFORMATION AND CONTACTS

The Council produces many other publications, as well as this booklet to support its role as administering authority of the Wiltshire Pension Fund. You can request these from the Wiltshire Pension Fund at County Hall, Trowbridge, from our Website at [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk) or by emailing [pensionenquiries@wiltshire.gov.uk](mailto:pensionenquiries@wiltshire.gov.uk).

## Guide to the Local Government Pension Scheme

This booklet explains the benefits available to employees and their dependants of being in the Fund.

## Employers website

As part of the Fund's main website there is a separate site devoted to the Fund's sponsoring employers. The employer website rolled out in March 2020 seeks to provide guidance and supporting documentation specifically aimed at staff within employer bodies with responsibility for providing information to the Pensions Section, in respect of Fund administration. The site will provide Scheme Employers with all the information they need to fulfil their pension responsibilities correctly.

## Information to scheme members

With the rollout of the Fund's digital strategy all the communications specified below will be mitigated to an electronic format. Where requested by scheme members they can continue to receive paper versions of the information.

## Starter packs

These contain information that must be made available to new employees on their pension entitlements, together with supporting information.

## Retirement packs

These contain information for every new pensioner about their pension and other supporting information.

## Newsletters

Occasional newsletters are produced, both for participating Fund members and for pensioners, containing information of interest.

## Annual benefit statements

Statements are automatically available for all full-time Fund members and those working regular part time hours, and for deferred pensioners. Statements are also available on request for any Fund member at any time.

## Other information

Various leaflets, posters and fact sheets explaining the Fund and highlighting its benefits are produced. The Pensions Section also has booklets available produced by Prudential on Additional Voluntary Contributions.

## For further information contact

### Ashleigh Salter

c/o Fund Communications Manager  
[ashleigh.salter@wiltshire.gov.uk](mailto:ashleigh.salter@wiltshire.gov.uk)

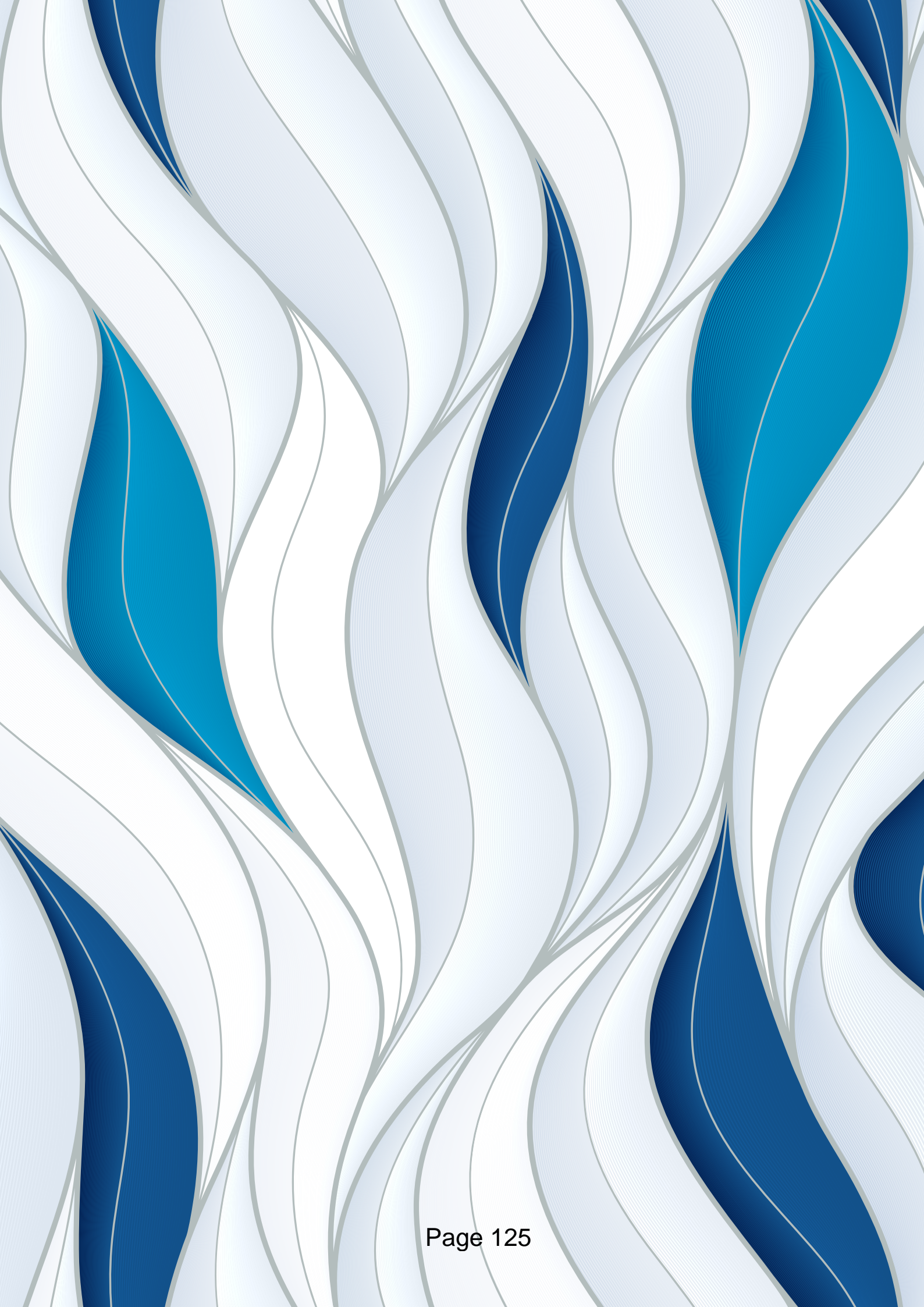
### Andy Cunningham

Head of Pensions Administration & Relations  
[andy.cunningham@wiltshire.gov.uk](mailto:andy.cunningham@wiltshire.gov.uk)

