

AGENDA

Meeting: Local Pension Board
Place: [Access the online meeting here](#)
Date: Thursday 21 May 2020
Time: 10.30 am

Please direct any enquiries on this Agenda to Craig Player, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 713191 or email craig.player@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Membership:

Cllr Richard Britton
Ian Jones
Rod Lauder
Mark Spilsbury

Mike Pankiewicz
Barry Reed
Paul Smith

Recording and Broadcasting Information

Wiltshire Council may record this meeting for live and/or subsequent broadcast on the Council's website at <http://www.wiltshire.public-i.tv>. At the start of the meeting, the Chairman will confirm if all or part of the meeting is being recorded. The images and sound recordings may also be used for training purposes within the Council.

By submitting a written statement or question for an online meeting you are consenting that this may be presented during the meeting and will be available on the public record.

The meeting may also be recorded by the press or members of the public.

Any person or organisation choosing to film, record or broadcast any meeting of the Council, its Cabinet or committees is responsible for any claims or other liability resulting from them so doing and by choosing to film, record or broadcast proceedings

they accept that they are required to indemnify the Council, its members and officers in relation to any such claims or liabilities.

Details of the Council's Guidance on the Recording and Webcasting of Meetings is available on request. Our privacy policy can be found [here](#).

Items to be considered

PART 1

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

1 **Membership**

To note any changes to the membership of the Board.

2 **Apologies**

To receive any apologies for absence.

3 **Minutes and action-tracking** *(Pages 9 - 24)*

To confirm as a true and correct record the minutes of the previous meeting held on 13 February 2020.

The Board's action log is also attached for members' information.

4 **Declarations of Interest**

To receive any declarations of disclosable interest.

Board Members' Registers of Interest are available [here](#), members are reminded to review their RoI on a regular basis and report any changes to Democratic Services.

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **Public Participation and Councillor Questions**

During the ongoing Covid-19 situation the Council is operating revised procedures for public participation. Members of the public can view the meeting online and statements and questions will be taken in written form.

[Access the online meeting here](#)

[Public Guidance on how to access an online meeting](#)

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 18 May 2020.

Those 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

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

Questions

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm Thursday 14 May 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 Monday 18 May 2020. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

7 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee** *(Pages 25 - 38)*

To consider the Part 1 (public) minutes of the Wiltshire Pension Fund Committee and Investment Sub Committee held on 26 March 2020 and 27 February 2020.

8 **Scheme, Legal, Regulatory and Fund update** *(Pages 39 - 44)*

To receive a report providing an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

9 **Training Plan** *(Pages 45 - 60)*

To receive an overview of the role of the S151 Officer and the Monitoring Officer.

10 **Communications Strategy and Digital Programme Update** *(Pages 61 - 64)*

To receive an update on the Fund's progress against its

Communications Strategy.

11 **Fund Annual Report and Accounts & Audit Update**

To receive a verbal update from the Head of Pension Fund Investments and the Fund Governance and Performance Manager on the Fund Annual Report and its accounts and audits.

12 **Draft Investment Strategy Statement (ISS)** *(Pages 65 - 66)*

To receive a paper outlining the process followed to produce the draft Investment Strategy Statement (ISS). Officers aim to make the actual ISS available before the meeting.

13 **New Employer Policy** *(Pages 67 - 80)*

To consider the contents of a new policy document which aims to outline the Fund's approach to new employers admissions.

14 **Local Pension Board Annual Report 2019-20** *(Pages 81 - 112)*

To consider the contents of the Local Pension Board Annual Report 2019-20.

15 **Risk Register Update** *(Pages 113 - 126)*

To receive a report presenting the Risk Register for the Wiltshire Pension Fund for review by the Board.

16 **Administration Quarterly Key Performance Indicators** *(Pages 127 - 140)*

To receive a report presenting the Fund's administration Key Performance Indicators for review by the Board.

17 **Supplementary (Low Volume) Key Performance Indicators** *(Pages 141 - 146)*

To receive a report summarising other, low volume Key Performance Indicators for the Board's consideration.

18 **tPR Code of Practice 14 Self-Assessment for 2019-20** *(Pages 147 - 150)*

To receive the officers' annual self-assessment against Code of Practice 14.

19 **Valuation Process Review** *(Pages 151 - 204)*

To receive a report outlining a review of the triennial valuation process.

20 **How did the Board do?**

The Chairman will lead a discussion on how the meeting went and request feedback on how the Board could be developed, and for members to feedback any relevant updates.

21 **Urgent items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

22 **Date of next meeting and Forward Plan** *(Pages 205 - 208)*

The next meeting of the Board will be held on 6 August 2020 and other future dates can be found [here](#).

The Board's Forward Work Plan is attached for members' consideration.

23 **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 24-25 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.

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.

24 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee** *(Pages 209 - 228)*

To consider the Part 2 (private) minutes of the meetings of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 26 March 2020 and 27 February 2020.

25 **Minutes** *(Pages 229 - 240)*

To confirm as a true and correct record the Part 2 minutes of the meeting held on 13 February 2020.

Local Pension Board

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

Present:

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

Also Present:

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

1 Membership

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

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

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

2 Election of Vice-Chair

Resolved

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

3 Apologies

Apologies were received from Barry Reed and Ian Jones.

4 Minutes and action-tracking

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

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

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

Resolved

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

5 Declarations of Interest

There were no declarations of interest.

6 Chairman's Announcements

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

7 Public Participation and Councillors Questions

There were no members of the public present.

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

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

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

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

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

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

Resolved

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

9 Scheme, legal, regulatory and Fund update

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

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

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

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

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

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

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

Resolved

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

10 Training Plan Review

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

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

Resolved

To note the Training Plan Review update.

11 Business Plan

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

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

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

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

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

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

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

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

Resolved

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

12 **Board Budget Setting**

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

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

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

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

Resolved

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

13 **Risk Register Update**

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

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

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

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

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

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

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

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

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

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

Resolved

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

14 **Quarterly Update on Key Performance Indicators**

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

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

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

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

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

Resolved

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

15 **Data Retention Strategy Update**

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

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

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

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

Resolved

To endorse the recommendation made by officers concerning data retention.

16 Member Effectiveness Review

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

Resolved

To note the progress of the member effectiveness review.

17 MiFID II Compliance Strategy

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

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

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

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

Resolved

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

18 External Audit Report

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

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

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

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

Resolved

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

19 Forward Work Plan Review

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

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

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

Resolved

To note the update.

20 **How did the Board do?**

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

21 **Urgent items**

There were no urgent items.

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

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

The forward work plan was noted.

23 **Exclusion of the Public**

There were no members of the public present.

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

Resolved

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

25 **Minutes**

Resolved

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

26 **Close**

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

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

(Duration of meeting: 10.00 am - 12.45 pm)

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

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

Wiltshire Pension Fund Board - Actions Log		
Minute reference	Section	Meeting Action
41 (12/07/18) (Was 12.15)	Investment (ISS)	To note the Investment Strategy Statement agreed for final publication. To recommend, upon next review of the Investment Strategy Statement by Committee, that: a) reference is made to ESG policy and that ESG policy is reviewed in light of a forthcoming government consultation paper on final salary pension schemes in respect of ESG b) an annex be included to illustrate the Fund's compliance with Regulation 7.
59 (11/10/18) (Was 13.3)	Governance (Fund Delegations and Controls)	To request the development of a formal record of Brunel, Committee and officer delegations in respect of; a) clarifying where different responsibilities should sit; b) the flow of communications between the various parties; and c) the level of decision making assigned to each party
35 (23/05/19)	Administration (Data Reconciliation)	A sub-plan had been prepared in respect of the Payroll & Pension database reconciliation. An update on the reconciliation would be provided in six months
54 (22/08/19)	Governance (Internal Audit Report)	The Board noted the the action plan suggested by officers addressing the areas of non-compliance within the timeframes indicated. Officers would sample test responses received from managers during further self-assessments
76 (14/11/19)	Investment	For officers to produce metrics to compare the carbon footprint of the funds with the Environmental Agency
83 (14/11/19)	Administration (Communications Strategy)	To track the take up of the digital communications so that adequate monitoring can take place and communication continued with those not using digital platforms
83 (14/11/19)	Administration (Communications Strategy)	Information on digitalisation should be made available on all platforms to avoid issues and meet compliance
83 (14/11/19)	Administration (Communications Strategy)	To note in the annual report that monitoring of digitalisation communications was taking place.
8 (13/02/20)	Governance (MiFID II Compliance)	The Board recommended that substitute Committee members ensure that they are MiFID II compliant should they need to stand in for a member
9 (13/02/20)	Administration (McCloud)	Officers to contact the SAB to ask for guidance on how to keep members updated on the McCloud case implications
9 (13/02/20)	Administration (Website)	Officers to feedback on employer's reception to the new employer website at the next Board meeting

12 (13/02/20)	Governance (LPB Budget)	To propose that the Local Pension Board monitor their budget on a quarterly basis. The Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Wiltshire Pension Fund Committee
12 (13/02/20)	Governance (LPB Budget)	Officers to approach Wiltshire Council's Insurance team to enquire about cover provided by alternative providers for LPB insurance
17 (13/02/20)	Governance (MiFID II Compliance Strategy)	To raise the Fund's MiFID II arrangements with BPP for their acceptance
18 (13/02/20)	Governance (Audit Report)	Officers to liaise with Wiltshire Council's IT dept, & Heywood's concerning the essential oversight arrangements that the Fund should develop

Task owner	Target date for completion	Date completed
JD	30/06/2020 (Was October 2019)	
AC	01/11/2019 (ASAP)	
AC	14/11/19	
RB	21/05/20	Item 19
JD	13/02/20	
AC	15/10/20	
AC	15/10/20	
RB	21/05/20	Item 11
JD	03/12/20	
AC	21/05/20	Item 9
AC	21/05/20	Item 11

RV	16/07/20	
RB	21/05/20	Deferred to Q4
JD	27/02/20	
RB	15/10/20	

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 26 MARCH 2020 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Simon Jacobs (Chairman) and Cllr Gordon King

Also Present:

Andy Brown, Libby Johnstone, Frank Caine, Jennifer Devine, Andy Cunningham, Roz Vernon, Richard Bullen, Mark Spilsbury, Stuart Dark, Anthony Fletcher; Barry Dodds and Cllr Tony Deane

115 **Membership**

There were no impending changes to the membership of the Wiltshire Pension Fund Committee.

The Committee noted that Mark Spilsbury would take over from Howard Pearce as Independent Chair of the Local Pension Board on 01 April 2020.

116 **Apologies for Absence**

Apologies were received from Chris Moore, Cllr Christopher Newbury, Cllr Brian Ford, Howard Pearce and Barry Reed.

117 **Minutes**

Resolved

To confirm as a true and correct record the Part 1 minutes of the previous meeting held on 17 December 2019.

118 **Review of Actions Log**

Resolved

To note the key points from the action log.

119 **Declarations of Interest**

There were no declarations of interests.

120 **Chairman's Announcements**

The Committee agreed that Item 16 (Budget 2020/21) would be brought forward and discussed after Item 10 (Business Continuity), and that Item 26 (Final Valuation Report) be brought forward and discussed after Item 16.

121 **Public Participation**

There were no statements or questions from the public.

122 **Minutes and Key Decisions of the Local Pension Board**

Resolved

To note the Part 1 minutes of the Local Pension Board.

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

Resolved

To approve the Part 1 minutes of the Investment Sub Committee.

124 **Business Continuity**

Libby Johnstone, Democratic Governance Manager, presented a report on the Fund's response to the current situation regarding COVID-19 and proposals to ensure its continued operation.

It was noted that under the Local Government Act 1972, local authorities must hold meetings to make decisions and that, at present, the Council's Constitution makes insufficient delegation for decision-making in the event a meeting of the Wiltshire Pension Fund being unable to take place.

It was also noted that, should the proposal be adopted, feedback would be sought from Committee members where possible in advance of a decision being taken by the Director of Finance and Procurement. The Local Pension Board would also continue to have a role in reviewing the governance of the Fund during this period and would need to be assured that the delegation above was only being used where absolutely necessary.

Resolved

To agree to the proposed delegation.

125 **Budget 2020/21**

The Head of Pensions Administration & Relations and Head of Pension Fund Investments presented a report proposing the Fund's budget for 2020/2021 for approval by the Committee. This included the forecast spend for 2019-2020 and approval of the Local Pension Board budget for 2020/2021.

It was noted that the budget for the Fund's expenditure would now be shown in three sections, to bring consistency with SF3 reporting and industry practice. There would now be a third category called Governance and Oversight in addition to the existing Scheme Administration and Investment and Accounting Administration categories. Due to the change in budget presentation, officers had also realigned previous years' figures accordingly.

The Fund's "controllable" budget proposed for 2020/21 was a six per cent increase from 2019/20. The reasons for this included additional staffing allocation, an increased total scheme membership and potential administration complications such as the McCloud case and GMP rectification. There was also some additional proposed spend on consultancy work, as agreed at the latest Investment Sub-Committee. It was also noted that the Fund's budget did not make any allowance for additional spending in response to the COVID-19 situation. While there may be additional spend, there have been no material complications as of yet.

The Fund's Investment and Accounting Administration budget proposed a small increase to fund an increase in staff working hours. The largest proportion of the budget was investment managers fees which were largely dependent on the value of assets being managed, and the investment return performance which depends on market conditions. This also included annual fees for the Brunel Partnership. This part of the budget was presented as indicative spend for information.

Resolved

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

126 Final Valuation Report

The Head of Pensions Administration & Relations and Barry Dodds, Actuary at Hymans-Robertson, presented a report summarising the completion of the 2019 Actuarial Valuation exercise for the Wiltshire Pension Fund.

It was noted that employers had been written to regarding their contribution rates. They were provided with details of their results and to request that each employer confirm their agreement to the contribution rates to be paid over the next three years. Officers had agreed alternative employer rates with 13 employers, which was in line with expectations and all revised rates were within the parameters agreed by the Committee. Most decreases that had been requested were modest in size. For those that did not respond, the rates put into payment from 01 April 2020 would be those that have been proposed by

the Actuary. If an employer were to miss its contribution payment, it would be considered a breach and be either recorded or reported in accordance with the regulator's guidance on such matters.

In response to a question from the Committee, it was noted that only a small percentage of employers are funded privately. For all employers that had joined in the last ten years, the Fund had insisted that should a private sector organisation be admitted the previous employer (usually Wiltshire Council or Swindon Borough Council) must be its guarantor.

In response to a question from the Committee, it was noted that only a small percentage of employers are funded privately. For all employers that had joined in the last ten years, the Fund had insisted that should a private sector become involved, Wiltshire Council or Swindon Borough Council must be its guarantor.

In response to concerns raised by the Chairman, it was noted that contribution rate decisions are taken on a case by case basis and repayment plans are implemented if needed. The Fund, in consultation with the Actuary, planned to circulate a survey in the coming days to understand the position of employers in the current economic climate. This would allow the Fund to identify the employers most at risk to the financial implications of COVID-19, whilst being conscious of the fact that some employers would have a guarantor.

Resolved

- 1. To note the Valuation update provided, including the appendices and to note the valuation report will be published.**
- 2. To note that officers & actuary will be providing valuation information to the SAB, MHCLG & GAD.**
- 3. To note the risks as outlined in the report.**

127 **Training Plan Review**

Resolved

To note the officer training plan update for 2020-21.

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

Resolved

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

129 **Key Performance Indicators (KPIs)**

Resolved

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

130 **Data Improvement Plan Update**

Resolved

To note the progress against the Data Improvement Strategy and Plan.

131 **Business Plan**

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

It was noted that officers had agreed in 2019 to set actions for one year at a time only, despite the plan running from 2019 until 2022. This approach was partly in recognition of the difficulty in setting specific actions for a period of up to three years and in response to feedback that the development of key events may not be reflected in triennial action setting. Moreover, the approach is to focus only on actions which are improvements, developments and changes - business as usual actions would not be covered even though they make up the vast majority of work in the section.