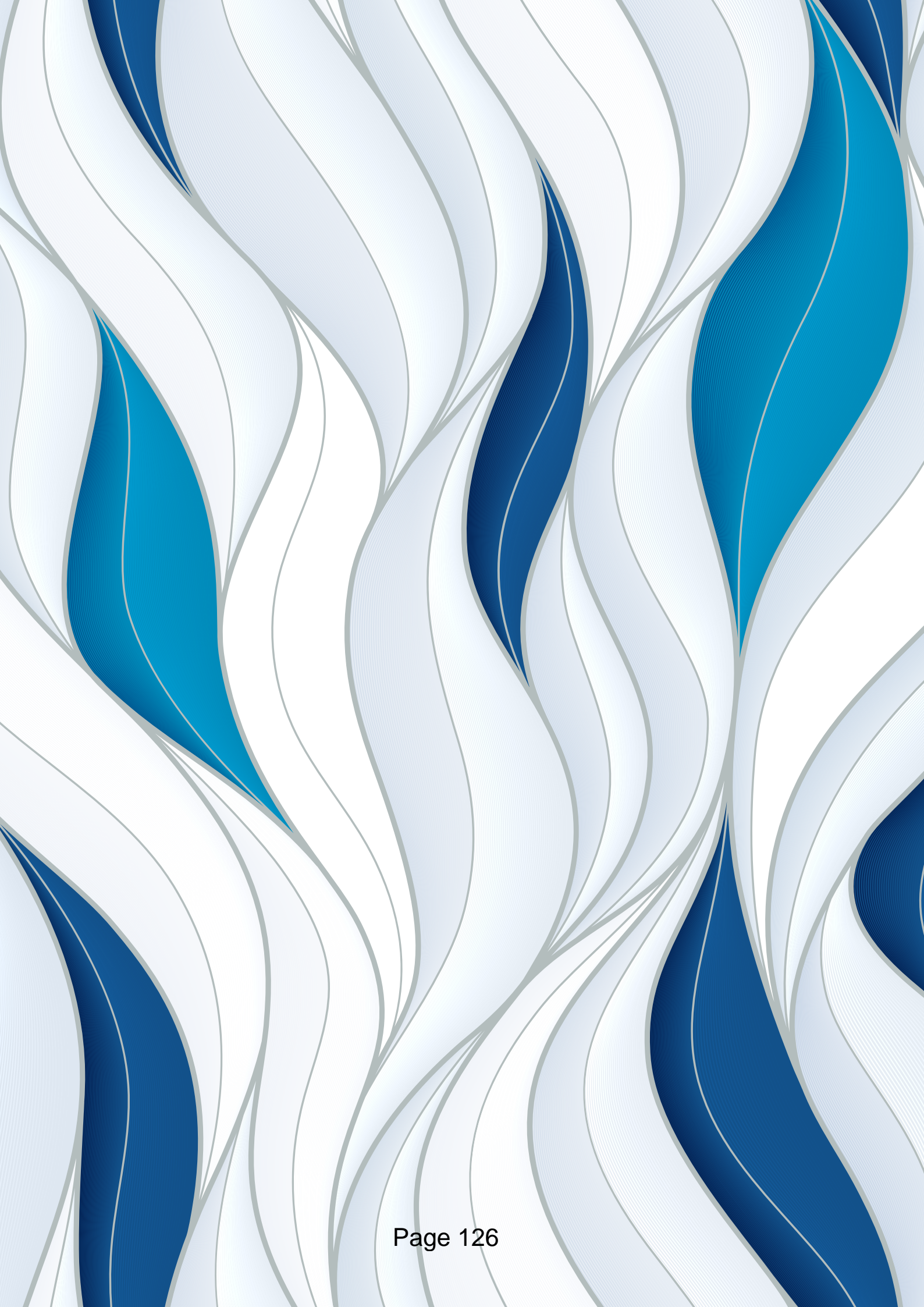
### Jennifer Devine

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## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

14 September 2020

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#### **ADMINISTRATION KEY PERFORMANCE INDICATORS**

*\*Note: The data within this report covers the same period as previously reported, as the last Committee meeting was in July and another quarter has not passed since then, however it has been re-submitted as the layout and some of the content has changed following feedback by the Committee at that meeting, in response to changes in processes. The main differences are highlighted in paragraph 4 below\**

#### **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. In the interests of transparency and to help monitor overall administration performance, officers agreed with Committee and Board to publish quarterly benefits administration key performance indicators (KPIs)
3. KPIs are an important aspect of providing an efficient and effective customer-focussed benefits administration service.

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

4. Following feedback by the Committee in the July 2020, officers have been some changes to the structure of this report as follows:
  - a). Appendix 3 now includes a column which benchmarks the processing times against those proposed by CIPFA as part of the Annual Report guidance; the administration strategy targets are tighter but these are still shown alongside so no information is lost. Whilst the Fund undertakes its programme of improvements and reforms, officer propose that monitoring against the CIPFA measures would be more appropriate.
  - b). Following a revision of the process, officers have revised the methodology for the time take to pay a refund. Under the revised process, all members who leave the scheme are given a generic letter shortly afterwards outlining their rights, including whether they would be entitled to a refund. The revised KPI measures the time taken to pay a refund upon receipt of a request from a member to receive it.
  - c). A new Appendix 4 has been added to show the progress in onboarding members on to the member platform (MSS/My Wiltshire Pension) and on to i-Connect. These platforms are a key part of the Fund's strategy to improving its administration function.
  - d). Furthermore, a new Appendix 5 has been added to more effectively split out backlog cases which the Fund currently has. Two, small waterfall charts focussing just on the backlogs replace the three charts which previously illustrated this information, including processes with no backlogs.

e). The processes with backlogs (deferreds and refunds) distort the figures in Appendix 3. As part of the implementation of i-Connect and through process changes, officers intend to 'ring-fence' the backlog work and deal with this separately as process changes will only impact on new, incoming work. Therefore a split has been made between i-Connect and non i-Connect.

5. Furthermore, two metrics with very low volumes has been removed from the Disclosure Regulations tables as the low volumes mean that the percentages measures are of limited use as it implies materiality where there is none.
6. Overall, the focus of officers is very much on making long-term improvements to processes. During 2020/2021, officers are particularly focussed on onboarding as many employers as possible on to the i-Connect platform (see Appendix 4). With time, this will help directly or indirectly improve the measures shown within but in the short-term some decreases in these metrics will be visible.
7. Furthermore, there is a significant focus on improving controls and accuracy, which are not visible within this figures are a key part of improving the robustness of the Fund.
8. During the quarter reported, the focus of key members of the team had been on the end of year process to try to maximise the percentage of annual benefit statements being that were sent.

## **Conclusions**

### General comments

#### Disclosure Regulations (Appendix 1)

9. The table in appendix 1 shows the Fund has generally performing well against these targets. The deferreds and refunds disclosure level has increased significantly due to change in the process. In relation to the measures which are lower than desired. An explanation of the reason for the lower measures are given below:
  - a). Transfers out quote (54%): These cases have been treated as a lower priority in comparison to the payment of benefits, resulting in a lower percentage although this is now being re-assessed to improve this target.
  - b). New joiners (72%): Staff have focused on end of year submissions and i-Connect onboarding during the quarter. This figure may be low in the next quarter due to the time taken to upload Wiltshire Council's first i-Connect return (which covers over a third of active members) and generally while employeres are onboarded onto i-Connect but it is anticipated this will become high once all employers are onboarded.

#### tPR Common and Conditional Data percentages (Appendix 2)

10. There are no change in these figures since last year however they are included for completeness and 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.
11. As these figures are revised annually, new figures will be displayed shortly.

### Administration Strategy KPIs – Fund (Appendix 3)

12. Chart 1 shows the Fund is operating below its desired targets for most cases mainly for the same reasons as outlined in paragraph 5, although the percentages are stronger against the newly-added CIPFA metrics. Officers have recently increased 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 outlined in Appendix 1 whilst time is dedicated to delivering long-term improvements and reforms.

### i-Connect and My Wiltshire Pension (MSS) onboarding (Appendix 4)

13. The Fund now has close to half of all active members on i-Connect which is good progress and in line with the Business Plan; resource is focussed on improving this percentage over the course of the year. As employer numbers significantly, we have also show the number of employers onboarded. Small employers generally create disproportionate levels work because of the lack of economies of scale hence it is still important to employer-level onboarding improves too so efficiency gains are made.
14. MSS sign-ups are broadly in line with industry-norms after successful attempts to encourage more members to sign up.

### Administration Strategy KPIs – Employers (Appendix 6)

15. 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.
16. Employers timeliness should improve with the use of i-Connect, Wiltshire Council (and its academies) went live with effect from March 2020 and they make up a material proportion of the active membership (abeit data was only been added in July for the first return, with April, May and June added shortly afterwards).
17. Further onboarding on to i-Connect will force employers to submit more quickly. We anticipate that over 70% of the active membership covered by 31 March 2020, and potentially much higher. Officers are also currently implementing escalating procedures to chase employers for later submissions.