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

The Committee noted that the 2020/21 plan was ambitious in its objectives. The Head of Pensions Administration & Relations pointed out that some actions are aspirational, and that the Appendix indicates the service priority and resourcing requirement of each action. That said, some actions with a lower service priority may be less resources intensive and could still be completed instead of some higher service priority actions.

Resolved

- 1. To note the Fund's progress against the actions from 2019/20**
- 2. To approve the proposed actions from 2020/21.**
- 3. To receive an updated report on the progress of the Business Plan at the next meeting.**

132 **Pension Fund Risk Register**

The Head of Pensions Administration & Relations introduced an updated Pension Fund risk register, including an explanation of the Fund's business continuity arrangements.

It was noted that during the last quarter three new risks were identified, as detailed in the report. One such risk was related to COVID-19, which could cause significant issues to the Fund. The Committee was assured that officers were well equipped to work from home and cover any staff absences that may result. The Fund's key service providers were largely office-based, and officers had been assured that their business would continue as normal. Recent investment performance had been poor due to increased market volatility, with wider than usual spreads making trading challenging. Investment managers were seeing strong negative returns, and in many cases, money was being moved into cash to adopt a more defensive position. Officers were in close contact with Hymans-Robertson to understand the funding level and develop an appropriate response.

Resolved

- 1. To note the attached Risk Register and note the changes/actions made by officers in points 7 to 10 to the Committee**
- 2. To note the officers' approach to the Fund's key person risk.**

133 **Member Effectiveness Review**

Resolved

To note the progress of the member effectiveness review.

134 **External Audit Report**

Resolved

To note the update.

135 **Revised Cessation Statement**

The Head of Pensions Administration & Relations introduced a report on the updated employer cessation policy.

It was noted that following recent regulatory changes which came into force in March 2020, the Fund now had some discretion over whether to make a complete, partial or nil payment out of any cessation surpluses to employers ceasing participation in the Fund, after consideration of their circumstances had been completed. The main area of change within the policy was to Section 8 which sets out the approach the Fund would normally take to the discretion given to it. In the interest of transparency, officers had sought to set outline its approach to decision-making in this regard.

The application of the policy generally aimed to reduce the risk that the Fund enters into in a dispute with an employer over how to settle its exit position. However, in general, the legislation increases the risk of challenge to the Fund's decision because it introduces a discretion which did not previously exist and typically different parties will have different views on what they see as the correct outcome. As such, there was a need to be robust in setting this policy to allow the Fund to push back on any challenge.

It was noted that the policy had been produced in consultation with Hymans-Robertson and that it would go out to consultation with the Fund's employers in due course.

Resolved

To approve this policy subject to a consultation with employers being undertaken in April 2020 and no material issues being raised.

136 **Treasury Management Strategy**

Resolved

To approve the attached Treasury Management Strategy.

137 **Look Forward Plan Review**

The Governance and Performance Manager gave a verbal update on the look forward work plan for 2020/21.

It was noted that officers had reformatted the Committee's work plan for 2020/21 to align with it the new budget planning structure, be consistent with the business plan for 2020/21 & create a comments column to provide additional background notes for members.

Resolved

To note the draft plan.

138 **Date of Next Meeting**

The next meeting of the Wiltshire Pension Fund Committee will be held on Thursday 16 July 2020.

139 **Urgent Items**

There were no urgent items.

140 **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 141-147 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

141 Brunel Pension Partnership Update and Business Plan

The Head of Pension Fund Investments introduced a report updating members on the Brunel budget and business plan.

142 Investment Quarterly Progress Report

The Head of Pension Fund Investments introduced a report on the Fund's quarterly investment progress.

143 Minutes and Key Decisions of the Investment Sub Committee

The Head of Pension Fund Investments introduced the minutes and key decisions of the Investment Sub Committee held on 27 January 2020.

Resolved

To approve the minutes and key decisions of the Investment Sub-Committee held on 27 January 2020.

144 Minutes and Key Decisions of the Brunel Oversight Board

Resolved

To note the finalised and draft minutes of the most recent meeting of the Brunel Oversight Board.

145 Brunel Infrastructure Update

The Head of Pension Fund Investments gave an update on on Brunel's infrastructure portfolio.

146 Minutes

Resolved

To confirm as a true and correct record the Part 2 minutes of the meeting held on 17 December 2019.

147 Areas of Outstanding Business

Any areas of outstanding business were discussed.

(Duration of meeting: 10.30 am - 12.15 pm)

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

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

This page is intentionally left blank

Investment Sub-Committee

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

Present:

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

Also Present:

Cllr George Jeans and Cllr Philip Whitehead

1 Membership

There were no changes to the membership.

2 Apologies

There were no apologies.

3 Minutes

Resolved

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

4 Declarations of Interest

There were no declarations of interest.

5 Chairman's Announcements

There were no Chairman's announcements.

6 Public Participation and Councillors Questions

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

7 Date of next meeting

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

8 **Urgent items**

There were no urgent items.

9 **Exclusion of the public**

Resolved

It was agreed that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 10 – 16 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

10 **Investment Quarterly Progress Report**

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

Resolved

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

11 **Investment Manager Database**

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

12 **Responsible Investment Quarterly Update**

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

Resolved

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

13 **Accounting Update**

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

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

14 **Minutes**

Resolved

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

15 **Partners Group Presentation**

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

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

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

16 **Brunel Presentation**

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

(Duration of meeting: 10.30 am - 2.40 pm)

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

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

This page is intentionally left blank

Scheme, legal, regulatory and Fund update

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

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>The consultation closed on 31 July 2019 and officers responded accordingly.</p> <p>The Government has now responded to section 4 of this consultation and has passed amendments to the LGPS Regulations which applied from 20 March 2020 but with retrospective effect to 14 May 2018. As such, officers have amended the Fund's cessation policy which was approved by Committee on 26 March 2020 subject to consultation with employers. The consultation period with employers closed with no comments of note (just clarification questions) and hence the new cessation policy is now in place.</p>	
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	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	https://www.frc.org.uk/investors/uk-stewardship-code	No change since the last meeting	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on 24th October 2019 which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>Officers will now review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC, but 31 March 2021.</p>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	No change since the last meeting	<p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.</p>	None
	Cost cap mechanism & McCloud case	Summary by Osborne Clarke (our external legal advisers)	Minor update	<p>The latest position on McCloud from the SAB and ministers can be found below. Progress is still at an earlier stage and timeframes and shape of the final remedy are both unclear:</p> <p>SAB Q&A Treasury statement</p> <p>Barnett Waddingham recently produced this briefing note which is the most comprehensive and most useful analysis officers have seen so far (despite the uncertainty): McCloud briefing note</p>	PEN042
	Tier 3 employers review	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	No change since the last meeting	<p>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.</p> <p>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.</p>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
	Good Governance Project (formerly known as the Separation Project)	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	Updated	<p>Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations.</p> <p>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.</p>	None
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	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	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p>	None
Wiltshire Pension Fund	Miscellaneous Updates	None	Updated	<p>a). COVID-19 update: Despite a number of early adjustments being made, it is 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> – We have been receiving weekly funding level updates from the actuary due to the volatility in markets seen in March. The whole-fund funding level dropped as low as 86% (from 99% shortly before) although it has been more stable since then and has partially recovered to around 90%.</p> <p>ii). <u>Employer risk</u>: There is a risk of employers failing to pay contributions or provide data as a result of the situation. The</p>	See COVID-19

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>Fund contacted employers and some employers said they may have some issues but on the whole the picture seemed fine.</p> <p>There has been no increase in late payments so far and the Fund already has guarantees in place for most higher risk employers. Data returns are not obviously affected so far. Officers are keeping both areas under review.</p> <p>iii). <u>Service provider risk</u>: We also contacted all major service providers and all confirmed they were able to remain operational largely as normal; officers have also not seen any change in service availability which has shown good resistance to this issue.</p> <p>b). <u>Terms of reference</u>: The proposed Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee were amended and re-submitted to the Constitutional Focus Group in early January for a second time. However, due to a number of miscellaneous changes being requested, a further draft has been completed and will be returned to the Focus Group for a third time. The ToR will then progress to the Standards Committee and Full Council for approval later in 2020.</p> <p>For context, the Local Pension Board ToR have only had relatively minor changes while the Committee ToR have been updated to bring them up to a similar level of detail to the LPB.</p> <p>c). <u>i-connect</u>: The Fund now has around 45 employers out of approximately 190 onboarded on to i-Connect. This now includes Wiltshire Council (our largest employer) and this covers over 30% of the membership.</p> <p>As a result of the significant impact of i-Connect, we are now making some adjustments to part of the admin team structure to fit our resourcing to our processes.</p>	

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>d). Pensioner payroll reconciliation: With additional resource now available again, officers have focused again on this area but unfortunately a number of software issues have made this more difficult. Including needing to access an office-based compute to retrieve some of the historical data needed.</p> <p>e). End to end process reviews: Officers have now gone live with revised starters, leaver, end of year and aggregation processes which should all help with efficiency and controls although all processes need further enhancements to all. The main project manager has now returned to work which should mean increased capacity and resource to be able to continue going through these reviews. The focus in future will be on refunds, retirements and transfers.</p>	



WILTSHIRE PENSION FUND

Roles & responsibilities of the s151 Officer & Monitoring Officer

Contents

- Wiltshire Council officers & the legislation appointing them
- Key facts relating to a s151 Officer
- Key facts relating to a Monitoring Officer
- Core responsibilities of a s151 Officer (CIPFA Principles 1 – 5)
- Core responsibilities of a Monitoring Officer
- Fund specific responsibilities of a s151 Officer's CIPFA principles
 - 1) Key member of the CLT
 - 2) Influence material business decisions
 - 3) Promotion & delivery (good financial management)
 - 4) Lead & direct
 - 5) Qualified & experienced
- Key areas of potential conflict of interest
- Delegations to the s151 Officer & Fund's leadership
- Questions

Officers & the legislation appointing them

Their duties & responsibilities of each role are also set out in the primary legislation

Officers

- Director of Finance & Procurement (s151 Officer) – Andy Brown
- Head of Corporate Finance (Deputy s151 Officer) – Lizzie Watkin

Capacity

- Core member of the Corporate Leadership Team

Key legislation

- Appointed under the Local Government Finance Act 1972
- Local Government Act 2000

Officers

- Director Legal, Electoral & Registration (Monitoring Officer) – Ian Gibbons
- Head of Legal Services (Deputy Monitoring Officer) – Frank Cain

Capacity

- Core member of the Corporate Leadership Team

Key legislation

- Appointed under Section 5 & 5A of the Local Government Housing Act 1989
- Local Government Act 2000 (Schedule 5 amendment)

Key facts relating to a s151 Officer

The Fund:

- The operational freedoms of the s151 to administer the Fund must be reflected in the Council's constitution
- Determines the role of the chair, the Fund's leadership, its delegations & reserve powers

➤ General:

- Alternative titles for this role include Chief Financial Officer, Treasurer & Responsible Financial Officer
- The role cannot be delegated, but activities & functions can be devolved to Finance Managers
- The CFO oversees the Council's governance framework & ensures the execution of their core responsibilities
- Reports directly to the Permanent Secretary & has a seat on the department board
- Must act in the public interest, even if it maybe perceived to not be in the Council's interests
- Sets out the roles of the other members of the CLT & ensure that are financial capable to carry out their roles
- Has a statutory duty to report any unlawful expenditure or unbalanced budget to the District Auditor (past, present or future)

Key facts relating to a Monitoring Officer

The Fund:

- To provide guidance concerning changes to the constitution in connection with the operation of the Fund
- To provide guidance where the discharge of the Fund's function has not complied with the law, a code of conduct or guidance, or where proportionate decision making may not have occurred, which could bring the Council into disrepute

General:

- This statutory duty is a personal duty. The Monitoring Officer cannot delegate it to someone else unless they are ill or away, or otherwise unable to act, in which case the Deputy Monitoring Officer, will take over;
- Has the specific duty to ensure that the Council, its officers & elected Councillors, maintain the highest standards of conduct in all they do
- Has a **duty** to write a report if he/she considers any proposal, decision, or omission made by the Council, or on behalf of Council, is illegal or would be illegal & submit it to the Council & Local Govt. Ombudsman
- Establish and maintaining a register of Members' interests, gifts & hospitalities;
- Maintain a register of officer interests
- Conduct investigations in accordance with the Council's whistleblowing procedures

Core Responsibilities of a s151 Officer

CIPFA's 5 principles defining the core activities & behaviours of a CFO (s151 Officer)

The CFO in a public service organisation:

- Key member of the leadership team, helping to develop & implement strategy & to resource & deliver the organisation's strategic objectives sustainably in the public interest;
- Must be actively involved in & able to bring influence to bear on all material business decisions to ensure immediate & long term implications, opportunities & risks are fully considered & aligned with the organisation's financial strategy;
- Must lead the promotion & delivery by the whole organisation of good financial management so that public money is safeguarded at all times & used appropriately;

To deliver these responsibilities the CFO:

- Must lead & direct a finance function that is resourced to be fit for purpose; &
- Must be professionally qualified & suitably experienced.

Core Responsibilities of a Monitoring Officer

The 3 responsibilities defining the core activities of a Monitoring Officer

- To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration, or breach of a statutory code;
- To be responsible for matters relating to the conduct of Councillors and Officers⁽¹⁾; &
- To be responsible for the operation of the Constitution & standing orders⁽²⁾.

Additional comment to the core responsibilities:

- (1) The scope covers a Councillor's & Officer's service to the public, ensuring a mitigation of any reputational risk to the Council, but exclude pension specific complaints. Complaints will be assessed, managed & redirected as appropriate; &
- (2) Including its monitoring and review to ensure that the Authority's aims and principles set out in the constitution are given full effect & where matters of interpretation are required concerning the constitution's rules & procedures, taking responsibility for determination of those interpretations.

Principle 1 – Key member of the CLT

Fund specific responsibilities of leadership, strategy & resourcing

- Create the Pension Fund Committee under s101 of the Local Government Act 1972
- Sets the strategic direction of the Fund & the implementation of its delivery
- Manages risk via a risk register & focuses on outcomes via a business plan, agreeing the Fund values & objectives & reporting on them regularly
- Ensures decisions are actioned & an audit strategy is in place
- Promotes Council change programmes giving consideration to the impact to the Fund
- Implements annual budgeting, a medium term financial strategy & monitors delivery

Principle 2 – Influence material business decisions

Fund specific responsibilities ensuring implications, opportunities & risks are fully considered

- Develop a funding strategy with Scheme Actuary & other key stakeholders
- Have access to meetings & papers & ensure members consult with s151 officer regularly
- Ensure good quality meeting packs to enable good decision making
- Provide financial information publicly, in particular the Fund's Annual Report & Accounts & other disclosures such as Scheme members Annual Benefits Statements
- Establish an assurance & scrutiny framework through internal audits, LPB, scrutiny groups such as the Standards Committee, external auditors the Pensions Regulator.
- Ensure that the Audit Committee receives all the necessary information

Principle 3 – Promotion & delivery

Fund specific responsibilities relating to good financial management & safeguarding

- Implement a shared service arrangement including best value service procurement of advisers & a cost management framework
- Ensure clear roles & responsibilities & adequate levels of knowledge & understanding
- Embed the Fund's arrangements for financial, internal controls & risk management practices in a Governance Compliance Statement
- Safeguard the Fund's money & protect its assets from degradation, fraud or loss through the implementation of policies & procedure preventing fraud & corruption
- Embed financial competence into job descriptions, appraisal reviews & training strategies for members & officers
- Maintain an effective Local Pension Board, internal audit strategy including & information flow to the Council's Audit Committee & define financial accountability & reporting
- To establish & maintain a complete & clear documentation framework

Principle 4 – Lead & direct

Fund specific responsibilities ensuring function is fit for purpose

- By determining required resource levels & that those resources meet expectations of stakeholders
- By determining the role of the chair, the Fund's leadership, delegations & reserve powers
- By ensuring key roles are being properly discharged
- By acting as an arbiter in matters of professional standards
- By developing key relationships to manage financial risks & liabilities
- By contributing technical guidance & in turn interpreting the requirements of the Fund in a complex & high regulated field
- By ensuring governance through the appointment of advisers
- By facilitating meaningful financial analysis of performance, asset management, investment appraisal risk management & control of the Fund's investments, including monitoring of performance
- By ensuring compliance with the Treasury Management code in relation to cash management & banking, treasury management, cash flows with appropriate segregation of duties

Principle 5 – Qualified & experienced

Fund specific responsibilities include the demonstration of

- Be a member of an Accounting body recognised by the International Federation of Accountants (IFAC)
- Be able to communicate complex financial arrangements in a clear & credible way
- Be able to intervene, guide, challenge & influence financial discussions in an objective & impartial way, including the evaluation & analysis of expert advice on which judgement can be applied
- Have an appreciation of pension scheme funding & investment strategy & be able to plan effectively for pension costs.
- Be effective at managing and resolving conflicts of interests concerning him/herself & others
- Understand public sector pension scheme finance & its regulatory environment in order to support the fund's leadership effectively
- Be IT literate, adhere to continued professional development & foster ethical standards

Key areas of potential conflict of Interest

s151 Officer

- **Budget setting** – Corporate budget setting by ensuring a fair consultation process of charges made upon the Fund
- **Shared services** – Shared service appointments & procurement through the implementation of SLAs to ensure that the Council services the Fund pays for are provided by those the services
- **Treasury Management** – That the Fund’s treasury management function provided by the Council is transparent, reported on & provides key Fund officers the opportunity to contribute to strategic treasury reviews to ensure that the Fund’s objectives are represented
- **Governance** – In relation to the primacy of legislation to ensure that fair consideration is given to pension law, regulations & the Fund when applying the terms of such acts as the Local Government Housing Act 1989
- **Business continuity** – That disaster recovery arrangements actively consider the operational function of the Fund

Monitoring Officer

- **Maintaining an interest of distinction** – That where a non Pension Dept. Council service undertakes an E&O, or uninsured act impacting on the Pension Fund, that the Council recognises that distinction between the Fund & the shared service, as it would do with an external service provider.