### Environmental Impact

18. There is no environmental impact from this report.

### Financial Considerations

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

### Risk Assessment

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

### Legal Implications

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

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

22. There are no implications at this time.

**Proposals**

23. 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)

### Disclosure Regulations

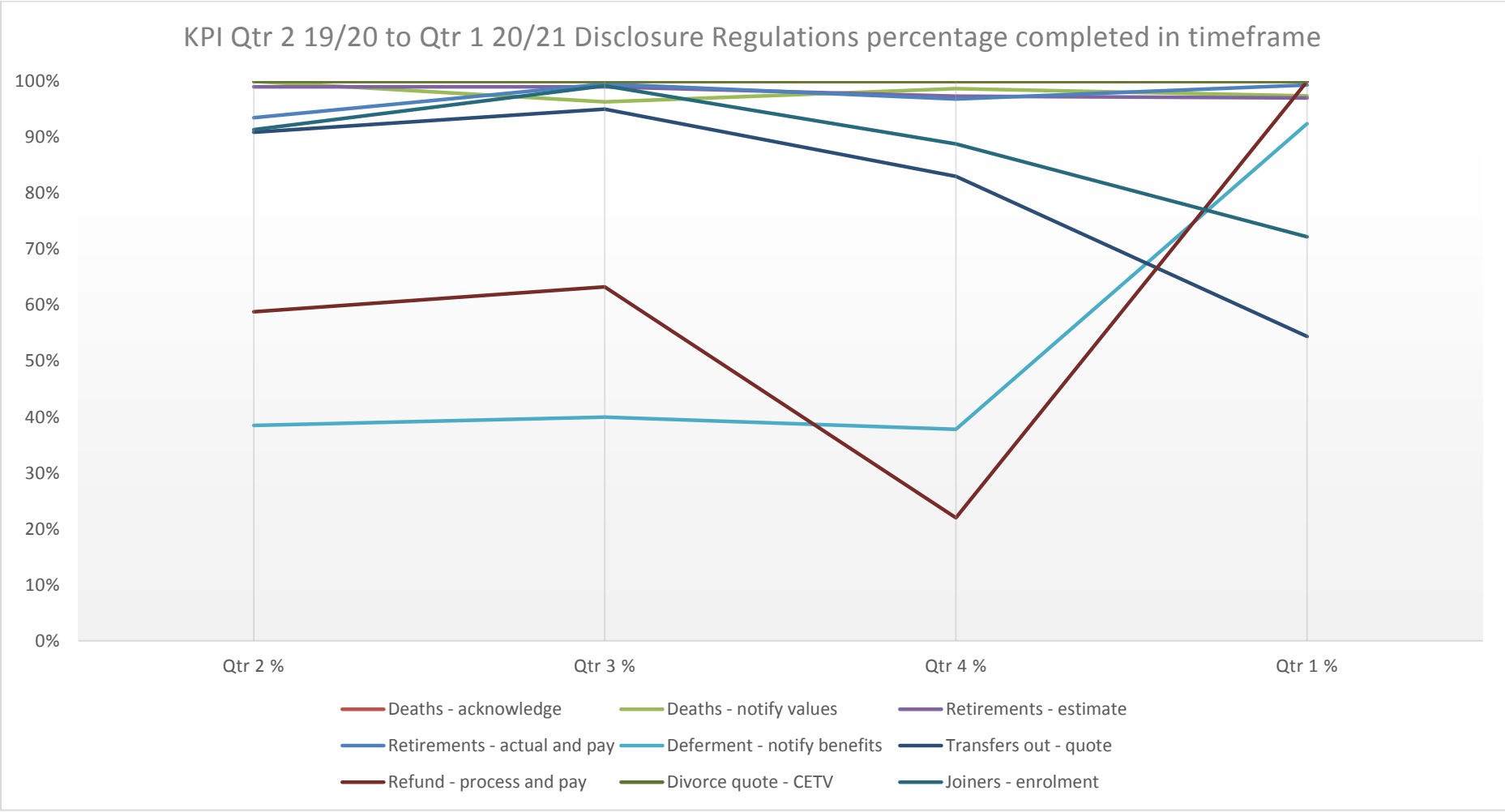
Period 01/04/2020 to 30/06/2020

Process name		Disclosure Requirement	%	No. cases within Legal Timeframe
Deaths - initial letter acknowledging death		2 months	100.0%	147
Deaths - letter notifying amount of dependants pension		2 months	97.4%	143
Retirements - letter notifying estimate of retirement benefits	Active	2 months	n/a	n/a
	Deferred		n/a	n/a
	Total		96.9%	377
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	Active	2 months	100.0%	95
	Deferred		98.9%	169
	Total		99.3%	264
Deferment - calculate and notify deferred benefits		2 months	92.4%	1248
Transfers out - letter detailing transfer quote		2 months	54.4%	81
Refund - process and pay a refund*		2 months	100.0%	77
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	100.0%	60
Joiners - notification of date of enrolment**		2 months	72.2%	342

\*This measure has risen due to a change in methodology.

\*\*Officers expect this figure to raise significantly in this quarter due to a change in process.

# APPENDIX 1, Chart 1: Disclosure Requirements



**Note:** Refunds have increased due to a change in methodology.

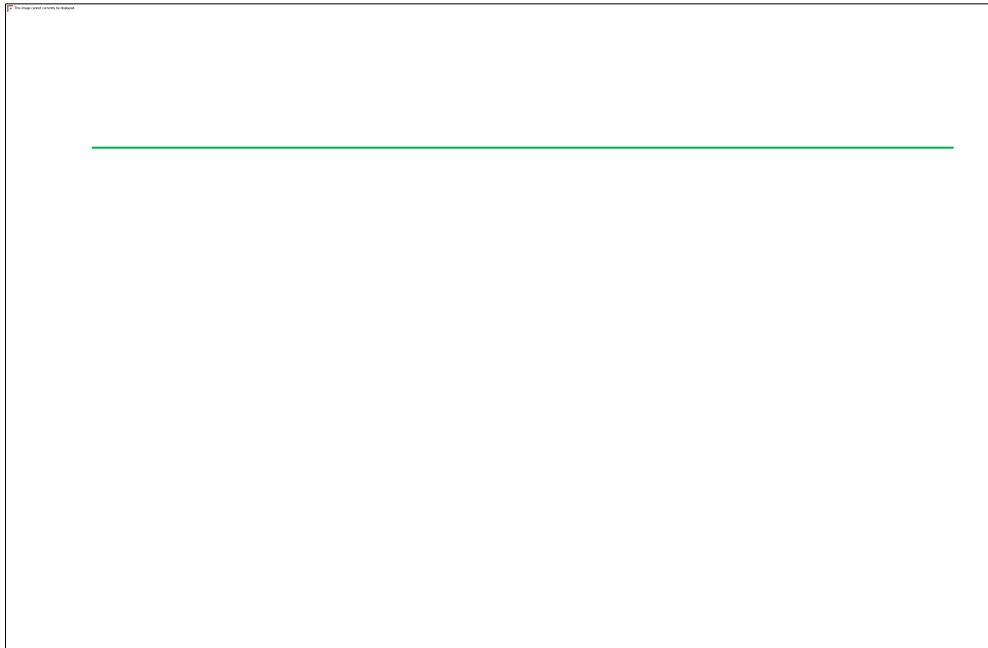


## APPENDIX 2: tPR Data Quality scores

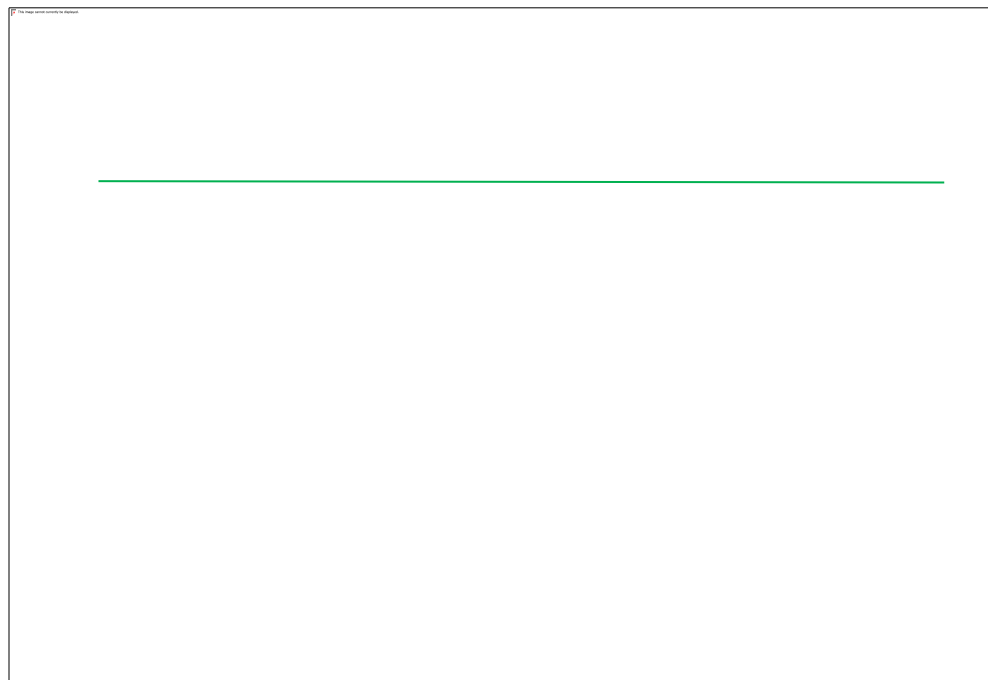
a). tPR Common Data Percentage Breakdown (At 11 October 2019)  
Total score = 97.9% (from 94.2%)

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



Wiltshire Pension Fund

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

### Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

Period 01/04/2020 to 30/06/2020

Type of case	Created cases in period	Open cases at period end	Percentage against membership	Completed cases time to complete						Total	Timescales		Notes
											CIPFA (Admin Strategy)		
				0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 + days		% on target (CIPFA)	% on target (Admin Strategy)	
<b>Active to Retirement</b>	103	85	0.4%	12	19	23	13	23	5	95	57%	13%	15 (5)
Deferred in to retirement	224	23	0.1%	79	51	32	5	4	0	171	95%	46%	15 (5)
Processing of Death cases	183	115	0.1%	59	23	29	17	12	7	147	56%	40%	10 (5)
Benefit Estimates	492	33	0.1%	51	54	44	38	154	48	389	38%	27%	15 (10)
<b>Leavers to Deferred status</b>	1586	3405	15.1%	18	3	3	7	30	438	499	9%	6%	30 (20)
<b>Leavers to Deferred status (i-Connect)</b>	38	37	0.2%	0	1	0	0	0	0	1	100%	100%	30 (20)
<b>Refund of contributions</b>	83	9	0.0%	23	39	13	0	2	0	77	99%	97%	10 (10)
<b>Grand Total</b>	<b>2709</b>	<b>3707</b>		<b>242</b>	<b>190</b>	<b>144</b>	<b>80</b>	<b>225</b>	<b>498</b>	<b>1379</b>			
<b>Percentage</b>				<b>18%</b>	<b>14%</b>	<b>10%</b>	<b>6%</b>	<b>16%</b>	<b>36%</b>				

\*Note: Refunds as now calculated using a revised methodology to reflect improvements in the process used.

## APPENDIX 4: i-Connect and My Wiltshire Pension (Member portal) progress

### i-Connect

The following table shows the progress in onboarding employers on to i-Connect. The long-term target is to onboard all employers on to i-Connect and to onboard as many as possible by the end of 2020/2021. Data is based on 20 July 2020:

	Number onboarded	Percentage of total
Active members	10,254 (records)	44.58% (Total = 22,998)
Employers	40	22.98% (Total = 174)

### *MSS (My Wiltshire Pension)*

Following a second write out to members in June, prior to publishing annual benefit statements in August 2020, encouraging members to sign up to the online portal, a further 4,000 members activated their account (covering 5,600) records.

A table summarising the position as at 14 July 2020 is shown below and brings us to a level similar to other Funds:

	RECORDS	MEMBERS
<b>ACTIVE</b>		
Registered	7802	5479
Total	22998	15761
Percentage	<b>33.92%</b>	<b>34.76%</b>
<b>DEFERRED</b>		
Registered	8334	5810
Total	31136	22174
Percentage	<b>26.77%</b>	<b>26.20%</b>
<b>TOTAL</b>		
Registered	16136	11289
Total	54134	37935
Percentage	<b>29.81%</b>	<b>29.76%</b>

## APPENDIX 5: Backlog monitoring

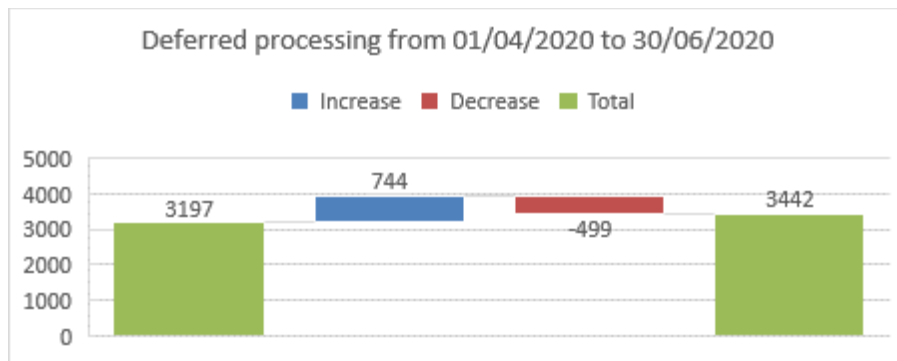
Prior to making a number of process improvements to the refunds, deferreds and aggregations processes, the Fund accumulated processing backlogs in certain areas.

Officers have defined a backlog for a process where there are more than 250 outstanding cases. Where this is the case, officers are sought to ring-fence this area of work and manage the backlog area of work separately.

At present, there are two areas which meet this criteria and current situation in respect of these processes are outlined:

### a). Deferred/Refunds

Cases where the member has left and we need to calculate their pension entitlement, but they are not old enough to be able to start receiving their benefits.



### b). Internal aggregation cases

These cases are where the member has more than one record at Wiltshire Pension Fund which should be combined together. Members are not financially disadvantaged by delays in completing this work.