Delegations - s151 Officer & Fund leadership

Register of Sub-Schemes & delegations

- To maintain a register of sub-schemes & delegations in relation to the role of the s151 Officer, divided in Functions, Consultees, Limitations & Job Title or Name of Officer

Fund specific Functions

- The s151 Officer undertakes the role of the Treasurer to the Fund. Where there are matters of conflict involving the s151 Officer that matter will be raised with the Committee or Council Deputy to represent that body & to minimise the risk of conflict

In this instance delegations can be made to the Deputy s151 officer, Head of Pension Administration and Relations or the Head of Pension Fund Investments, as appropriate

- Approval of Procurement and suppliers for the service, including referral of cases to legal advisors

In this instance delegations can be made to the Head of Pension Administration and Relations, the Head of Pension Fund Investments, or the Pension Committee, subject to levels of approval

Any Questions

Thank you

Name: Richard Bullen

Telephone: 01225 771 667

Email: Richard.bullen@Wiltshire.gov.uk

Website: www.wiltshirepensionfund.org.uk

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
21 May 2020

PENSION FUND – DIGITAL COMMUNICATIONS APPROACH

Purpose of the Report

1. To update the Board on the Fund's progress on the implementation of its Communication Strategy and its digital communication approach for its employers and both members that can and cannot access the internet. The report also includes how the Fund will monitor and measure the effectiveness of its digital communication methods to its employers and members.

Background

2. Following the new Communications Strategy roll out at the end of 2019, the Communications Manager has since sought ways to identify the appropriate tools and applications to communicate with its employers and members. Both broad categories require different communication methods, as do the sub-categories within each.
3. As part of the approval process for rolling out the Communications Strategy, the Board recommended that progress was monitored against the strategy and data was obtained to measure take up rates.

Considerations for the Board

Applications:

4. In April 2020, the Fund purchased a license for a communication application called Mail Chimp. Mail Chimp is purchased at a package rate based on the number of contacts and audiences. The Fund has three main target audiences: Internal team, employers and members. The employer audience has been split into segments based on roles: Human Resources, payroll, payroll managers, finance and the pension liaison officer. This approach also allows the Communications Manager to monitor contract numbers and click rates.
5. Officers regularly check employer contacts are up to date, and where employers are not engaging with key contacts, the Employer Relationship Manager is advised accordingly.
6. Member's contact details will also be updated on a monthly basis after being extracted from the Fund's member online secure portal (My Wiltshire Pension)

Employer website:

7. At the end of 2019 the Fund launched a new website for its employers. The purpose of the website is to bring all employer information such as employer newsletters, member communications and training opportunities into one place. Since then, the Fund has developed the website to hold training videos and surveys. Furthermore, the Fund can measure and analyse the results of page views via the website statistic tool to identify engagement levels. Information stored on the website from surveys will be removed annually from the website and will be reviewed to confirm if the information needs to be stored in the Fund's online secure files. As well as monitoring posts on an ad-hoc basis, the Fund will monitor page activity on a quarterly basis.

Member website and online portal (My Wiltshire Pension):

8. The member website is currently hosted by an outside provider (as commissioned in 2017). Unfortunately, this restricts the amount of changes the Fund can make to the website and there is no way of reviewing and measuring website activity. As per the business plan, the Fund plans to build a website in house, similar to that of the employer website, to gain the same types of advantages as available on that site. This will enable us to monitor website activity and create feedback surveys.
9. In the long term, surveys will be created on the new member website once created. The Fund is still searching for the appropriate platform to create feedback surveys in the short-term.
10. The Fund is now publishing written communications to each member's individual online secure portal and members are successfully viewing their documents online. The Fund has also launched a facility within the online secure portal to enable members to upload and complete documents and forms. This was only launched recently so the impact of this latest development is unknown. For members that cannot access the internet, written communications will continue to be sent via post where members opt in to receive paper communications.
11. The Fund continues to use Docmail as a remote printing facility. Members can also continue to return forms/documents via post and in person.

Conclusions

12. The Fund has successfully implemented a digital communication approach to its employers and has received good feedback so far from them. However, the Fund now needs to continue to implement a digital communication approach to its members. The Fund plans to complete this within the next 12 months as per the business plan.
13. All digital platforms and communication tools can only be accessed via the appropriate officers to ensure the Fund remains compliant with Data Protection legislation.
14. In terms of further developments, the Fund wishes to further expand the digital access to its services and expand the range of data available from this to monitor the effectiveness of its communications and to then make data-driven decisions on future developments.

Environmental Impact

15. There is no environmental impact relating directly to this report although the digital strategy is thought to have a positive environmental impact.

Financial Considerations

16. There are no financial considerations. The Fund continues to save both money and paper by continuing to make communications online.

Risk Assessment

17. There are no specific risks related to this update.

Legal Implications

18. There are no immediate legal implications relating to this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

19. There are no implications at this time.

Proposals

20. The Board is asked to note this update.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Samantha Wooster – (Interim) Fund Communications Manager

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
21 May 2020

INVESTMENT STRATEGY STATEMENT

Purpose of the Report

1. This report explains the process in place to update the 2018 Investment Strategy Statement (ISS) for consideration and approval. It is an update to the 2018 version.

Background

2. The ISS is in the process of being significantly updated from the 2018 version. This project is being done with advice from Mercer, the Fund's investment adviser, in order to ensure compliance with the requirements, as set out in the Government guidance on preparing and maintaining an Investment Strategy Statement, first published in September 2016 and updated in July 2017.
3. The formulation, publication and maintenance of an Administering Authority's Investment Strategy Statement is required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
4. Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years. The ISS was last reviewed in July 2018, and the current review is therefore compliant with this requirement.
5. The new version incorporates the following major changes:
 - Includes the new Strategic Asset Allocation;
 - Reflects the new arrangements in place following the removal of the flight path trigger process;
 - Includes comprehensive information on the Fund's position regarding responsible investment and specifically on climate change;
 - Includes updates following the completion of the 2019 actuarial valuation.

Main Consideration for the Local Pension Board

6. The draft ISS will be circulated by email prior to the meeting for members information.
7. The 2018 version has been updated for the changes detailed above.
8. The draft will be taken to the Investment Sub-Committee on 2 July 2020, and Full Committee on 25 July 2020 for review and approval.
9. The Local Pension Board are asked to consider the process that has been followed, and to confirm that this is in line with best practice and expectations.

Financial Considerations

10. The Financial considerations are considered within the draft ISS.

Risk Assessment

11. The risk associated with a change to the Strategic Asset Allocation is assessed, as part of the operational process and reported to the Investment sub-committee.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposals

13. To keep the Investment Strategy Statement up to date.

Environmental Impact of the Proposals

14. Environmental considerations are dealt with within the draft ISS.

Proposal

15. The Board is asked to approve the process regarding updating and obtaining approval for the ISS.

JENNIFER DEVINE
Head of Pension Fund Investments

Report Author: Jennifer Devine, Head of Pension Fund Investments

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

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

21 May 2020

New Employer Policy

Purpose of the Report

1. The purpose of this report is to present to a new Employer Policy for consideration by the Board prior to officers seeking approval from the Committee.

Background

2. To date, the Fund's previous approach to new employer admissions was outlined in a mixture of text on its website, in some historical committee papers, the Funding Strategy Statement and through precedent.
3. In the interests of greater transparency and consistency and in response to the changing employer environment, officers propose formalising and clarifying its approach to a range of new employer matters into a single policy.

Considerations for the Board

4. The policy itself splits employers into the three main categories of:
 - a). Scheduled Bodies;
 - b). Resolution/Designating bodies; and
 - c). Admission bodies.
5. It covers matters such the regulatory and eligibility position, additional Fund requirements on admission, the Fund's approach to guarantees, securities and covenants as well as funding approaches such as whether to set up employers as standalone or pooled and whether to use a 100% funding level or share of deficit approach.
6. There are no major changes in Fund approach outlined in this policy, instead this policy mainly represents a formalisation of existing practice.
7. This policy has been produced in consultation with the actuary, Hymans-Robertson LLP as the policy contains certain actions the actuary would be required to undertake.

Environmental Impact of the Proposal

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

Financial Considerations & Risk Assessment

9. There are no material financial or risk considerations relating to the implementation of this policy.

Legal Implications

10. There is no legal requirement to produce a new employer policy, but the application of a policy aims to reduce the risk of legal disputes.

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Reasons for Proposal

12. To provide greater transparency and consistency to new employer admissions.

Proposal

13. The Board is asked consider the contents of this policy and to make any recommendations it has to officers or the Committee.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

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

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

Wiltshire Pension Fund – New employer policy

1. Introduction

This policy sets out the Wiltshire Pension Fund's (the Fund) approach for accepting new employers into the Fund. It covers both employer eligibility as well as the Fund's approach to the financial set up of the new employer (such as the starting funding level). It applies independently from any risk-sharing agreed bilaterally between an existing Scheme Employer and a new employer although the Fund will take these into account when setting up a new employer, if made aware of such arrangements.

It has been prepared by the Administering Authority, with input from the Fund's Actuary, Hymans Robertson LLP. This policy relates to the admission of all new employers from the effective date of this policy.

The main purpose of this policy is to provide transparency and to help the Fund ensure its approach to admitting new employers is consistent, compliant with legislation and it aims to minimise the risk of a new employer bringing inappropriate levels of risk to other employers in the Fund.

2. Terminology

The following terms all have the same meaning as defined in the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), as amended from time to time: scheme employer, administering authority, active member & deferred member.

3. Regulatory Framework

The Local Government Pension Scheme ("LGPS") Regulations 2013 ("the 2013 regulations) outline the general framework for employees and employers participating in the Local Government Pension Scheme in England and Wales, in particular, the following sections.

Schedule 2, part 1: A list of bodies commonly referred to as "Scheduled Bodies" (Includes Wiltshire Council, Swindon Borough Council, all academies, further education colleges, Wiltshire Police and Wiltshire and Dorset Fire Authority)

Schedule 2, part 2: A list of "Resolution Bodies" or "Designating Bodies" (Includes all Town and Parish Councils)

Schedule 2, part 3: "Admitted Bodies" which the Fund splits further into "Community Admission Bodies", as defined in part 3, 1(a), "Transferee Admission Bodies", as defined in part 3 1(d)(i), & "Other Admitted Bodies" as defined in part 3, 1(b), 1(c) and 1(e). Note: the terms defined here no longer form part of the LGPS Regulations, but the Fund finds it helpful to still make these distinctions.

Schedule 2, part 4: Outlines the minimum requirements of admission agreements.

Schedule 3 part 2: Outlines the appropriate administering authority for different types of members.

For the remainder of this policy, the terms defined in this section will be used to refer to the different employer types outlined above.

4. Policy Review

This policy will be reviewed at least every three years following a triennial valuation or following changes to the 2013 Regulations pertaining to employers joining the Fund. It is subject to scrutiny by the Local Pension Board and will be approved by the Wiltshire Pension Fund Committee.

The approaches outlined in this policy are not exhaustive and individual circumstances will be taken into consideration where appropriate to decide if it is appropriate to differ from the details outlined in this policy. Any queries relating to this policy should be directed to Andy Cunningham, Head of Pensions Administration and Relations in the first instance at Andy.Cunningham@wiltshire.gov.uk or 01225 718296.

5. Employer eligibility and funding approach

Employer eligibility requirements are detailed below for each employer type. Further requirements concerning guarantees, securities and bonds are outlined in section 6 and an overall summary of key points is available in Appendix 1.

5.1 Overview of approaches to funding

The Fund operates a unitisation system to help manage employer-level asset allocations. At a highly simplified level, income related to a specific employer is treated as buying units and outgoing payments are treated as selling units within each employer sub-fund. The unit price is set and varies based on the performance of the Fund's investments (where all assets are pooled together) within the relevant Fund investment strategy.

The Fund's policy is to seek to set up employers as standalone employers within the Fund with their own pot of units where possible, so each employer is broadly responsible for paying for its own member and investment experience, with the exception of the following two scenarios:

a). Town and Parish Council pool: Historically, the Fund decided to pool together all Town and Parish Councils in appreciation that these are normally similar style bodies, mostly with a small number of staff and they can join and leave the Fund when they wish. In recent years, the Fund has noticed developments in this area in relation to large staff movements and outsourcing of services and hence prompted the Fund to take an updated approach for some Town and Parish Councils meaning some will be pooled and others won't; this is explained further in section 5.3.

b). Employers with risk-sharing arrangements in place: Some admission bodies agree to share responsibility for the pension costs with the source employer (normally a Scheduled Body); if such an arrangement means any surplus and deficit would be the responsibility of the source employer, the Fund will treat employers as being pooled for funding purposes rather than standalone, if this arrangement is known to the Fund.

Note: Whilst not technically a pooling arrangement, the Fund's policy is to treat each Multi-Academy Trusts (MAT) which participates in the Fund as a single employer and not to recognise the underlying academies in a MAT as employers in their own right but rather as part of a larger employer.

A summary of funding positions, split by employer type is outlined in the appendix as well as in sections 5.2 to 5.4.

5.2 Scheduled Bodies

a). Regulatory and eligibility position

Scheduled Bodies are referred to in Schedule 2, Part 1 of the 2013 Regulations. Under the 2013 Regulations, Scheduled bodies automatically become a Scheme Employer within the geographically relevant Fund, upon meeting one of the definitions in the Schedule 2 for all eligible staff (as defined by the Regulations). This regulatory approach creates a two-way requirement where the Fund is required to accept the employer as a participating employer and the employer is required to join the Fund.

While the geographical requirement states that a Scheduled Body must join a Fund based on its geographical location (see LGPS Regulations Schedule 3, part 2) subject to approval from the Secretary of State (SoS) it is possible for participating employer to apply to join or move to a different LGPS Fund. This option can be particularly useful where an employer participates in more than one Fund and wishes to consolidate membership into a single Fund. Ultimately it is for the scheme employer to make an application to the SoS, but the Fund will support any requests to the SoS to make such a change where the Fund believes it would not place the Fund or any of its participating scheme employers at risk.