Cases currently outstanding: 3, 041

(Analysis similar to the above will be available for future meetings)

## APPENDIX 6: Administration Strategy KPIs - Employers (Table 1)

Employer Key Performance Indicators

Administration Strategy

Period 01/04/2020 to 30/06/2020

Type of case	Time to advise							Total	Timescales	
	To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	Admin Strategy working days
<i>Retirement</i>	49	2	12	3	3	10	16	95	52%	2
<i>Leavers</i>	30	17	84	20	11	114	223	499	32%	20
<i>Refund of contributions</i>	61	9	13	2	12	34	86	217	45%	20
<b>Grand Total</b>	<b>140</b>	<b>28</b>	<b>109</b>	<b>25</b>	<b>26</b>	<b>158</b>	<b>325</b>	<b>811</b>		
<b>Percentage</b>	<b>17%</b>	<b>3%</b>	<b>13%</b>	<b>3%</b>	<b>3%</b>	<b>19%</b>	<b>40%</b>			

## APPENDIX 6: Administration Strategy KPIs - Employers (Table 2)

### 5 Largest "Managed" Employers

Employer	Managed Records	Time to advise - Retirements							Total	Admin Strategy	Admin Strategy
		To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	working days
Wiltshire Council Swindon Borough Council	34154	26	2	5	1	0	6	6	46	57%	2
Police Civilians	2840	3	0	1	1	0	0	0	5	60%	2
White Horse Federation	1922	1	0	1	0	0	0	2	4	25%	2
Wiltshire College	1859	1	0	0	0	0	0	1	2	50%	2
Others	18263	13	0	4	1	3	4	4	29	45%	2
		<b>49</b>	<b>2</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>10</b>	<b>16</b>	<b>95</b>		
		<b>52%</b>	<b>2%</b>	<b>13%</b>	<b>3%</b>	<b>3%</b>	<b>11%</b>	<b>17%</b>			

Employer	Managed Records	Time to advise - Leavers							Total	Admin Strategy	Admin Strategy
		To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	working days
Wiltshire Council Swindon Borough Council	34154	3	0	0	0	1	33	94	131	3%	20
Police Civilians	2840	1	4	10	9	1	8	0	33	76%	20
White Horse Federation	1922	6	0	32	1	1	15	3	58	69%	20
Wiltshire College	1859	1	1	0	1	1	0	1	5	80%	20
Others	18263	15	8	19	6	5	38	105	196	27%	20
		<b>30</b>	<b>17</b>	<b>84</b>	<b>20</b>	<b>11</b>	<b>114</b>	<b>223</b>	<b>499</b>		
		<b>6%</b>	<b>3%</b>	<b>17%</b>	<b>4%</b>	<b>2%</b>	<b>23%</b>	<b>45%</b>			

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
14 September 2020

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### **ANNUAL BENEFIT STATEMENTS EXERCISE 2020 REVIEW**

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

1. The purpose of this report is to present a summary of the outcome of Fund's Annual Benefit Statement (ABS) process for consideration by Committee members.

#### **Background**

2. As part of the LGPS Regulations 2013, the Fund is required to produce ABSs for all active and deferred members by the 31 August each year, showing the value of their benefits as at the 31 March of the same year.
3. The Pension Regulator (tPR) oversees this requirement within the LGPS and, as with other regulatory requirements, the Fund is due to log any breach of regulation and to report to tPR any breach which it considers may be of material significance to them.
4. tPR primarily focuses on the percentage of active ABSs and as such, the Fund set out within its Business Plan actions for 2020/2021 to produce 99% of active ABS by the 31 August 2020. The production rate for 2019/2020 was 95%.
5. Unfortunately, due to the impact of COVID-19 on some of our participating employers, some employer returns from key employers were sent late, leaving reduced time to undertake our standard data checks.
6. Furthermore, in line with changes to the Fund's Communications Strategy and after twice giving notice to all members, this year the Fund took the approach of uploading ABSs to member's online accounts through the member portal (My Wiltshire Pension) in all cases. In addition, if a member 'opted in' to receive paper copies, officers now send paper copies to them until they notify us of a change of preference.
7. The new approach has allowed the Fund to be able to analyse the levels of engagement with members and effectiveness of the approach used.

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

8. Active ABSs  
The Fund produced 96.9% of ABSs by the 31 August 2020 (adjusting for exclusions), which translates as 680 statements not being produced on time.
9. Out of those 680 statements not produced, nearly all of these relate to cases where the employer had failed to resolve a data query. Officers continue to work with employers to resolve these queries and use our escalation policy when the employer fails to engage with us. Once a data query is resolved, a statement will be produced.
10. Deferred ABSs

The Fund produced 99.9% of ABS for members which were deferred as at 31 March 2020. A small number of records (19) had a technical issue which prevented a statement being produced.

11. The deferred ABS percentage does not include an allowance for the number of records which are on a holding status because they are yet to be processed (which would either result in a deferred benefit, refund or aggregation of benefits).
12. Member engagement and system access  
The Fund sent out an email notification to the 13,055 unique members with accounts (note: a number of members have multiple pension records). Out of those notifications sent, around 10,132 members opened the message sent and 5,594 clicked on the link to log in. A small number of emails bounced back (just 61).
13. Despite nearly 2,500 members managing to access their My Wiltshire Pension on the day the notification was sent out, the date of notification unfortunately coincided with system downtime due to issues experience by our software provider. The issue was intermittent and only lasted 1-2 days but this may have affected the sign in rate. As such, officers will send out a reminder email shortly which should also act as a reminder to members who took no action on initial receipt of the email regardless of the systems (other than opening the message).
14. The software provider has undertaken a detailed review of the access issues experience and is putting steps in place to stop a repeat.

### **Conclusions**

15. Whilst the active ABS production rate was lower than hoped, it still represented an improvement on last year and should be considered within the context of lockdown restrictions causing certain employers some operational difficulties.
16. Officers consider the percentages to be sufficiently high level to not be considered a material breach by the tPR. Furthermore, tPR issued guidance that it would take a more relaxed approach to enforcement due to operational difficulties caused by COVID-19.
17. As officers re-start the work to onboard more employers on to the i-Connect platform, this should yield a number of benefits related to the Annual Benefit Statement process for onboarded employers including:
  - No need for an end of year process;
  - Data being checked and reconciled during the year;
  - An opportunity to space out ABS notifications, reducing the risk of system failure impacting the members along with spreading out emails and phone calls to the team, reducing the impact on business as usual work;
  - Potential to issue ABSs earlier (better customer service);
  - Bringing forward the ABS exercise would allow the annual allowance yearly exercise to take place earlier (deadline of 5 October each year and needs to follow the end of year exercise as well)
18. Officers will issue a second batch of ABS at the end of September and thereafter will just add any remaining ABSs as resolved; this work is important groundwork for onboarding employers on to I-connect.