Examples of employers which are covered by this category are County, Borough and unitary Councils, Police, Fire, further education bodies and academies.

b). Funding approach

Academies: New academies or Multi-academy Trusts (MATs) normally start participating in the Fund following a TUPE transfer of staff from another employer (e.g. the Local Council or another MAT or academy). This means that the Fund's actuary will calculate how many assets to credit the new employer with as part of a one-off asset transfer from the ceding employer. New academy convertors are credited with an initial asset amount equal to their starting liabilities on an ongoing basis multiplied by the ceding employer's estimated funding level, on an ongoing funding basis, at the point of conversion. If an existing MAT merges with another, the assets and liabilities will be combined and then tracked together. If part of a MAT merges with another academy or MAT, or demerges, a suitable approach will be agreed with the parties involved to transfer the assets. Demergers are also discussed in the Fund's cessation policy.

The Fund will treat each MAT within the Fund as a standalone employer with its own contribution rate. It will not pool MATs together nor will it split out the MAT into separate sub-employers. Further details are outlined in the Fund's Funding Strategy Statement.

Other Scheduled Bodies: Other types of Scheduled Bodies rarely join the Fund; where they do join, they are likely to be the result of a change in legislation and/or government reorganisation. In such

cases, the Fund's default position would be to set the body up as 100% funded on an ongoing basis and the for the new employer to be standalone employer in the Fund. However, by exception, if there are convincing reasons why the new employer should be set up differently then the Fund will consider those reasons before making a final decision on its approach.

5.3 Resolution or designating Bodies:

a). Regulatory and eligibility position

Under LGPS Regulation 2(1B)(a), Resolution or Designating bodies must pass a resolution allowing some or all employment positions for those employees to be eligible and for the employer to join the LGPS. These bodies can change their decision at a later date by passing another resolution. If a Resolution body does pass such a resolution, the Fund must accept it as an employer. Normally, the resolution will relate to staff employed directly by the Town or Parish Council but there are also occasions whereby the staff have been TUPE transferred from another employer (for example, a Local Authority) to the Resolution Body.

Current examples of employers within the Wiltshire Pension Fund which meet this criterion are Town and Parish Council although some other categories of organisations are also eligible as per the definitions outlined in the LGPS Regulations.

b). Funding approach

New Town or Parish Councils will normally join the existing Town and Parish Council pool and begin participating with no assets or liabilities of their own as their membership is triggered by assigning one or more employee roles as being pensionable. However, upon joining the pool, the new employer immediately becomes responsible for a proportionate amount of the overall pool's deficit or surplus and its overall contribution rate will be determined by consideration of the wider pool's funding position and membership details. The main advantage of this type of pooling arrangement is that it reduces the risk of volatility in the pooled funding level and contribution rate for those in the pool.

By exception, and at the discretion of the Head of Pensions Administration and Relations, in consultation with the Fund actuary and the employer involved, a larger Town or Parish Council (normally with 5 or more active members) *may* become a new standalone body within the Fund whereby it will only have responsibility for its own assets and liabilities. New Resolution Bodies which are neither a Town or Parish Council will normally be set up as a standalone body although their individual circumstances will be taken into account.

Furthermore, if a new resolution body is formed in conjunction with a movement of new staff under TUPE from another employer in the Fund, then normally the Fund would move an equal amount of assets to the liabilities transferring (as determined by the actuary) and would consider whether the new body should participate as a standalone employer or where it should be linked (e.g. pooled) with the originating body.

Generally speaking, the Fund wishes to reduce risk to the wider pool by individual participants actions such as outsourcing staff and services, resulting in an admitted body potentially being linked to the pool.

Fund officers will take into account the new employer's current and forecast financial position, type of body/business model and any security offered to the Fund before making a decision on whether a

resolution body should form part of the existing pool, join as a standalone employer or whether an alternative funding arrangement should be put in place.

5.4 Admitted Bodies

5.4.1. Introduction

The Fund classifies admitted Bodies arrangements into the following three categories:

Community Admission Bodies (CAB): A body with a “*community of interest*” to employers in the Fund which applies to participate in the Scheme, either an existing body or one which has been created from an existing employer. These bodies have no automatic right of entry, and it is at the Fund’s discretion whether to admit them.

Transferee Admission Bodies (TAB): A body which applies to join the scheme following an outsourcing of a service from an existing employer (normally a local authority or academy) to an outside organisation such as a charity or private sector organisation (often following a tender exercise). In such cases the LGPS is one of the means by which the ceding scheme employer can ensure appropriate pension protection for the transferred employees (for academies outsourcing it is essentially the only option). It is still at the Fund’s discretion whether to admit such a body. The Fund is willing, however, to admit such a body subject to the body agreeing to meet all the requirements of the Regulations (including those relating to bonds, securities and guarantees) throughout its period of participation and for the ceding employer agreeing to honour its ongoing responsibility in respect of the transferred employees at the point the admission agreement ceases.

Other Admission Bodies (OAB): A body to which the Scheme Employer either contributes or represents the interests of a Scheme Employer. These bodies have no automatic right of entry, and it is at the Fund’s discretion whether to admit them.

5.4.2 Community Admission Body

a) Regulatory and eligibility position

CABs are eligible to join the Fund subject to all parties agreeing to sign the Fund’s standard admission agreement and any stipulations from the Fund concerning securities and bonds, as outlined in section 6. The Fund’s standard policy is only to accept such bodies into the Fund if another Scheme Employer acts as guarantor unless exceptional circumstances apply.

Approval for new CABs to join the Fund is delegated to the Head of Pensions Administration and Relations and such agreement to admit such a body will be subject to the body meeting the requirements of this policy and any other reasonable requirements that the Head of Pension Administration and Relations deems reasonably necessary.

Subject to appropriate securities being in place, the Fund will accept the CAB’s admission to operate on either a ‘open’ or ‘closed’ basis in respect of the admission of new staff post- transfer although the Fund would normally seek for the body to participate on a ‘closed’ basis.

b) Funding position

The Fund's default approach is for a community admitted body to start 100% funded in the Fund on an ongoing basis by crediting the body with an equal amount of assets and liabilities (which will be zero if no staff have transferred). It will also join as a standalone employer within the Fund (i.e. no pooling arrangements will apply) unless a suitable arrangement is reached with an existing Scheme Employer.

5.4.3 Transferee Admission Body

a). Regulatory and eligibility position

TABs are also eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations concerning guarantees, securities and bonds (see section 6). In the scenario whereby an admission agreement has not been agreed by the transfer date of staff, the LGPS Regulations allow for the admission agreement to be signed with retrospective effect. However, clearly this is undesirable and hence the Fund's preference and objective is for all admission agreements to be signed prior to the transfer date.

Subject to the ceding employer's agreement, the Fund will accept the admission agreement operating on either an 'open' or 'closed' basis in respect of the admission of new staff post-transfer.

If a TAB enters into more than one contractual arrangement with one or more Scheme Employers, the Fund must enter into separate admission agreements with the TAB, each of which will be considered independently and may have differing provisions in place.

b). Funding position

The Fund's default approach is for a transferee admitted body to start 100% funded in the Fund on an ongoing basis by crediting the body with an equal amount of assets and liabilities. TABs will also normally join as a standalone employer within the Fund (i.e. no pooling arrangements will apply) unless there is a risk-sharing arrangement in place which means that as there is already a *de facto* pooling arrangement in place and the Fund will recognise this accordingly, if made aware. However, the Fund, in conjunction with the Fund's actuary, is willing to consider other starting funding positions and the impact of any ongoing risk-sharing agreements subject to the agreement of all parties involved and provision of appropriate guarantees and securities in place.

For all TABs, a condition of admission is that the Scheme Employer recognises and accepts its responsibilities under the Regulations (i.e. that the Scheme Employer acts as ultimate guarantor).

5.4.4 Other Admitted Bodies

a). Regulatory and eligibility position

OABs are also eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations concerning guarantees, securities and bonds (see section 6). In the scenario where an admission agreement has not been agreed before the transfer date of staff (if applicable), the LGPS Regulations allow for the admission agreement to be signed with retrospective effect. However, clearly this is undesirable and hence the Fund's preference and objective is for all admission agreements to be signed prior to the transfer date.

Normally the Fund would expect the new admission agreement to be ‘closed to new entrants’ but it will accept an ‘open’ arrangement if appropriate securities are in place.

b). Funding position

The default position is the admitted body to start 100% funded (albeit this is only relevant if there is a transfer of staff from a Scheme Employer).

6. Covenant and Security arrangements

The admission of new employers creates a number of risks to the Fund, in particular there is a financial risk that the new employer fails to make the required payments to the Fund including payment of any cessation deficit. The LGPS Regulations stipulate minimum requirements that the Fund must meet; these and some additional Fund requirements are summarised in the table below.

New Employer Type\Security requirement	Scheme Employer Guarantee required	Bond required	Parent Company Guarantee required
Scheduled Body	No	No	No
Resolution/Designating Body	No	No	No
Transferee Admission Body	Yes	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe; subject to risk assessment by Fund and Scheme Employer
Community Admission Body	Yes*	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe, as an alternative to a bond.
Other Admission Body	Yes*	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe, as an alternative to a bond.

*Note: This is a Fund-level approach, rather than regulatory approach, as it goes beyond the requirements of the LGPS Regulations. It is present to protect the interests of other employers in the Fund which have no connection to the new employer’s admission.

7. Other matters

7.1 Set up costs: The Fund’s approach to new employer costs are covered by its charging policy, as amended from time to time. Most costs relate to legal and actuarial support, as required. The Fund’s approach is to pass on these costs to either the new or ceding employer depending on the circumstances.

7.2 Onboarding arrangements and employer support: When a new employer joins the Fund, an officer from the Fund will send a welcome email and follow up with a phone call to help manage the transition to the new arrangement.

7.3 Employer responsibilities: Employer responsibilities are broadly laid out in legislation, and its admission agreement if relevant, while its specific administration responsibilities are outlined in the Fund's administration strategy as found on the Fund's employer website.

7.4 Memorandum of understanding (MOU): To help meet data protection requirements, the Fund looks to enter into a MOU with all new employers to clarify the Fund and employer's roles as joint Data Controllers and responsibilities entailed.

7.5 Authorised contacts: As part of an employer's role within the Fund, the Fund will ask employers to identify its authorised contacts (i.e. those employers which can make decisions on that employer's behalf). Further information can be found on the employer website.

7.6 Investment strategy: At the time of inception of this policy, the Fund has two investment strategies in place. The main fund investment strategy (which has longer term objectives, and higher risk) and an alternative investment strategy (with shorter term objectives and is lower risk). The Fund will consider which strategy is appropriate for all employers, including new employers.

8. Related policies and strategies

The Fund also publishes and maintains the following policies and strategies which interlink with this policy.

- Administration Strategy
- Cessation Policy
- Charging Policy
- Funding Strategy Statement

Appendix: Summary of admission policies by employer

Note: The funding position and pooling/non-pooling arrangements set out below are the Fund's default position. However, where a risk-sharing agreement has been entered between the participating employer and the ceding employer, the details may vary.

Employer Type	Fund requirement to accept employer	Employer requirement to join Fund	Funding position (Ongoing basis)	Standalone or Pool	Standard approach to contribution rate setting	Covenant/Security Arrangements
Scheduled Body: Non-academy	Compulsory	Compulsory	100%, ongoing basis	Standalone	Based on a 75%* likelihood of being fully-funded over a 20 year period.	None required
Scheduled Body: Academy	Compulsory	Compulsory	Share of deficit based on ceding Council's position OR The existing assets if formed from another academy. (as relevant)	Standalone	Based 75%* likelihood of being fully-funded over a 14 year period	None required
Resolution Body/Designating Body	Compulsory	Optional	100%, ongoing basis (although some bodies are pooled)	Smaller T&P Councils (within 5 or fewer active members) = Resolution Bodies Pool Larger T&P Councils (with 5 or more active members) =	Part of the pool: The pool's common contribution rate is adopted. Non-part of the pool: Based on a 75%* likelihood of being fully fund over a 20 year time frame.	None required

				Either pool or stand alone. None T&P Councils = Standalone		
All admitted bodies	Optional	Optional	100% ongoing basis, unless agreed otherwise as part of admission agreement	Standalone unless the Fund is aware of a relevant type of risk-sharing arrangement being in place.	Part of a pool for deficit/surplus: 75%* likelihood of primary contribution rate being sufficient to remain fully funded over the timeframe used for the source employer (usually 14/20 years) Standalone: The expected average future working lifetime or contract length of the employer (whichever is shorter)	See section 6.

*Or an alternative percentage and timeframe stated with the Funding Strategy Statement where different, as revised from time to time.

Other areas of consideration:

a). Ill health insurance: By default, all new employers (except those pooled with employers which do not participate) will be covered by the Fund’s ill-health insurance unless they choose to opt out.

b). Transfer of staff between existing employers:

i). Individual members: In cases where an individual member transfers between two existing employers, the value of assets to be transferred is calculated using a “Cash-Equivalent Transfer Value” using factors determined by the Government Actuaries Department.

ii). Group transfers (2 or more members): Normally, assets will be transferred based on the current funding level although the Fund will take into account the views of the employers involved. Such calculations will be carried out by the Fund Actuary.

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
21 May 2020

Draft Local Pension Board Annual Report

Purpose of the Report

1. The purpose of this report is to present the draft Local Pension Board's (LPB) Annual Report.

Background

2. As part of its terms of reference the LPB is required to publish an annual report on the work of the Board which will be referenced in the Fund's own annual report. This covers the Board's activities over the past 12 months and look forward to the proposed work plans for the forthcoming year.

Key Considerations for the Board

3. Attached is the proposed draft 2020 LPB Annual Report for consideration by Members of the Board. The report is based on the structure agreed by the Board. The report will be published as a standalone report on the Wiltshire Pension Fund website.

Financial Considerations & Risk Assessment

4. The cost of the annual report is included with the LPB budget within the Fund's administration budget.
5. The annual report is an integral part of the LPB's role in ensuring the Fund is securing compliance with the Regulations and therefore forms another tool in mitigating the risks outlined on the Fund's Risk register.

Legal Implications and Environmental Impact of the Proposal

6. There are no material legal or environmental impacts of these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

7. There are no known implications currently.

Reasons for Proposals

8. The draft LPB annual report is an important document in the governance of the Fund and the formal reporting of the activities of the Board. Therefore, its important Board Members approve the agreed document. The Report will also be used by the Wiltshire Pension Fund Committee to ensure that they have considered and taken forward all the recommendations made by the Board concerning the management of the Fund.

Proposals

9. The Board is asked to approve the attached draft LPB Annual Report subject to any further amendments suggested and agreed at the meeting.

Andy Cunningham

Head of Pensions Administration & Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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



WILTSHIRE
PENSION FUND

Local Pension Board Annual Report

21 May 2020

Wiltshire Council
Where everybody matters

Contents

Chairman’s introduction	2
Legal basis of LPB and annual reporting	2
LPB members register and declarations of interests	5
LPB approved training plan and members training logs	6
LPB Year 3 Work plan and outcomes	9
Outcomes and LPB recommendations made to the Administering Authority (Pension Committee)	10
LPB Actions log	21
Review of LPB compliance with the Pension Regulator’s Code of Practice No.14	22
Summary of LPB communications outlining links to the website	24
LPB operational costs for 2018-19 & Budget for 2019-20	26
Assurance of the LPB Annual Report	27
LPB forward look to 2019-20 and proposed work plans	28

Chairman's introduction

Welcome to the Annual Report of the Local Pension Board (LPB) of Wiltshire Pension Fund (WPF). This report covers the period from 1st April 2019 to 31st March 2020 during which the LPB held 4 meetings.

The focus of the LPB has been on ensuring the LPB and WPF governance complies with Public Service Pensions Act, the panoply of LGPS regulations that apply, LGPS best practice guidance issued by the national LGPS Advisory Board or CIPFA, plus the requirements of the Pensions Regulator (TPR).

I am pleased to say that with the support of the officers and advisors to the Wiltshire Pension Fund Committee, the LPB has made good progress in fulfilling its terms of reference in its fifth year, and the LPB is able to provide assurance that the WPF is complying with its statutory duties.

The LPB is pleased that Wiltshire Council as the Administering Authority continues to support the training and development of the Wiltshire Pension Fund staffing structure which will help future proof it from the increasing workload required by law to manage the WPF and provide the correct benefits to its members.

During 2019 the LPB undertook a review of the compliance with TPR Code of Practice 14. The LPB welcomes the actions being implemented by the fund to ensure the LPB and WPF fully complies with the Code.

The LPB also made a number of recommendations in respect of various improvements to the governance and administration of the WPF and is pleased that the vast majority were accepted and have either been completed or are in the process of being completed. These include clarifications and improvements to the Pensions Committee terms of reference, the WPF risk register, WPF members data protection, WPF key administration performance indicators, and WPF member communications.

The LPB has monitored the on-going process and risks and opportunities surrounding the pooling of the fund's asset with the Brunel Pensions Partnership (BPP), and has welcomed the progress being made to date, and actions underway to ensure BPP delivers value for money for WPF.

The LPB reviewed the WPF website and the services it delivers and stressed the need for it to be regularly updated and be kept as user friendly as possible for WPF members and employers to increase its usage and efficacy which will become increasingly important in the future.

As this is my last Annual Report could I thank my fellow Board members for their support and commitment to their roles on the LPB and I commend this report to you.

Howard Pearce

Independent Chair

Legal basis of LPB and annual reporting

The Local Government Pension Scheme Regulations 2013 (“the Regulations”) establish Wiltshire Council as the administering authority for the Wiltshire Pension Fund, with responsibility for managing and maintaining the Fund. The Regulations further require that Wiltshire Council in its capacity as administering authority, and in accordance with the Public Service Pensions Act 2013, establish a Local Pension Board for the purposes of assisting it;

- to secure compliance with the LGPS Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

The functions of the Local Pension Board do not sit neatly within the typical arrangements that apply to local authority committees, including those that apply to the Wiltshire Pension Fund’s Pension Committee. Importantly, the Local Pension Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. The local pension board as has no decision-making authority.

The creation of a Local Pension Board does not change the core role of the administering authority or the way it delegates its pension functions. Instead the local pension board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund. The role of the Local Pension Board is sometimes likened to that of a “critical friend”.

The Regulations require that the Local Pension Board must be constituted of at least 4 members, two of whom must represent the membership of the fund and two of who must represent the fund’s employers. Employer and Scheme member representatives are required to have the capacity to represent their respective constituencies. While it is permissible for the local pension board to contain “independent” members i.e. those who are neither member nor employer representatives, such members are not permitted to vote. Details of how the Chair and members of the Local Pensions Board were and are appointed can be found in the terms of reference <http://www.wiltshirepensionfund.org.uk/media/3560/terms-of-reference-local-pension-board.pdf>

The Wiltshire Pension Fund Local Pension Board is comprised of;

- 3 scheme member representatives, and
- 3 employer representatives, and
- 1 non-voting Independent Chair

The Regulations do permit an administering authority to combine its Local Pension Board with the pension committee to which it has delegated some or all of its decision-making responsibilities in respect of the maintenance of the fund. Such a combined committee and board may only be created with the express permission of the Secretary of State for the Ministry of Housing, Communities and Local Government.

Wiltshire Council has chosen not to operate a combined local pension board and pension committee.

In addition to making Local Pension Boards a mandatory part of the LGPS governance structure the Public Service Pensions Act 2013 also brought about a new role for The Pensions Regulator. The

Regulator now has the role of overseeing good governance within all Public Service Schemes, which includes the LGPS. The Regulator can issue enforcement notices where it believes that LGPS Funds are not complying with certain pension legislation, including, in respect of Local Pension Boards, matters such as representation and ensuring that conflicts of interest do not exist on Boards.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 does require an administering authority to publish information about its pension board. The administering authority is required to publish a governance compliance statement which, in addition to information on the governance of the Fund, should include details of the terms, structure and operational procedures relating to its Local Pension Board.

The Board is accountable solely to the Administering Authority for the effective operation of its functions and reports to the Pension Committee at least annually and more often if deemed necessary. The subject of the Board's reports shall include;

- a) a summary of the work undertaken since the last report
- b) the work plan for last year and the programme for the next 12 months
- c) areas raised to the Board to be investigated since the last report and how they were dealt with
- d) any risks or other areas of potential concern it wishes to raise
- e) details of training received since the last report and planned
- f) details of all expenses and costs incurred over the past 12 months and projected for the next year
- g) details of any conflicts of interest identified since the last report and how they were dealt with

The Governance Compliance Statement of the Wiltshire Pension Fund can be found http://www.wiltshirepensionfund.org.uk/media/4115/governance_compliance_statement.pdf

LPB members register and declarations of interests

Local Pension Board as at 31 March 2020

Role	Member	Date of Appointment	Date left Office	Number of meetings attended in 2019/20 (maximum 4)
Independent Chairman	Howard Pearce	12/05/2015	31/03/2020	4
	Mark Spilsbury*	01/04/2020	-	1
Employer Member Representatives	Sarah Holbrook	23/02/2016	22/02/2020	1
	Cllr. Richard Britton	16/05/2017	-	4
	Ian Jones*	26/11/2019	-	2
	Paul Smith*	25/02/2020	-	1
Scheme Member Representative	David Bowater	14/07/2015	13/07/2019	0
	Mike Pankiewicz	14/07/2015	-	4
	Barry Reed	14/07/2015	-	2
	Rod Lauder*	14/07/2015	-	2

*Attendance includes being present as an observer

Biographies of the Local Pension Board Members

Independent Chairman:

Howard Pearce, former Head of Pension Fund Management, Environment Agency.

Mark Spilsbury, former Head of the Gloucestershire Local Government Pension Fund & also Chair of the Cornwall Pension Fund.

Employer Member Representatives:

Sarah Holbrook, Finance Operations Manager, Office of the Police and Crime Commissioner

Richard Britton, Wiltshire Councillor

Paul Smith, Head of Finance and Deputy S151 officer - Swindon Borough Council

Ian Jones, Chief Operating Officer - The White Horse Federation

Scheme Member Representative:

David Bowater, Wiltshire Council employee, active member

Barry Reed, Unison representative, retired member

Mike Pankiewicz, Unison representative, retired member

Rod Lauder, Wiltshire Council employee, active member

Full biographies for all Board Members can be found here

<http://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/local-pension-board/>

The register of interests for members of the Local Pension Board can be found here

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

LPB approved training plan and members training logs

The Public Service Pensions Act 2013¹ requires that members of local pension boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme

Local Pension Board members must also have knowledge and understanding of;

- the law relating to pensions, and
- such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board.

The Wiltshire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Degree of Knowledge and Understanding

Members of the local pension board are expected to be conversant with the rules of the LGPS and the policies of the Fund. "Being conversant with" implies a working knowledge of what is relevant to the subject under discussion. A Board member should have an understanding of what is relevant to their role and be able to identify and challenge a failure to comply with;

- the LGPS Regulations;
- other legislation relating to the governance and administration of the scheme;
- requirements imposed by the Pensions Regulator; and
- any failure to meet the standards and expectations set out in any relevant code of practice issued by the Pensions Regulator

Areas of Knowledge and Understanding

The areas in which Local Pension Board Members would be expected to be conversant include, but are not limited to –

- Scheme approved policies (e.g. managing conflicts of interest, reporting breaches of the law or record keeping)
- Risk assessment and management
- Scheme booklets and other members' communications
- The role of Local Pension Board Members and the scheme manager (Wiltshire Pension Fund)
- Policies in relation to the exercise of discretions

¹ The Public Service Pensions Act 2013 made amendments to the Pensions Act 2004 (see s248A)

- Communications with scheme members and employers
- Key policy documents on administration, funding, and investment (e.g. the administration strategy, Funding Strategy Statement or Investment Strategy Statement)

Achieving the required level of knowledge and skills

The Board members approved training programme covering the period 2018 to 2021 has been fully implemented and is designed to develop the necessary level of knowledge and skills for members. The strategy integrates with the Pension Fund Committee members training programme & aims to offer the widest opportunity for development. During 2019/20 the key elements of the programme were;

- To provide induction training for all new Board members. During 2019 five members of the Board were either appointed or reappointed. New appointees were required to attend a 3-day LGPS Pensions Fundamentals Course presented by the Local Government Association, receive a copy of the Member's handbook and attend an Officer led Induction training session. This suite of basic training on all the key areas of the LGPS will provide a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work
- In addition, new Board members will complete the Pension Regulator's on-line toolkit designed to provide a sound understanding of the roles and responsibilities of public service pension board members.
- To use the results of the annual self-assessment to develop the training programme for 2020-21.
- To continue to receive regular training as part of Local Pension Board meetings and to supplement knowledge by attendance at relevant seminars and conferences.

The Local Pension Board's training plan can be viewed here [Wiltshire Local Pension Board Training Plan](#)

This year the Local Pension Board has received the following training sessions:

Date of meeting	Topics Covered	HP	SH	RB	IJ	PS	DB	MP	BR	RL
23/05/2019	CIPFA guidance changes to the Annual Report & Accounts	✓		✓				✓	✓	
22/08/2019	tPR Breach Reporting	✓		✓	✓			✓	✓	

The following were joint training sessions with the Pension Committee:

Date of meeting	Topics Covered	HP	SH	RB	IJ	PS	DB	MP	BR	RL
18/07/2019	CIPFA guidance changes to the Annual Report & Accounts	✓		✓				✓	✓	
23/09/2019	Responsible Investment training			✓					✓	✓
17/10/2019	Strategic Asset Allocation - Private Debt & Insurance Linked Strategies							✓	✓	✓
25/10/2019	Valuation refresher training	✓						✓		✓
28/11/2019	MiFID II compliance							✓		
28/11/2019	Manager performance presentation from CBRE							✓		
28/11/2019	Manager performance presentation from Investec							✓		
23/01/2020	Induction Training					✓				✓

The following was additional training opportunities undertaken by Board Members:

Date of meeting	Topics Covered	HP	SH	RB	IJ	PS	DB	MP	BR	RL
15/05/2019	PLSA Conference								✓	
06/06/2019	Responsible Investment EU	✓								
06/11/2019	LGA 2nd Pension Fundamentals training									✓
13/11/2019	Brunel Investor Day	✓								✓
12/12/2019	LGA 3rd Pension Fundamentals training									✓
21/02/2020	CIPFA Seminar									✓

Key:

HP – Howard Pearce, Independent Chair

SH – Sarah Holbrook, Employer Representative

RB – Richard Britton, Employer Representative

IJ – Ian Jones, Employer Representative

PS – Paul Smith, Employer Representative

MP – Mike Pankiewicz, Retired Member Representative

DB – David Bowater, Member Representative

MP – Barry Reed, Retired Member Representative

RL – Rod Lauder, Member Representative

LPB Year 3 Work plan and outcomes

The primary function of the Local Pension Board (LPB) is to assist the Administering Authority in securing compliance with the LGPS Regulations, other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pensions Regulator. In the pursuit of this aim it is for the LPB to set up a work plan that operates in conjunction with the workplan of the Fund whilst being committed to its own primary function.

The LPB's terms of reference require that it develop and report to the Wiltshire Pension Fund Committee, at least annually, on its work plan for the year. Examples of the areas that the Local Pension Board may wish to consider include (but are not limited to) the following;

- Regular compliance monitoring of reports which shall include reports to and decisions made by the Committee made under the Regulations.
- Management, administrative and governance processes and procedures to ensure that they remain compliant with the Regulations, Relevant Legislation and in particular the Code.
- The compliance of scheme employers with their duties under the Regulations and Relevant Legislation.
- Reviewing such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Investment Strategy Statement.
- Reviewing scheme members and employers' communications as required by the Regulations and Relevant Legislation.
- Monitoring complaints and performance on the administration and governance of the scheme.
- The Internal Dispute Resolution Process.
- Pension Ombudsman cases.
- The arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- The complete and proper exercise of employer and administering authority discretions.
- The outcome of internal and external audit reports.
- The draft accounts and Fund annual report.

The second core function of the Local Pension Board is to ensure the effective and efficient governance and administration of the Scheme. Again, the Local Pension Board may determine the areas it wishes to consider, including but not restricted to:

- Monitor performance of administration, governance and investments against key performance targets and indicators.
- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Monitor internal and external audit reports.
- Review the risk register as it relates to the scheme manager function of the Administering Authority
- Review the outcome of actuarial reporting and valuations.
- Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.

At its meeting on 24th January 2019 the Local Pension Board reviewed the delivery of its core functions and noted that it had achieved 75% of the core functions tasked to it since 2015.

Outcomes and LPB recommendations made to the Administering Authority (Pension Committee)

Decisions about the running of the Pension Fund are made by the Wiltshire Pension Fund Committee which is delegated to carry out that function by Wiltshire Council in its capacity as the Administering Authority for the Wiltshire Pension Fund. This function is also supported by the Investment Sub-Committee.

The creation of the Local Pension Board does not change the core role of the Administering Authority nor the way it delegates its pension functions to the Pensions Committee & in turn the Investment Sub-Committee. The role of the Local Pension Board is to oversee decisions made by the Administering Authority and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

This year the Local Pension Board has fulfilled its role in the following ways;

	Area	Minute	Outcome
All meetings	Pension Committee and Investment Sub-Committee decision making	The Local Pension Board actively scrutinises all Pension Committee and Investment Sub-Committee papers and minutes.	Minuted in LPB minutes
All meetings	Scheme Legal, Regulatory & Fund update	Key updates included: Reforms to public sector exit payments, the fair deal consultation, the cost cap mechanism, SAB's good governance review, tPR Code of Practice changes, McCloud, Responsible Investment, i-Connect, the Stewardship Code & the Fund's new Employer website. Resolved: <ul style="list-style-type: none"> • To present statutory actions before strategy actions. • To record McCloud as a red risk & to contact SAB on guidance connected with keeping members updated. • To feedback Employer reception to the new website to the Board. 	All Board proposals have been taken forward
23 May 2019 (Min 23)	Minutes	Potential new nominees for the vacant employer representative post were noted. The process to secure candidates for all the member representative vacancies were set out. Resolved: Officers to conduct a wholesale membership recruitment process during 2019	The completion of the 2019 recruitment process saw appointments to all Board vacancies. Including Committee vacancies this represented 50% of the membership being appointed during the period.