### **Environmental Impact**



19. There is no environmental impact from this report.

**Financial Considerations**

20. There are no financial considerations related to this report.

**Risk Assessment**

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

**Legal Implications**

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

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

23. There are no implications at this time.

**Proposals**

24. The Committee is asked to note the current situation and the Fund's plans for next year.

**Andy Cunningham**

Head of Pensions Administration and Relations

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

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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>																			
PEN056	Failure to implement the findings of the Goodwin vs the UK case in relation to discrimination which will affect public service pension schemes on the grounds of sexual orientation	Following a male to female transsexual post operative procedure the claimant stated that her human rights had been infringed when she was still treated as a man for National Insurance contributions purposes, as she continued to make payments after the age at which a woman would have ceased payments, thus causing harassment. A second similar claimant stated she was unable to obtain work as she was unable to provide her birth certificate revealing her gender history.	There is no remedy proposed yet, although some auditors are pressing for an allowance to be included in 2020 IAS19/FRS102 reports. Whilst the funding costs are expected to be small, this will be a further administration and communication burden to address.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	1	1	1	The implementation of risk controls will be introduced on communication of remedies.	1	1	1		Low	↑	Andy Cunningham	N/A
PEN055	Failure of the Brunel Pension Partnership to properly address shareholders concerns via the governance review	Governance arrangements set in place at the outset of Brunel are due for review and it is vitally important that Wiltshire and all shareholders are satisfied with the breadth and depth of the review, and the resulting changes.	With the Wiltshire Pension Fund & other stakeholders being required to invest significant sums of money with BPP, robust governance arrangements are vital to ensure that shareholders are able to take assurance over the running of the partnership	GOVERNANCE	SERVICE FUNCTION	Andy Brown	High	4	4	16	Brunel's governance review is ongoing and is due to complete by the end of 2020. Wiltshire has actively engaged with Brunel, by sending a letter on behalf of Committee members, to make Wiltshire's expectations clear, and also via the Head of Pension Fund Investments' input at a client group level.	4	2	8	Officers will regularly monitor the progress of the governance review and engage at all possible opportunities. Committee members will be kept informed of all developments.	Medium	↑	Andy Brown	N/A
PEN050	Failure to comply with tPR's anticipated new Single Code of Practice Statement	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 tPR 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. Codes combined notably relate to 9, 13, 14 & 15.	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 the Single Code of Practice Statement is released which not anticipated until 2021.	Low	↔	Richard Bullen	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	Medium	4	2	8	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. The next valuation will be in 2022 but it is unclear when the next one will follow.		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 caused by the Cost Cap review	The cost cap floor has been breached meaning the Scheme rules need to be adjusted.	<u>Administration</u> : Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. <u>Cost</u> : 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	BUSINESS PLAN 2020/21 (Objective(s) 32)	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	a) 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. b) Following the release of the Government's consultation document in July analysis of the Scheme's members who may be affected has been undertaken. Early indications suggest that c27k members from all status types will need to be reviewed, however cases where the underpin bites continues to be considerably less. Supplementary impacts such as the Annual Allowance, transfers & dependent benefits will also need to be considered, as well as changes to the Fund's internal controls to ensure that cases are reviewed as the liability falls due & that those which have been reviewed are marked accordingly.	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	BUSINESS PLAN 2020/21 (Objective(s) 40,41)	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	Officer to introduce a statement of Fund principles, beliefs & precedents.	Low	→	Richard Bullen	N/A







# Ongoing Risks

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	BUSINESS PLAN 2020/21 (Objective(s) 17)	Jennifer Devine	Low	4	1	4	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 procedures put in place was submitted to the Board on 13th February. The Fund will also be audited in 2020 for its compliance with MIFID II. To be reduced to a Green risk on completion of a satisfactory internal audit.	Low	→	Jennifer Devine	N/A
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 2020/21 (Objective(s) 21)	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	BUSINESS PLAN 2020/21 (Objective(s) 20)	Jennifer Devine	Low	3	1	3	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
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 2020/21 (Objective(s) 12,27)	Andy Cunningham	Low	1	2	2	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. Further work is required to introduce a suite of customer service based KPIs.	1	2	2		Low	↓	Mark Anderson	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 a AVC provider can lead 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
PEN026	A lack of effectiveness of Committee meeting due to the impact of MIFID II Regulations	MIFID II 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	BUSINESS PLAN 2020/21 (Objective(s) 17)	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	2	2	4	Guidance received from officers & the Independent Adviser to the Fund has mitigated the impact of MIFID II. Officers implemented a self-assessment return completed by members concerning their competence to maintain "professional client status". A member training strategy for 2020/21 includes MIFID II related training	Low	↓	Jennifer Devine	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 actions (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	SERVICE FUNCTION	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	SERVICE FUNCTION	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. The impact of COVID-19 on financial markets means the likelihood is currently increased.	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	ACTUARIAL METHOD	BUSINESS PLAN 2020/21 (Objective(s) 36,42)	Andy Cunningham	Low	2	2	4	The Pension Fund Committee approved a revised cessation policy on 26 March 2020 to address regulatory changes made in March 2020 (backdated to May 2018). 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. Due to the current impact on COVID-19 situation on investment returns, we are currently encouraging employers to delay cessation crystallisation events where possible to avoid crystallise a large deficit.	2	1	2	A new employer cessation policy was approved in March 2020, however since then further guidance has been published nationally setting out Fund discretionary payment plans already introduced by Wiltshire. It should be noted that whatever determination the Fund makes there is a risk it will be open to challenge. In summary the Fund needs to amend our FSS & consider how this should work best and communicate out to employers accordingly. Furthermore, with regards to the spreading of exit payments & deferred debt agreements officers need to consider what changes to the existing cessation policy (sections 7 and 9) are needed for the Fund to be compliant	Low	↓	Andy Cunningham	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	SERVICE FUNCTION	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/ Samantha Wooster	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. Resourcing issues due to holding a vacancy in a key role in the investments team	Bad decisions may be made in relation to any of the areas on this register, but particularly in relation to investments. Risk of being unable to fulfil statutory obligations and/or maintain key financial controls.	GOVERNANCE	BUSINESS PLAN 2020/21 (Objective(s) 2,3,31)	Andy Cunningham/ Jennifer Devine	Medium	3	3	9	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. Formulated annual Training Plans relevant to officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists. A Fund knowledge hub is being developed.	2	3	6	The Director of Finance & Procurement is now filled on a permanent basis and other senior officer roles in the Pension Fund are now filled by permanent staff for a significant period of time. Officer training to be enhanced to assist knowledge & understanding.	Medium	→	Andy Cunningham/ Jennifer Devine/ 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. Early indications suggest the likelihood is increased due to the impacts of COVID-19 on employers and Fund officers.	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	GOVERNANCE	BUSINESS PLAN 2020/21 (Objective(s) 38)	Andy Cunningham	Medium	3	3	9	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 2020/21 (Objective(s) 7,33)	Andy Cunningham	Low	2	2	4	*Sufficient staffing, training and regulatory updates. *Competent software provider and external consultants. *Technical & Compliance post reviews process and procedures and maintains training programme for the team. *KPIs against statutory standards *Imbedding checks and controls into all processes. *Audits & internal reviews to maintain best practice	2	2	4	Review of ABS requirements to ensure on-line delivery is compliant with disclosure requirements	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	SERVICE FUNCTION	Jennifer Devine	Medium	3	2	6	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement. 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	SERVICE FUNCTION	Jennifer Devine	Low	2	1	2	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	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	SERVICE FUNCTION	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	SERVICE FUNCTION	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

## Appendix

### Proposed changes to discretion's policy

Discretion	Current Wording	Proposed wording	Reason for change
<p>Allow transfer of pension rights into the Fund (the discretion applies to non-club transfers only)</p>	<p><i>“WPF will allow members to transfer in pension rights in subject to the transferring scheme meeting legislative requirements. WPF reserves the right to obtain actuarial advice if the Fund feels that the acceptance of a transfer may create a substantial liability to the Fund.”</i></p>	<p><i>“The Fund accepts all non-club transfers in unless it is agreed otherwise in the terms of the employer’s admission agreement or in a separate, formal written agreement between the Fund and employer (and its guarantor, if deemed necessary by the Fund).”</i></p>	<p>The Fund is obliged to accept all club transfers in (and some, rare types of non-club transfers) but it has discretion of most non-club transfers (generally, private sector pensions). The assets received for non-club transfers tend to be less the estimate liabilities, which can materially impact funding levels, and hence one employer in the Fund has requested that we alter our discretion policy to provide some room for restrictions. Following advice from the LGA, we have altered the discretion in such a way that the default is the member still has this benefit but</p>
<p>Decide to whom death grant is paid</p> <p>LGPS Regulations 40(2), 43(2) and 46(2) (Amongst other transitional and historical equivalent ones)</p>	<p><i>“WPF will endeavour to comply with the members wishes by taking into consideration the nominee(s) stated on a completed WPF ‘expression of wish’ form. However, if WPF has a reasonable reason to believe the member would have no longer wished the stated person(s) to be the nominee(s), or because their nomination is no longer valid</i></p>	<p><i>“Wiltshire Pension Fund (WPF) has absolute discretion when deciding to whom any death grant shall be paid upon the member’s death. In exercising this discretion, WPF will endeavour to comply with the member’s wishes by taking into consideration the nominee(s) stated on a completed ‘expression of wish’ form, where one exists. Where WPF reasonably believes any expression of wish to be invalid or inappropriate for any reason, including if it believes the expression of wish may</i></p>	<p>Whilst the general approach is unchanged, there are some technical and logical flaws in the existing wording which we have sought to rectify. Furthermore, it is highly unusual to pay a death grant to the estate directly as this could trigger an inheritance tax-charge so the final position has been amended to become less rigid and to reflect current practice.</p>