	Area	Minute	Outcome
23 May 2019 (Min 30)	Internal Audit Report	The report made two priority 2 recommendations and four priority 3 recommendations. Namely, that a Data Improvement Plan should be put in place, that templates for the collection of employer data are reviewed including a process for non-compliant employers, that an audit trail of amendments is evidenced, that the suspense account is reviewed and cleared, that a full reconciliation be undertaken between Altair and SAP Payroll & that the Fund liaise with the Information Governance team to help develop a data retention plan Resolved: The Board to receive an update on the Key Controls and GDPR audit recommendations and whether they had been completed	All Audit recommendations have been completed with the exception of the reconciliation be undertaken between Altair and SAP Payroll. In light of the GMP Rectification exercise guidance was sought from the Scheme Advisory Board on best practice approach by which the reconciliation should take place.
23 May 2019 (Min 32)	Risk Register update	Officers produced a re-formatted risk register with changes made to enable a more evidence-based approach to identify risk. The Fund's register now aligns with the corporate risk register strategy however clarity was required on the nature of risks being distinguished by horizon, dynamic, ongoing and ceased risks. Furthermore, more granularity was requested to show the specific risk being mitigated, rather than generic areas of activity. Presentation of risk in accordance with the eight CIPFA categories was also be adopted, with a sub-categorisation of risk split by business plan objective & service function. Resolved: <ul style="list-style-type: none"> • To develop the risk register, by providing more detail about specific actions taken to mitigate risks • To sense check information recorded to ensure consistency. 	Changes to the risk register were made by officers as instructed. The reformatted risk register is now in full operation & used by both the Committee & the Board each quarter.
23 May 2019 (Min 33)	Administration Key Performance Indicators	The Board requested that the administration strategy KPIs be presented after disclosure KPIs and	Officers have overcome the technical difficulties in reporting the

	Area	Minute	Outcome
		that the disclosure requirements incorporate a trend line. Furthermore, where increased volumes of incoming work effected backlogs, it was suggested that these cases be presented to provide context. It was also requested that the data missing on 'Joiners' be entered into the table. It was noted that technical difficulties existed in resolving this matter Resolved: The Board recommended that the changes highlighted should be made.	performance information required & have re-formatted the KPI report to be consistent with the Board's requests.
23 May 2019 (Min 34)	WPF Business Plan 2019-2022	The Board debated that levels of resourcing and capacity required in Years 1 and 2 be considered by the Committee to ensure that the budget reflected the objectives within the business plan. Resolved: The plan was noted & officers would take forward the Board's observations	Completed
23 May 2019 (Min 35)	Data Improvement Strategy and Plan	The data improvement plan was welcomed by board members as it provided a sound basis for future reviews of performance. Resolved: The Board noted the report and that a sub-plan had been prepared in respect of the Payroll & Pension database reconciliation. An update to be provided by officers in six months-time.	The timeframe for the update was extended to 12 months in view of the guidance being sought from SAB in respect of the GMP Rectification exercise.
23 May 2019 (Min 37)	Local Pension Board Annual Report	Assurances on the accuracy of the training log and the section covering the outcomes of LPB recommendations to Committee were sought and provided. The following corrections were requested that Mike Pankiewicz should no longer be described as an 'active' member & that the independent advice fees should be verified. Resolved: The board approved the report for publication, subject to the corrections being made	Completed & submitted to the Committee for their review of the Board's recommendations
23 May 2019 (Min 38)	How did the Board do?	The Board discussed a Unison report on the LGPS's and ESG position. Resolved: It was	Completed

	Area	Minute	Outcome
		recommended that the committee address the Fund's ESG position as part of the fund's Investment Strategy review.	
22 August 2019 (Min 53)	Training item: tPR Breach refresher	Approximately 75% of breaches reported to tPR relate to data management with the other main cause of breach being systems or process failures. The Fund's data management processes flag up errors, how those errors are escalated and how they are assessed. The links between breach reporting and KPIs were made and the need to understand repeated breaches by under-performing employers. A typical reason includes a change in payroll provider, as opposed to indicating any kind of financial instability Resolved: • Officers to raise tPR breaches with the Board on an exception's basis only • That all members agreed to complete tPR's on-line training toolkit as a minimum requirement.	Officers noted the Board's recommendations and will incorporate the changes
22 August 2019 (Min 53)	Internal Audit Report	Officers summarised the outcome of the Internal Audit report on the Fund's tPR Code of Practice 14 requirements. An overall improvement in the Fund's compliance was noted with the number of areas in which standards could be improved reducing from 16 in 2018 to 10 in 2019. Within the 10 existing areas requiring improvement three new areas had been identified. Namely the Board membership conforming to legal requirements, member training and an understanding of breach reporting. The auditor recommended that sample testing of submissions from managers should be implemented. Resolved: • Officers to address non-compliant areas. • Officers to sample test responses received from managers following self-assessments • Committee to	Officers noted the Board's recommendations and will incorporate them. In particular sample testing will be undertaken following the 2020 self-assessment & the Pension Fund Committee approval as Audit Report in December 2019 which was submitted to both the Audit Committee & the CLT.

	Area	Minute	Outcome
		commission an annual Fund audit plan & work with the Audit Committee to timetable the audit cycle	
22 August 2019 (Min 55)	tPR Report: Public Service Governance & Administration 2018.	Officers reviewed the findings & identified a number of areas where improvements could be made to the Fund's operating arrangements, notably cyber-security and data quality. Resolved: The Board supported the officers' recommendations to address cyber-security through reporting from service providers and data quality by seeking clarity on tPR data definitions	Officers have instigated meetings with both the Fund's Pension Database provider & the Council's ICT team to implement cyber reporting. Clarification from tPR concerning data definitions are still outstanding
22 August 2019 (Min 57)	Risk Register update	The Board supported further changes made by officers, namely that new risks would be presented, ceased or dormant risks would be removed but continue to be monitored subject to a reason for removal be approved by the Committee, that all red rated risks would continue to be submitted, that changed or re-categorised risks be highlighted to demonstrate their risk's direction of travel & that a full report of all the Fund's risks would continue to be published in key Fund documents. In addition, risk rating PEN041 concerning the Fund's approach to Climate change was challenged & it was agreed to recommend to Committee that its amber status be maintained. Resolved: • The Board agreed that officers would maintain the risk register based on the criteria determined above. • Officers would alter the risk rating on risk PEN041	Officers noted the Board's recommendations and incorporated the changes
22 August 2019 (Min 60)	Accounts, annual report & external audit update	Officers advised the Board that delays to Wiltshire Council's audit had delayed the audited sign off of pension funds accounts as they share the same auditor. However, the unaudited annual report and accounts of the pension fund	Officers published the unaudited Annual Report & Account by 31 st July & submitted the Accounts to SAB for publication by 1 st December 2019

	Area	Minute	Outcome
		would continue to be published. Resolved: The Board noted the delay and the publication of the Annual Accounts	
22 August 2019 (Min 62)	Clarification of the roles of the Local Pension Board and Committee	Officers gave a progress report on the implementation of the actions arising from the Member Effectiveness review. It was agreed that Officers would take forward the work on revised terms of reference for both the Board and Committee. Resolved: Officers to take forward the revision of Terms of Reference.	Work on the terms of reference is ongoing at the time of writing this report. On passing the Council's Constitutional Focus Group the changes will progress to the Standards Committee & finally be ratified at a Full Council meeting.
14 November 2019 (Min 76)	Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee	On the 2 December 2019 the legacy funds were transferred to Brunel & the Committee notified. The Board commented on the Fund's need to manage its MiFID II compliance & ensure that all the Fund's partners were compliant too. Resolved: • Officers to produce metrics to compare the carbon footprint of the funds with the Environment Agency. • Officers to set in place a compliance framework to monitor the Fund's MiFID II compliance	Comparison metrics in relation to the Fund's carbon footprint with other Fund's has been carried forward to the 2020/21 Scheme Year & a reporting setting out the Fund's MiFID II compliance framework was endorsed at the Board meeting on 13 th February.
14 November 2019 (Min 77)	Annual Training review: Board, Committee & Officers	An annual self-assessment of member training needs had been completed, the key areas identified related to Governance & Legislation, Investment, Accounting & Audit. Overall members of the Committee & Board felt that they operated at a "Skilled" level requiring only developmental training. A training strategy for 2020 would be developed based on the assessment. An officer training policy would be implemented as part of Wiltshire Council's appraisal process. Resolved: • To endorse the member training self-assessment for 2020-21. • To include MiFID II compliance on the risk register	Officers incorporated MiFID II compliance on the risk register & have prepared a member training strategy for 2020-21

	Area	Minute	Outcome
14 November 2019 (Min 79)	Risk Register update	Risk actions were reviewed & their assignment noted. Resolved: The Board recommended to keep risks PEN011 & PEN042 on an amber & red rating respectively & split risk PEN017 into two risks a) knowledge & understanding and b) Member compliance with all relevant regulations. Both risks would be given an amber rating	Board considerations noted & approved by the Committee
14 November 2019 (Min 81)	Internal Audit actions update	Officers introduced the internal audit actions update report. It was noted that the majority of the actions were complete or on target. It was identified as a good time to consider the internal audit plan for 2020/21 and to recommend areas to be audited. This would include the transfer of assets into BPP. Resolved: The Board requested an update in 6 months on the progress against the internal audit actions	Officers have scheduled a further audit report actions update & have prepared an audit plan for 2020/21 for approval by the Committee.
14 November 2019 (Min 82)	Pension Administration Strategy	The aim of the new strategy was to interlink all the administration elements, align the way work was managed with the KPIs and to prioritise work more effectively. A consultation on the revised strategy with scheme employers had been undertaken with no material feedback received. Resolved: •To request additional resources to deliver the administration strategy. •To investigate whether employers should be expected to sign up to the strategy.	Officer noted the Board's considerations & have incorporated a resourcing requirement into the 2020-21 budget. It was established that there is no requirement for Employers to sign up to the strategy.
14 November 2019 (Min 83)	Communications strategy	Officers outlined the key changes from the 2015 strategy which had been reviewed extensively. The strategy had been updated to reflect changes to the business plan and a decision had been made to digitalise communications as much as possible. A process was in place to notify members of the changes. Resolved: • To including the resourcing requirement in the 2020-21 budget.	Officers have taken forward the recommendations of the Board, however they expect the full implementation of recommendations to take at least 12 months.

	Area	Minute	Outcome
		<ul style="list-style-type: none"> • To monitor the take up of the digital communications and continue a communications framework with those not using digital platforms • Information on digitalisation should be made available on all platforms to avoid compliance issues • To note in the annual report that the monitoring of digital communications was taking place 	
14 November 2019 (Min 84)	Data Retention Strategy	<p>The purpose of the Data Retention Strategy is to ensure the Fund's compliance with the Data Protection Act 2018 and GDPR. To enable compliance some key actions and interim actions, were included within the Data Retention strategy report. In brief it was intended that the Fund would operate a minimisation & deletion strategy consistent with the guidance provided by the LGA. It was noted that a holistic data retention strategy would be adopted whereby the Fund would also recommend to Scheme Employers a duration period by which they should also hold data. However, it was noted that it was not be binding on the employer. The Board requested that greater clarity on the distinction between retaining data for 100 years from the member's or dependent's data of birth and the 15-year period after those benefits had stopped being paid should be made.</p> <p>Resolved:</p> <ul style="list-style-type: none"> • Officers to engage with the Fund Actuary concerning actuarial requirements for ongoing data. • Officers to clarify the data retention 100-year requirement in respect of a member's & dependent's date of birth 	The Actuary's observations on the retention of data were that it should be the same duration as HMRC's. Furthermore, ensuring that historic benefit corrections could be made were sighted. During the Board meeting on 13 th February the distinction between the 100 years from the member's or dependent's data of birth and the 15-year period after those benefits had stopped being paid was clarified.
13 February 2020 (Min 8)	Minutes & Key Decisions of the Fund Committee &	A query from the Board was raised concerning MiFID II training. It was noted that where required, substitute members would be	The Board's considerations were noted and substitute members would be

	Area	Minute	Outcome
	Investment sub-Committee	included in the self-certification of competence process. The Chairman recommended that it should be made a requirement that substitute members be compliant with MiFID II. Resolved: The Board recommended that substitute Committee members ensure that they are MiFID II compliant.	asked to certify their MiFID II competence.
13 February 2020 (Min 11)	Business Plan 2020/21	A general concern was raised regarding the Fund's business continuity plan and its general resilience to IT issues. It was noted that officers planned to scrutinise its software provider and Wiltshire Council to determine the appropriate measures to put in place. Comment regarding the regular monitoring of employer covenant strength and monitoring of active membership numbers of small employers was made. Resolved: • Officers will liaise with the Fund's main IT services to mitigate cyber risks. • It was recommended that officers continue solvency analysis as part of the Business Plan and ensure that a framework was created.	To be taken forward the recommendations into the 2020/21 Scheme year.
13 February 2020 (Min 12)	Board Budget setting	It was explained that the budget had been kept largely the same as the previous year. The overall proposed budget for 2020/21 was £27,400. The proposed spend on insurance for 2020/21 was £2,800. This was a niche insurance area with no real history of claims which may explain why premiums appeared relatively expensive. Officers were asked to seek guidance on the procurement of cost-effective insurance. Resolved: • To agree the draft Local Pension Board's budget and to recommend the Committee includes it in the Fund's administration budget for 2020/21 • To monitor LPB budget on a quarterly basis. • Officers agreed to circulate a copy of the	To be taken forward into the 2020/21 Scheme year.

	Area	Minute	Outcome
		scope of the Board's insurance cover. • Officers to approach Wiltshire Council's Insurance team to enquire about cover provided by alternative providers.	
13 February 2020 (Min 13)	Risk Register update	The Fund had set out its approach to fulfilling the governance obligations associated with MiFID II. However, it was recommended that risk PEN049 should remain an amber risk until the Fund had been audited on its MiFID II compliance. PEN048 The Board enquired about the ability of Brunel to deliver its objectives. It was explained that going forward Brunel would be attending the ISC meeting on a regular basis and would provide regular updates on progress. Resolved: • To recommend the changes/actions made by officers except Risk PEN049 which should remain Amber & Risk PEN048 which should be amended to include a monitoring & reporting timetable of BPP.	Both Board recommendations were submitted to the Committee
13 February 2020 (Min 15)	Data Retention Strategy update	In respect of the six-year, plus current year term raised by Hyman's, to be consistent with HMRC's payroll data retention requirements, officers agreed that it would be prudent to extend the Fund's term prior to data minimisation from four to seven years. The Fund would continue to observe the "last payment of benefits plus fifteen years" definition in all cases for the purposes of the Fund's data retention strategy. Resolved: The Board endorsed the recommendation made by officers concerning changes to the strategy	The Board's considerations were noted.
13 February 2020 (Min 17)	MiFID II compliance strategy	To maintain the Fund's "Professional Investor" status, arrangements had been set in place to ensure members selected to oversee the Fund's investment matters continue to discharge their duties and responsibilities in	Officers to seek approval of the Fund's compliance arrangements with BPP.

	Area	Minute	Outcome
		accordance with the regulations. There had been limited national guidance on the practical steps that need to be taken so a best practice approach had been adopted. It was recommended that BPP be made aware of the Fund's arrangement and agree to any implementation of MiFID II compliance. Resolved: • To endorse the arrangements concerning the Fund's compliance with MiFID II and its maintenance of "Professional Investor" status. • To raise the Fund's MiFID II arrangements with BPP for their acceptance	
13 February 2020 (Min 18)	External Audit Report	It was noted that disaster recovery plan testing was generally the responsibility of the Council's IT department. However, the Fund had an oversight responsibility to ensure its IT had an effective plan in place. This included pensions administration database provider. Resolved: Officers to liaise with Wiltshire Council's IT dept & Heywood's concerning essential oversight arrangements.	Officers to take the action forward during 2020/21
13 February 2020 (Min 19)	Look Forward Plan review	The Forward Plan had been reformatted to align with the new budget planning structure, be consistent with all Board responsibilities set out in the Terms of Reference & provide additional background notes to members.	Board approved the plan subject to comments from the new Chair.

LPB Actions log

At its meeting of the 22 October 2015 the Local Pension Board agreed that an Actions Log should be developed in order to track the progress of actions. The Actions Log forms part of the Board's minutes and is considered at every meeting.

Review of LPB compliance with the Pension Regulator's Code of Practice No.14

From April 2015 the Pensions Regulator assumed a new oversight responsibility in respect of Public Service Pension Schemes, including the LGPS. To assist schemes in understanding the Regulator's expectations they have issued Code of Practice No. 14 that applies specifically to the governance and administration of public service pension schemes setting out the legal requirements in these specific matters. It also provides practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to the legal requirements. This guidance can be viewed on the following link;

[Governance and administration of public service pension schemes | The Pensions Regulator](#)

One of the key responsibilities of the Local Pension Board is to assist the Administering Authority, Wiltshire Council, to ensure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme.

Internal Audit Update

During the last scheme year officers undertook two reviews of the Wiltshire Pension Fund's compliance against the Regulators Code of Practice, the first of which was in June 2019 & the second in March 2020. The results of the June 2019 were also subject to an independent internal audit by the Council's captive auditor & submitted to the Board in August 2019.

Outlined in the Officers report in the summer of 2019 it identified that an overall improvement had been observed with a reduction from 16 areas requiring improvement in 2017-18 to 10 areas in 2018-19 on applying the Fund's standard questionnaire composed of 84 questions covering all areas of the Fund's internal controls. The answers to most of the areas reviewed were that they were found to be adequately overall & the risks were being well managed, although some practices required improvement to their internal controls to ensure that they achieved their objectives.

Of the 16 areas identified as requiring improvement in 2017-18, 9 had shown improvement moving to a well-managed risk status, most notably reflected in the internal controls of the Fund's contract management arrangements. This left 7 risks where no significant progress had been made, plus 3 new risks where the risk rating had worsened. The key risks identified where progress had worsened, or no improvement had been made are set out below. Officers agreed to implement an action plan to address the risks failing to reach the adequate standard;

- Board members completion of the Pension Regulator's toolkit for training.
- Employer and member representatives on the Board being in line with the legal requirements
- The Administering Authority being satisfied that those responsible for reporting Breaches understand their requirements
- A review of internal controls is required to ensure all Fund procedures are up to date
- Do member records record the information required as defined in the Regulations and are they accurate

Ensuring that Employers provide timely & accurate information

- Setting in place procedures to reconcile Fund & Employer records
- Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales
- Are Employers issuing new Scheme members will all the essential basic Scheme information
- Is all information to members provided within the required legal timescales

Following the Internal auditor's review, they provided a "Reasonable" assurance, but recommended that Fund officers complete sample testing of the responses received during the self-assessment to confirm that the responses were correct. The results of the review were endorsed by the Local Pension Board at their meeting in August 2019.

The purpose of the second compliance review against the Regulators Code of Practice in March 2020 was two-fold. Firstly, to conduct the review for 2019-20 & bring reviews into line with the relevant scheme & secondly to consider the Regulator's strategy of combining their Code 13 & 14 into a new code 15 & thus ensure that any changes to compliance resulting from the implementation of the new code could be adopted in time for the 2020-21 review in March 2021.

The results of the March 2020 review were not subject to independent audit but will be presented to the Board at their meeting in May 2020.

Outlined in the Officers report in the spring of 2020 it identified that of the 10 areas identified as requiring improvement in 2018-19, 2 had shown improvement moving to a well-managed green risk status, most notably reflected in the understanding of tPR breach reporting & its management. This left 7 risks where no significant progress had been made, plus 1 risk where a marginal improvement had occurred improving from a red to amber risk rating. The areas affected by the 8 amber risks are covered in the bullet points above, with the exception of the second & third bullet points which can now be considered concluded. The risk reducing from red to amber is reflected by the last bullet point above.

In light of the level of compliance identified against the Regulators Code of Practice it was agreed that as part of the Fund's overarching audit strategy the South West Audit Partnership will only audit the fund every other year. The next SWAP audit will therefore take place in 2021.

It is anticipated that the Auditors assessment will cover the Regulators Code of Practice 15 requirements in a similar manner to an external audit of measuring the performance of the Fund fulfilling its legal obligations as well the areas of the Code. The Code being broken down into the current 4 sections of;

- Governing your scheme
- Managing risks
- Administration
- Resolving issues

The focus for Officers is to continue to undertake a review of the compliance requirements and carefully project plan to ensure compliance with any statutory deadlines.

The full officers Regulators Compliance check can be found here;
<https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1280&MId=9433&Ver=4>

External Audit Update

During 2019 the items identified in the external auditor's report for the period 2018-19 were;

- That provision of a detailed membership reconciliation between 2017-18 and 2018-19 was needed to enhance accurate financial reporting of the fund accounts
- The 2019 Annual Benefit Statements were issued within the regulatory timescale
- It was recommended that the robustness peer review arrangements were increased in relation to the output of benefit calculations.
- That a formal disaster recovery testing strategy be put in place. Although IT a Fund level set of policies and procedures should be formally documented and tested to assist employees in the event of disaster

In summary, although there are a number of recommendations made by the new auditor Deloitte's a reasonable assurance opinion had been offered in relation to this audit as the Management Team of the Pensions Fund had a high awareness of the current issues and have a number of projects underway or planned to improve the controls. This includes the implementation of i-connect, member self-service, Docmail, as well as undertaking an end-to-end review of the process to identify inefficiencies

Summary of LPB communications outlining links to the website

Under the LGPS Regulations each Fund must produce a statement setting out how it will communicate with its members, member's representatives, prospective members and the many employers who participate in the fund. A new Communication Strategy was approved in December 2019 setting out the Fund's fulfilment of this responsibility over the next 3 years. The Board noted the usefulness of the information provided to members by the Fund and emphasised the need to keep it up to date.

The Fund's website called My Wiltshire Pension launched last year to active and deferred members has seen a 20% take up within its first few months. This service allows members to see their pension online and for the Fund to provide further education and engagement material to its membership.

During 2019/20 the Fund's communicated its intention to publish members annual benefit statements online, via My Wiltshire Pension, unless members have specifically requested to continue to receive their statement by post. It is envisaged that issuing member statements electronically will be more efficient, environmentally friendly & also be cost effective. A second communication will be sent to members in April 2020 reminding them of the fund's intention to communicate in this way.

The complete Communications Strategy can be seen here;

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

The Wiltshire Pension Fund's current website is supported by the Fund's Actuarial Consultants. This website went live in April 2018. In February 2020 a bespoke Employer website area was attached to the main Fund website. Both the main website link & Employer website link are provided below.

Main website link: www.wiltshirepensionfund.org.uk

Employer website link: <https://employer.wiltshirepensionfund.org.uk/>

LPB operational costs for 2019-20 & Budget for 2020-21

The cost of the Wiltshire Pension Fund Local Pension Board is part of the overall running costs of the Fund and should be seen in the context of its role in assisting with the good governance and administration of the Fund.

The budget for the Local Pension Board is approved by the Pension Fund Committee as part of the process of setting the Fund's budget for the year. Any expenditure in excess of the agreed budget must be approved by the Wiltshire Council Associate Director, Finance.

The budget for 2019-20 and 2020-21 can be seen below.

	2019-20 Budget £	2019-20 Actual £	2020-21 Budget £
Independent Chair Remuneration	9,214	9,216	10,300
Consultancy Fees	7,000	-	6,500
Training	4,200	400	3,400
Committee Services	3,000	3,000	3,000
Travel & Subsistence & costs	800	800	1,000
Catering	400	0	400
Insurance	2,800	2,800	2,800
Total	27,414	16,216	27,400

Assurance of the LPB Annual Report

It is the role of the Local Pension Board to assist Wiltshire Pension Fund as the Administering Authority for the Wiltshire Pension Fund to secure compliance with;

- The LGPS Regulations and related legislation
- The requirements of the Pensions Regulator; and
- to ensure the effective and efficient governance and administration of the Scheme

The Local Pension Board is not intended to replace existing bodies such as the Wiltshire Pension Fund Committee or Investment Sub-Committee. Nor is the Board responsible for the auditing of the Wiltshire Pension Fund.

In carrying out its role, the Local Pension Board has;

- Considered the minutes of the Pension Fund Committee and Investment Sub-Committee
- Considered the main policies and documents of the Wiltshire Pension Fund
- Considered the Funds Business Plan, Audit Report and Risk Management Strategy
- Received a report on the Fund's compliance with the Pension Regulator's Code of Practice No. 14
- Received legal and regulatory updates on LGPS matters
- Received training from external advisers and Fund officers.

The funds external auditors have reviewed the LPB annual report as part of their annual audit of the Wiltshire Pension Fund, but they do not provide any assurance over its contents.

This Report is intended for the information of Wiltshire Council and the Scheme members and employers who participate in the Wiltshire Pension Fund. This Report has been formally noted by the Wiltshire Pension Fund Committee at their meeting of 16th July 2020.

LPB forward look to 2019-20 and proposed work plans

[The Board's workplan for 2019-20](#)

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
21 May 2020

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Risk Register (see Appendix).

Background

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

Key Considerations for the Committee / Risk Assessment

4. The significance of risks is measured by the interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
5. During the last quarter the following "new risks" were identified.
 - **PEN053: Failure to implement Fund's Data Retention Strategy:** (Green) A poorly implemented data retention strategy may could potentially breach GDPR compliance & create service issues in the event of data being inadvertently minimised or deleted.
 - **PEN054: Failure to implement an interim investment portfolio, investment in private markets & multi asset credit arrangements as required:** (Amber) The implementation does not match risk/return requirements before capital can be deployed & a strategic asset allocation cash drag may occur on the investments.
6. The evidence-based review of the register identified no changes or recategorizations were needed during the last quarter. Only text updates were made to risks by officers consistent with the integration of the 2020/21 business plan objectives.

7. Risks remaining “red”, high risk:

- **PEN042: Significant retrospective legislation changes related to the McCloud case:** It is still unclear exactly what impact there will be on the administration, although the impact actuarially speaking is likely to be minimal. Members requested that it be kept as a red risk until the administrative impact is clearer.
- **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** Progress and updates should continue to be regularly reported to Committee. A Board recommendation to introduce a monitoring & reporting timetable of BPP was approved by the Committee.
- **PEN052: COVID-19:** An infectious global virus which WHO has classed as a pandemic. Its multiple impacts on the Fund continue to be continuously monitored & managed, until the risk(s) subside.

8. It is recommended that three risks are removed from quarterly presentation to the Committee. These are;

- **PEN032: Failure to manage Fund budgets & controllable costs:** (Green) Poor budget setting & cost control can lead to over expenditure and a loss of value in the services of the Fund. Quarterly reporting to Board & Committee has seen the management improve. It is recommended that this risk be moved from Dynamic to dormant.
- **PEN011: Lack of expertise of Pension Fund Officers and Service Director, Finance:** (Amber to Green) Bad decisions made may be made in relation to any of the areas on this register, however with a permanent s151 Officer appointed, other officer established in their posts & a new officer training plan implemented this risk has reduced, and it is recommended that it be moved from Ongoing to dormant.
- **PEN014: Failure to provide the service in accordance with sound equality principles:** (Green) The risk register shows that the Fund has completed an Equality Risk Assessment and has an Equality Implementation Plan in place. It is recommended that it be moved from Ongoing to dormant.

Financial Implications

9. No direct implications.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications currently.

Proposals

13. The Board is asked to note the attached Risk Register and recommend the changes/actions made by officers in points 5 to 8 to the Committee.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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

This page is intentionally left blank

Ref.	Risk	Cause	Impact	Primary Risk Category (CIPFA)	Secondary Risk Category (Operational)	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent	Controls in place to manage the risk	Impact	Likelihood	Residual	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion
PEN054	Failure to implement an interim investment portfolio, private markets & multi asset credit arrangements as required	The implementation does not match risk/return requirements before capital can be deployed into private markets & a strategic asset allocation cash drag occurs on the investments	A loss on assets to the Fund. Assurance is required that investments are being made in line with expectations & being managed properly	FINANCIAL MARKETS & PRODUCTS	BUSINESS PLAN 2020/21 (Objective(s) 18,22,23)	Jennifer Devine	Medium	3	2	6	ISC to be updated at each quarterly meeting on the progress of the investment	2	2	4		Low	←←←	Jenny Devine	N/A
PEN053	Failure to implement Fund's Data Retention Strategy	Poorly implemented strategies agreed by the Board & Committee to ensure that the retention of data is properly executed in respect of both the Fund & Scheme Employers may occur.	A failure to adhere to the strategy could potentially breach GDPR compliance & create service issue in the event of data being inadvertently minimised or deleted.	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 28)	Mark Anderson	Low	1	2	2	Heywood (Altair Database manager) to introduce a tool to minimise & delete records. Includes an export function to identify records managed via this process which can be reported on. This can be cross referenced against the membership statistics if required.	1	2	2		Low	←←←	Mark Anderson	N/A
PEN052	COVID-19	COVID-19 is an infectious global virus which WHO has classed as a pandemic. The UK could be taking similar actions to other countries bad affected by this virus such as China & Italy which will cause significant business continuity issues to the pension fund	In a worst case scenario the Council's officers & service provider offices will remain closed making remote working essential but difficult. In addition, it is expected that up to 20% of people will be off sick & needing to self-isolate causing service issues. Consequently issues around staffing, investment returns, employers supplying data, management of employer covenants, support from suppliers & contractors are all likely to be factors in the management of the Fund.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham/Jenny Devine	High	4	4	16	The Council's/Fund's Business Continuity Plan will need to be activated. Regular communication with key services & service providers should be maintained. Fund officers have already taken a series of steps to ensure ongoing service & are giving consideration to the daily government updates & Council policy in the taking of those decisions.	4	4	16	The series of steps have been specifically identified to manage this risk. In particular, maintaining the movement of money, communication with all stakeholders & essential operating practices; Consequently the following risks were focussed upon; Movement of money PEN001, PEN002, PEN003, PEN015 & PEN033. Communication with stakeholders PEN013, PEN030 & PEN033 & Essential operating practices PEN004, PEN010 & PEN037. A survey was also sent to Employers requesting information about their circumstances & a close monitoring of actual employer behaviour has been adopted & will continue to be in relation to their service obligations.	High	↕	Andy Brown/Andy Cunningham/Jenny Devine	N/A

PEN050	Failure to comply with tPR's Code of Practice 15	The new requirements for pension scheme governance came into force on 13 January 2019 as part of the transcription of the IORP II Directive into UK law. The new EU Directive covers the activities and supervision of institutions for occupational retirement provision (IORP)	Consequently the 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	GOVERNANCE	SERVICE FUNCTION	Richard Bullen	Low	2	2	4	It is anticipated that early focus will be on the codes that are most affected by the new regulations, starting with internal controls & effective governance. Trustees will need to be able to demonstrate that they have an effective system of governance within 12 months of its publication	3	1	3	None, until Code of Practice 15 is released	Low	←←←	Richard Bullen	N/A
PEN018	Failure to set in place appropriate Cyber Security measures	Over reliance by Fund is potentially being place on its Administering Authority's IT security arrangements & that of its key software database providers without proper scrutiny/reporting of their security arrangements	Impact is significant concerning the operational effectiveness of the Fund, notably in relation to the data held and the ability to calculate and process member benefits	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	4	1	4	Cyber security reports to be requested on an annual basis from both Wiltshire Council's IT department & the main database manager Heywood's. Further steps will be considered on the receipt of those reports	4	1	4	Officers attended a Cyber Security event in January 2020 hosted by Wiltshire Council's IT department.	Low	↑	Andy Cunningham	N/A
PEN045	GMP legislative changes	The Government has been planning to make a number of changes to way that GMPs work which brings about certain risks. In particular, changes to the indexation approach (which have been repeatedly delayed) and equalisation between males and females.	Both sets of plans could increase scheme costs and cause material amounts of additional administrative work.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Senior officers to keep themselves appraised 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 cause 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	On actuarial guidance it is anticipated that whilst a review will be required the financial impact may be minimal as in most cases the underpin check for a member's benefits will not bite	Medium	→→→	Andy Cunningham	N/A

PEN040	The Fund's inability to implement the conclusion of the Fair Deal Consultation	This consultation contains proposals which would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provide	The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. Failure to implement the changes would have a significant impact on affected members	GOVERNANCE	RVICE FUNCTI	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
PEN038	The Fund's inability to implement the DWP's Dashboard within a notified timescale.	Late communication by the DWP to specify their requirements for the Fund to comply with this new nationwide Dashboard. Potential for unexpected implementation costs and/or the Fund being unable to meet the reporting requirements.	Non-compliance would lead to a reputational risk for the Fund. A statutory requirement to contribute may also be created.	ADMINISTRATION	RVICE FUNCTI	Andy Cunningham	Low	1	2	2	Senior officers to keep themselves apprised of developments and seek more detailed information as the project develops.	1	2	2	None	Low	---->	Mark Anderson	N/A
PEN021	Ineffective implementation of the Public Sector Exit Cap	The Treasury is consulting on draft regulations to introduce a cap of £95,000 on exit payments in the public sector, in response to concerns about the number of exit payments that exceed or come close to £100,000 and the need to ensure they represent value for money. This will include changes to LGPS regulations. Introduction of exit cap will require an additional burden on the administration team as it is likely to effect all redundancy calculations. Funds are often given little time to implement changes which brings about this risk.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved. LGPS Fund's could be in breach of the legislation in they are logistically unable to implement the cost cap mechanism once introduced.	LEGISLATION	RVICE FUNCTI	Andy Cunningham	Low	2	2	4	Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	2	2	4	None	Low	---->	Andy Cunningham	N/A