	<i>(i.e. they have died), or WPF have reasons to believe that alternative beneficiaries should be taken into consideration then WPF reserves the right to use its absolute discretion when deciding to whom any death grant is to be paid upon the members' death. Where WPF is unable to pay the death grant to a stated nominee, either because none is stated or for the reasons above, WPF will make payment to the person's estate."</i>	<i>not have reflected the member's final wishes, it reserves the right, in accordance with its absolute discretion, to ignore any such wishes as expressed. Where no expression of wish has been made, WPF will consider the claims of anyone appearing to be a relative or dependant of the member and exercise its absolute discretion accordingly, taking into account the contents of the Will (if one exists). In exceptional circumstances, WPF also reserves the right to pay the death grant to the estate via the personal representatives, if it considers this an appropriate form of action</i>	
Decide to treat child as being in continuous education or training despite a break  Regulations Schedule 1	<i>"WPF will treat a child as being in continuous education or training in all cases where the child is under age 18. Where the child is aged between 18 and 23, WPF will ignore all breaks up to 6 months.</i>	<i>"WPF will treat a child as being in continuous education or training in all cases where the child is under age 18. Where the child is aged between 18 and 23, WPF will ignore all breaks up to 6 months and will ignore longer breaks in exceptional circumstances."</i>	We have come across a couple of occasions where the gap in education has been due to reasons such as sickness or care for a relative, rather because the person has permanently left education and has become financial independent. Therefore, we propose this discretion is altered to give officers' greater flexibility.
Whether to require a satisfactory Medical before agreeing to an application to pay an Additional	<i>WPF will require that any member wishing to take up APC/SCAPC where the contributions will be paid monthly, obtains a medical</i>	<i>WPF will require that a medical certificate from a GP, or another appropriate qualified practitioner, is provided to the Fund by any member wishing to take up an APC/SCAPC for</i>	The current discretion has caused some confusion in that it has been applied to cases whereby the member is buying back service for a period of time when they were on unpaid leave (e.g. maternity).



<p>Pension Contribution (APC) or Shared Cost APC</p>	<p><i>certificate from a GP or another appropriate qualified medical practitioner at the cost of the member stating that as far as they are aware, or can reasonably assess, that they have no reason to believe that the member will retire on health grounds before the age of 65 or the members State Pension Age if later."</i></p>	<p><i>extra pension which would buy upon completion at least £500 of annual pension (in one or more APCs). The certificate must state that as far as GP or appropriate qualified practitioner are aware, or can reasonably assess, that there is no reason to believe that the member will retire on ill health grounds before the age of 65 or the member's State Pension Age if later. Any costs obtaining the certificate will be paid for the member.</i></p> <p><i>For the avoidance of doubt, all APCs for "lost pension" do not require a medical certificate"</i></p>	<p>Further it seems disproportionate to ask for a certificate where the amount of pension being purchased is small and hence a £500p/a minimum threshold is proposed.</p>
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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE  
24 SEPTEMBER 2020

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### Administering Authorities Discretions Policy

#### Purpose of the Report

1. To propose the amendment of three of the Fund's regulatory discretions.

#### Background

2. In various parts of the LGPS Regulations, the Fund is afforded discretion over how the rules of Scheme operate, allowing a degree of localised decision making.
3. In line with best practice, the Fund summarises its approach to all of these areas of discretion in an Administering Authority Discretions Policy. This policy was last reviewed and approved by this Committee on 10 December 2015.
4. As with all key policies and strategies, it is good practice to review the contents periodically, normally every 2 to 3 years for documents of this nature.

#### Considerations for the Committee

5. Due to time constraints, officers have not undertaken a full review of all discretions but due to certain issues arising recently, officers propose changing the discretions outlined in paragraph 8 now and undertaking a full review of the other discretions at a later date.
6. The Local Pension Board has not had the opportunity to review these proposals but will be able to review them retrospectively when the full policy is reviewed.
7. Committee is asked to note, that whilst it is common place to summarise all discretions into a single document, the discretions themselves are wide-ranging and are mostly independent of one another which is why a partial review is deemed a reasonable way forward.
8. Officers propose changing in relation to the following discretions are made at this meeting (see the **Appendix** for details of the discretion area, the current and proposed wording and the explanation for the proposed change):
  - a). **Acceptance of certain 'non-club' transfer in** (broadly speaking, private sector, defined contribution pensions)
  - b). **Death grants:** The Fund has discretion over to whom any death grants are paid.
  - c). **Child pensions:** The approach as to whether child pensions are suspended during a break in higher education.
  - d). **Medical certificate requirements for APCs:** The Fund has discretion over whether to ask for a medical certificate when someone takes out an APC.

9. Officers will review the remaining discretions either later in 2020 or in early 2021, depending on other work priorities.

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

10. Not applicable.

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

11. There are no specific financial and risk assessments resulting from this report.

### **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.

### **Reasons for Proposals**

14. To rectify the issues relating to each discretion as outlined in the Appendix.

### **Proposals**

15. The Committee is asked to approve the proposed amendments to the Administering Authority Discretions Policy.

**Andy Cunningham**  
**Head of Pensions, Administration & Relations**

Report Author: Andy Cunningham

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

## WILTSHIRE COUNCIL

### WILTSHIRE PENSION FUND COMMITTEE

24 September 2020

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#### **Fraud risk mitigation prevention and mitigation measures**

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

1. A key component of ensuring the sound administration of the the Fund is to have appropriate anti-fraud and corruption policies in place. The purpose of this report is to explain the current safeguards that are in place and available to officers, the Pension Committee and the Pension Board to identify and manage fraud in the Wiltshire Pension Fund.

##### **Background**

2. Like other local authority LGPS administering authorities, Wiltshire Pension Fund has not implemented its own bespoke anti-fraud policy. Rather it is covered by the overriding Wiltshire Council Anti Fraud and Corruption Policy (as shown on the Council's intranet site).
3. This Strategy defines the Council's approach to managing the risk of fraud and corruption and ensuring best practice is embedded across all Council service areas. It seeks to reinforce a zero tolerance to fraud, encourage prevention through proactive measures to detection fraud and confirms the Council's commitment to using legal and disciplinary measures where necessary.
4. Additionally the Strategy reiterates the framework and controls already in place across the Council and which would apply to the Fund, including:
  - The Council Constitution and Financial Regulations;
  - Standards Committee;
  - Scheme of Delegation;
  - Registers of Interests;
  - Anti money laundering policy;
  - Whistle Blowing policy;
  - IT Security policy;
  - HR policies.
5. While all of the above Council policies and strategies apply to the Fund it also has a number of additional Fund specific safeguards in place to tackle fraud and these are summarised below.

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

##### **Fraud detection and prevention in the Wiltshire Fund**

6. The LGPS Regulations require the Fund to have certain policies in place, while others are adopted on the basis of best practice. While some will have specific anti-fraud elements included within them others will form part of an overarching approach to sound working practices which contribute to fraud detection and prevention. In addition the

Fund undertakes a number of regular tasks which are specifically aimed at identifying and preventing fraud.

7. The key tools used by the Fund to combat fraud and corruption include:

- **Governance Compliance Statement** – required by the LGPS Regulations, setting out amongst other things the extent to which any element of the administering authority functions are delegated to a committee, sub-committee or officer of the Council. Where delegations exist the Statement is also required to set out their terms of reference and operational procedures.
- **Scheme of Delegation** – This sets out the specific delegations that have been passed to the pension committee and officers, including authority to write off pension overpayments where they arise.
- **Breaches of the law policy** – [Pensions Regulator Code of Practice 14](#) sets out the framework for governance and administration of all public service pension schemes, including the duty for administering authorities, amongst others, to have procedures in place to identify, record and where necessary report any breach of the law (e.g. fraudulent behaviour by scheme members, employers, etc.). In order to address this the Fund has adopted a formal breaches of the law policy (as reviewed by the Board on 22 August 2019), setting out the roles and responsibilities of elected members, pension board members and officers where any breach of the law is suspected. Additionally this policy also covers the specific safeguards where whistleblowing may occur, which sits alongside the Council's overarching whistleblowing policy.
- **Follow national guidance related to Fraud/scams** – In particular, the Fund follows the tPR guidance and LGA standard letters and checks with HMRC, FCA as required, in relation to transfers out. The Fund also follows a checklist and trains staff to reduce the risk of the Fund paying a transfer out to a Scheme which is primarily set up to defraud members.
- **Mortality screening/National Fraud Initiative** – The Fund participates in the biennial national fraud initiative exercise run by the National Audit Commission. This involves comparing our deferred and pensioner records with the Department of Work and Pensions database, highlighting and cases that warrant further investigation.

Additionally the Fund undertakes monthly mortality screening exercises against our UK-based pensioner records to compliment the NFI exercise. The Fund uses a tracing agency, Target, who undertake these exercises on the Fund's behalf (along with our regular tracing exercises where we are looking to trace deferred or pensioner members). Approximately triennially (and, soon, annually), the Fund also undertakes a life existence exercise with overseas pensioners.

The Fund also participates in the Tell Us Once (TUO) initiative introduced by the Department of Work and Pensions. TUO allows the next of kin to inform central and local government services of the death of a relative at one time, rather than having to write, telephone or even attend each service individually. From the Fund's perspective it enables it to identify deaths of scheme members more quickly than might have been the case and prevent any payments continuing or being made in error. The Fund accesses TUO on a weekly basis, to identify any scheme member deaths which had not already been notified to it directly via another source.

- **Internal controls** – the Fund, as part of the Council, has a number of internal controls in place covering the roles and responsibilities of the Committee, officers and the wider administration team in carrying out the day-to-day functions of the scheme.
- **Overpayments policy** – during the normal course of events overpayments of pension can occur and in the majority of cases this can be shown to be purely innocent. Cases of fraud can, however, be identified in the course of our investigations. The Fund is developing a formal pension overpayment policy (due to be completed by Autumn 2020), setting out its approach to dealing with the recovery or possible write off of any overpayments identified, either as a consequence of the national fraud initiative or our mortality screening exercises or as a part of normal day-to-day activities.
- **Risk Register** – The Fund has developed a comprehensive risk register covering all aspects of its management and administration, including the potential for fraud to occur. This document is kept under regular review, being updated to reflect new risks that have been identified or reflect any changes that have resulted where fraud has been identified and resolved.
- **Internal and external audit** – the fund is subject to regular internal and external audits. Audits consider the adequacy of areas such as contributions, benefits in payment, investments, core financial systems, risk management, governance arrangements and compliance with the Pensions Regulators code of practice 14. Such exercises are primarily to consider the controls the Fund has in place, provide assurance to the Committee, pension board and officers that they are appropriate and where necessary make recommendations to strengthen them where any weaknesses have been identified.
- **Staff responsibility and whistle blowing:** Responsibility for identifying potential fraud rests with all staff members engaged in the management and administration of the Fund, as well as members of the Pension Committee and Pension Board. Where necessary any escalation will be in accordance with the Council's Anti Fraud and Corruption Policy.

As well as having its own processes in place the Fund will also seek to ensure all providers and third parties it engages with have adequate anti-fraud and corruption policies in place and can evidence this to the Fund.

### **Specific areas of risks and their mitigation**

8. The Fund considers the following areas to be some of the key areas of risk and next to each is a summary of the mitigations in place. The list is not exhaustive, and neither are the mitigations.
9. Risk of misappropriation of Funds by a Council employee (related to pension benefits payments): There are segregation of duties in place whereby members of the Benefits team process cases which result in payments, all (material) payments are checked by a peer and a hirer person (a manager) authorises the payment. The actual payments are made by another team based on authorisation. These processes are supplemented by data reconciliations between systems (which would highlight any 'fathom' members) and process and control checks internally and by internal and external audit.
10. Risk of fraud by a member or a beneficiary: Pension entitlements are mainly based on information provided by a third party (such as the employer or another Fund, for transfers in) which provides another segregation of duties. Where the Fund needs data from the

member, it asks for evidence of other supporting data such as date of birth or the existence of a spouse or civil partner, which will both effect what and when payments are made. Where the employer contact is also the Scheme member, the Fund asks for key instructions (such as retirement forms) to be counter-signed by another employer contact or a committee if the organisation is small.

11. Risk of overpayments to members or a beneficiary: On the death of a member, if the pension is not stopped there is a risk of an overpayment which can not be recovered. The Fund aims to reduce this risk by a mixture of NFI, TUO and mortality screening exercises.
12. Risk of misappropriation of Funds to third parties (e.g. other companies): All key contracts going through steps involving the procurement and legal teams to help ensure that appropriate and secure processes are followed and this risk is reduced. Spend on contract is measured against the budget and more stringent procurement requirements are in place for larger contracts.  
Furthermore, in relation to transfers out, the Fund also takes a number of specific steps to help protect member benefits and reduce the risk of a challenge back to the Fund in the form of a complaint or seeking compensation.
13. Risk of misappropriate of Funds via investment transactions: All instructions set up on State Street (the Fund's global custodian) must be input and then checked and approved by a separate member of the team. Any changes in wire instructions for our investment managers are confirmed with known contacts to ensure changes are valid and correct.

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

14. Not applicable.

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

15. There are no specific financial and risk assessments resulting from this report although the report itself focuses on reducing financial risk.

#### **Legal Implications**

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

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

17. There are no known implications at this time.

#### **Reasons for Proposals**

18. To assist the Committee in its functions by providing it with information about the operation of the Fund and to give the Committee the opportunity to provide any scrutiny to these arrangements.



## **Proposals**

19. The Committee is asked note the contents of this paper.

**Andy Cunningham**  
**Head of Pensions, Administration & Relations**  
**& Jennifer Devine**  
**Head of Pension Fund Investments**

Report Author: Andy Cunningham & Jennifer Devine

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

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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 July 2020 and a 3 year cycle may be viewed as good governance
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 update	✓	✓	✓	✓	✓	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 Statement						4 year plan last approved on 21/06/2018
Review tPR Code of Practice 14 annual internal assessment	✓				✓	Expected to become a single tPR Code of Practice during 2021
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 Commission it own internal audit plan & liaise with the CLT/Audit Committee concerning the scope of SWAP 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 March 2020
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 & WPF's arrangements as a shareholder
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				✓		0

<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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