Dynamic Risks

PEN051	There is a risk that the fixed income portfolios which are currently being scoped by Brunel & which the client group have had input into, may not be the best fit for Wiltshire	Fixed income portfolios will transition to Brunel from late 2020 onwards	If the portfolios are not the best fit for Wiltshire, there is a risk that the investment strategy is not properly implemented, or that there is a delay before assets can transition	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN 2020/21 (Objective(s) 19)	Jennifer Devine	Low	4	1	4	Officers are working with Brunel to ensure that the portfolio specifications for the fixed income portfolios will meet Wiltshire's strategic requirements. A review of the ISS will take place to ensure that it is consistent with the prevailing strategy asset allocation.	4	1	4	Continue to work with Brunel to review and feedback on portfolio specifications as they are developed	Low	---->	Jennifer Devine	####
--------	---	--	---	-------------------------------	---	-----------------	-----	---	---	---	---	---	---	---	---	-----	-------	-----------------	------

PEN047	There is uncertainty around the ability of Brunel to resource its property portfolio offering	It is intended that property assets will transfer to Brunel in late 2020.	If Brunel are not adequately resourced, this could result in the portfolio not being effectively managed, and/or costs being higher than expected.	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN 2020/21 (Objective(s) 24)	Jennifer Devine	Low	4	1	4	Officers are working with Brunel to ensure that the transition plan is appropriate before proceeding with this transition. Define reporting metrics for the Committee to make a decision.	4	1	4	None	Low	---->	Jennifer Devine	####
PEN037	Failure to implement a strategy to address the administration backlogs	Failure to effectively administration the scheme could result in incorrect payments, inefficiencies in the process, failure to meet disclosure timeframes, complaints and inadequate oversight over the fund.	Poor administration resulting in incorrect payments and can lead to reputational risk issues. The mitigation of this risk is contingent on the mitigation of other risks such as PEN034 & PEN036	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 1,35,37)	Andy Cunningham	Medium	3	3	9	The implementation of PEN034 & PEN036 along with addressing the internal auditors comments in their 2018/19 Key Controls report should mitigate this risk. As part of the 2020/2021 budget, approval for more resource is available to help mitigate this risk although this could take time to use given the impact of COVID-19 on office based working.	3	2	6	Employer training to be enhanced to assist the provision of information to officers & efficient management of backlogs. Improving peer review policy to enhance they way work is checked.	Medium	---->	Jennie Green	On-going
PEN034	Failure to implement Lean process review	Low KPI performance has been identified, particularly in relation to the disclosure requirements, as a result of inefficient processes and insufficient training and support.	An end to end processing review of all repeatable processes with the key objectives of improving the customer experience and identifying and realising efficiencies. Semi-automated work allocation is required to target key items of casework more quickly	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 3,13,15,29)	Andy Cunningham	Medium	3	2	6	The Fund's Project team has started a programme of work over a 2 year timeframe to review repetitive processes within the dept. As at April 2020, revised processes are in place for starters, leavers/refunds, aggregation and child pension reviews. Other processes will be looked at based on priorities with the intention of completing the reviews during 2020/2021.	3	1	3	Officer training to be enhanced to assist with the efficient processing practices. Officers have introduced a 2nd line of review strategy, where experienced officers conduct internal audits at a technical level, not just at a process level.	Low	---->	Samantha Wooster	On-going
PEN032	Failure to manage Fund budgets & controllable costs	During a period of chain management involving the introduction of new staff, new software & new working practices the cost control against the Fund's approved budget requires close management	Poor budget setting & cost control can lead to over expenditure and a loss of value in the services being offered by the Fund. As a public sector Scheme there is also a reputational risk associated with the poor management of funds.	GOVERNANCE	GOVERNANCE	Andy Cunningham	Low	3	1	3	Annual Fund budgets are approved in the 1st quarter of each year. Expenditure against the budget are monitored by Senior Officers. Senior Officers work with the Council's Treasury team to ensure accurate specification of charges made to the Fund. Senior Officers maintain a contract management framework to monitor the fees of service providers. All invoices are compared against estimates before payment is made.	2	1	2	It was agreed that budget monitoring reports are now submitted to the Committee at each quarterly meeting	Low	---->	Jennifer Devine	On-going
PEN029	Failure to implement the effectiveness review between the Committee & Board	An effectiveness review conducted by Hymans was undertaken in 2018, following which a report was produced and a focus group created of key Wiltshire Council stakeholders to act on the outcomes of the Report. The review covered the Committee, Board & ISC.	An ineffective Committee & Board could lead to a poorly run Pension Fund, which has a lack of governance and internal controls. Defining the roles & responsibilities of all groups & stakeholders enable clarity of purpose & efficient management.	GOVERNANCE	GOVERNANCE	Andy Cunningham	Medium	3	3	9	Creation of a Focus steering group to implement the recommendations of the Hymans report. A review of Governance documentation, such as Terms of Reference of the Committee, Board & ISC to bring it up to date and ensure that all documentation is consistent & integrated with the other documentation around it.	2	2	4	To avoid a reputational risk & action by the Government or the Pension Regulator, close attention is paid to communications from the Regulator & SAB on best practice and the outcomes implemented. Guidance from the LGA is also adopted into Fund working practices.	Low	---->	Richard Bullen	On-going

PEN028	Failure to introduce new administration software effectively	Implementation of new software including I-connect, payment instruction automation and a new member website. All to be completed during 2021/2022.	Delay in the payment of member benefit, poorer data quality, sub-standard communication arrangements with members & employers & slower delivery times leading to a more costly service	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 4,5,6,8,9,14,16,26,30)	Andy Cunningham	Low	2	2	4	Individual project plan have been prepared for each implementation of software, including their GDPR implications, with individual project issue logs and risk registers. A bespoke Project team has also been established within the pension's dept. who initiate formal handovers to officers on completion of the new implementation. i-Connect, which will have the largest impact, is partially delivered with around a third of active members onboarded.	2	1	2	SQL capability to be developed within team to enhancing reporting & verify effective implementation. Nova Sail will also be introduced to leverage & optimise the software capability employed by the Fund.	Low	→→→→	Samantha Wooster	Ongoing
PEN022	The rectification of records with GMP issues is time-consuming, costly & causes reputational damage.	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds. The Fund is looking to complete the reconciliation during the 2020/2021 year.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 34)	Andy Cunningham	Medium	2	4	8	Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and in order to undertake further analysis of the problems identified.	2	4	8	Working with other south-west Funds to try to agree on a common approach and present it to Government Departments. SABs to review a further letter from the SW Pension Fund's Group on 3rd February. It is hoped that a more positive approach will be received from SAB this time. NONE RECEIVED.	Medium	↓	Samantha Wooster	u/k

Ongoing Risks

Page 119	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	Medium	4	2	8	Controls include; 1) An annual review of training needs for members & officers 2) A self-certification by members that they continue to consider themselves "professional investor" competent 3) The implementation of a policy & procedure to ensure officers to manage the ongoing compliance framework & 4) For the MiFID II requirements to be included in the 2020-21 audit plan	4	1	4	A paper setting out the procedures put in place was submitted to the Board on 13th February. The Fund will also be audit in 2020 for it 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	Ongoing
	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	Medium	3	3	9	Work is being done within the Brunel pool to address this risk. The Committee needs to use the support offered by Brunel to help define policies in this area and implement them via the Investment Strategy Statement.	2	2	4	None	Low	↓	Jennifer Devine	Ongoing

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 to issues of reputational risk to the Fund, as well as being exposed to adverse governance & financial implications.	ACCOUNTING & AUDITING	RVISE FUNCTI	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.	→	Roz Vernon	On-going	
PEN026	A lack of effectiveness of Committee meeting due to the impact of MiFID II Regulations	MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	If Wiltshire Pension Fund is unable to maintain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	INVESTMENT PERFORMANCE & RISK	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	RVISE FUNCTI	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	Medium	3	3	9	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 policy is to be developed.	Low	---->	Andy Cunningham	On-going

PEN014	Failure to provide the service in accordance with sound equality principles	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	ADMINISTRATION	RVICE FUNCTI	Andy Cunningham	Low	2	1	2	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	None	Low	---->	Luke Webster/ Jennie Green	In-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	GOVERNANCE	RVICE FUNCTI	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	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	GOVERNANCE	BUSINESS PLAN 2020/21 (Objective(s) 2,3,31)	Andy Cunningham	Medium	3	2	6	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. 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	1	2	The Director of Finance & Procurement is still being filled on an interim basis but other senior officer roles in the Pension Fund are now filled by permanent staff for a significant period of time. A permanent s151 officer has been appointed and is due to take up their new role at the end of the Q1 2020. Officer training to be enhanced to assist knowledge & understanding.	Low	---->	Andy Cunningham/ Corporate Directors	On-going
PEN010	Failure to keep pension records up-to-date and accurate	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc. 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 tPR 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	RVICE FUNCTI	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	RVICE FUNCTI	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	RVICE FUNCTI	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	RVICE FUNCTI	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	RVICE FUNCTI	Jennifer Devine	Low	4	1	4	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Officers completed an Anti-Money Laundering questionnaire issued by Deloitte's & returned to the Accountancy firm in January 2020. The responses will form part of the Auditor's audit strategy.	Low	---->	Roz Vernon	On-going

PEN002	Failure to collect and account for contributions from employers and employees on time	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	Robust maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Officers regularly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.	2	2	4	None	Low	---->	Roz Vernon	On-going
--------	--	--	--	-----------------------	------------------	-----------------	-----	---	---	---	--	---	---	---	------	-----	-------	------------	----------

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
21 May 2020

ADMINISTRATION KEY PERFORMANCE INDICATORS

Purpose of the Report

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

Background

2. The Fund has committed to reporting administration KPIs in order to help improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer-focussed benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.

Considerations for the Board

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

Conclusions

General comments

Disclosure Regulations (Appendix 1)

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

also recently revised the process to also increase efficiency although it will take longer to see the benefit of this due to the backlogs.

Furthermore, the Board is asked to note that Fund processing speed has been effected by an approximate 60% increase in leavers and refund cases being set up in 2019 compared to 2018. Without such an increase, timeframes and backlogs would be improved and materially decreased respectively. Increased has been allowed for in the budget for 2020-2021 to address overall these demands, particularly while it takes time to realise the benefits of increased efficiency, however there will be added challenges recruiting and onboarding new staff with all current staff working from home.

Actions:

- a). Officers plan to make further improvements to the processes in this area to improve efficiency.
- b). The Fund is seeking to apply more resource to this area using a mixture of internal resource (reassigning responsibilities) and new external resource to address the increased workloads.

tPR Common and Conditional Data percentages (Appendix 2)

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

Administration Strategy KPIs – Fund (Appendix 3)

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

Administration Strategy KPIs – Employers (Appendix 4)

8. In the majority of cases, employers provide retirement information before the date the member retires. Employer performance also appears to be fairly consistent across different employers.
9. Employers timeliness should improve with the use of i-Connect, Wiltshire Council (and its academies) went live in March 2020 and they make up a material proportion of the active membership.
10. Further onboarding on to i-Connect will force employers to submit more quickly. We anticipate that over 50% of the active membership covered by 31 March 2020, and potentially much higher. Officers are also currently implementing escalating procedures to chase employers for later submissions.

Environmental Impact

11. There is no environmental impact from this report.

Financial Considerations

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

Risk Assessment

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

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no implications at this time.

Proposals

16. 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

APPENDIX 1 Table 1: Disclosure Requirements (CIPFA template)

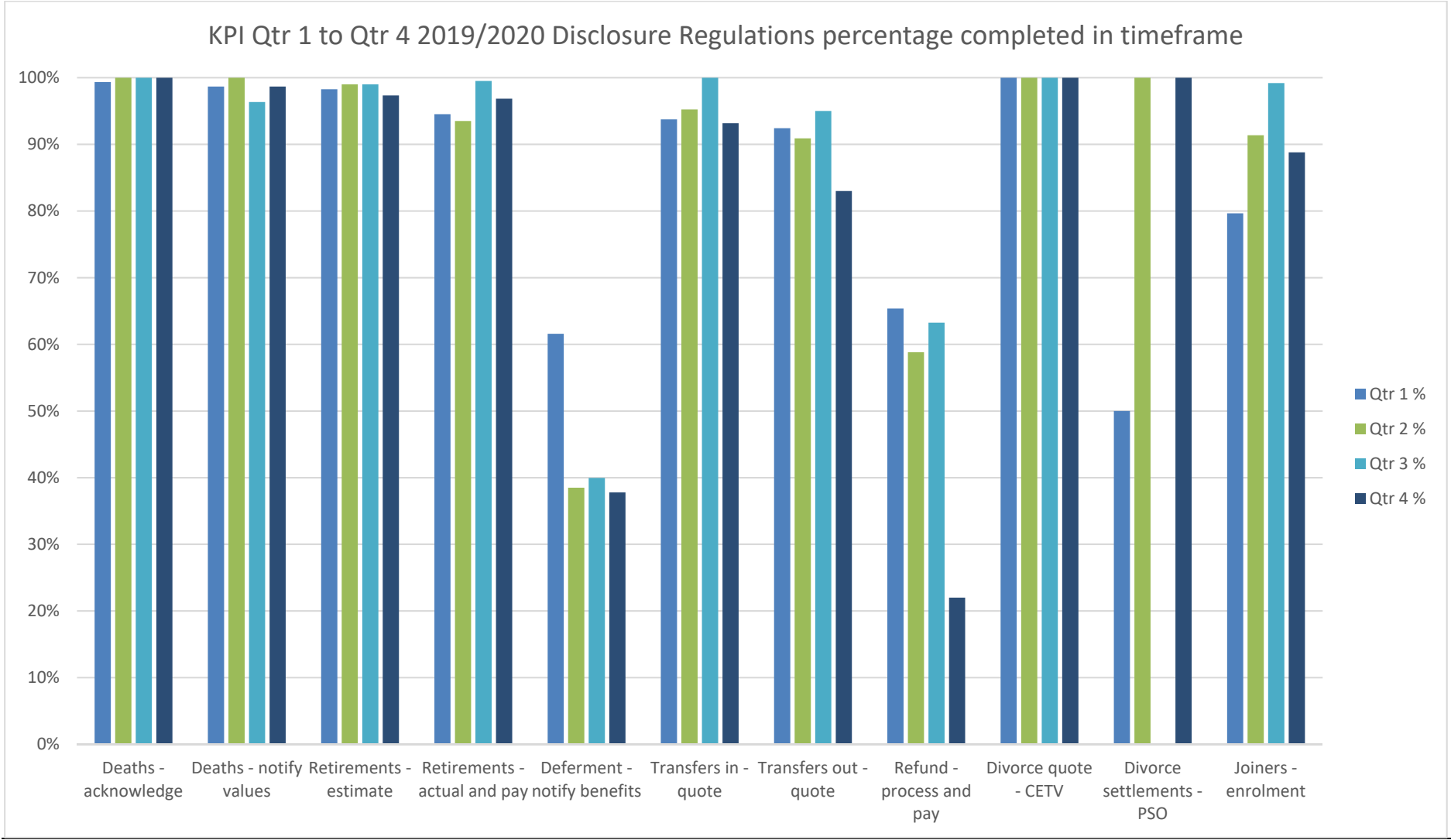
Benefit Administration Key Performance Indicators Disclosure Regulations

Period 01/01/2020 to 31/03/2020

Process		Legal Requirement	%	No. cases within Leg Req
Deaths - initial letter acknowledging death		2 months	100.0%	131
Deaths - letter notifying amount of dependants pension		2 months	98.7%	130
Retirements - letter notifying estimate of retirement benefits	Active	2 months	n/a	n/a
	Deferred		n/a	n/a
	Total		97.3%	479
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	Active	2 months	93.7%	107
	Deferred		100.0%	166
	Total		96.8%	273
Deferment - notify deferred benefits		2 months	37.8%*	527
Transfers in - letter detailing transfer quote		2 months	93.2%	26
Transfers out - letter detailing transfer quote		2 months	83.0%	127
Refund – notify of refund entitlement.		2 months	22.0%*	60
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	100.0%	51
Divorce settlements - letter detailing implementation of pension sharing order		3 months	100.0%	0
Joiners - notification of date of enrolment		2 months	88.8%	1126

*Officers expect this figure to raise significantly in this quarter due to a change in process.

APPENDIX 1, Chart 1: Disclosure Requirements

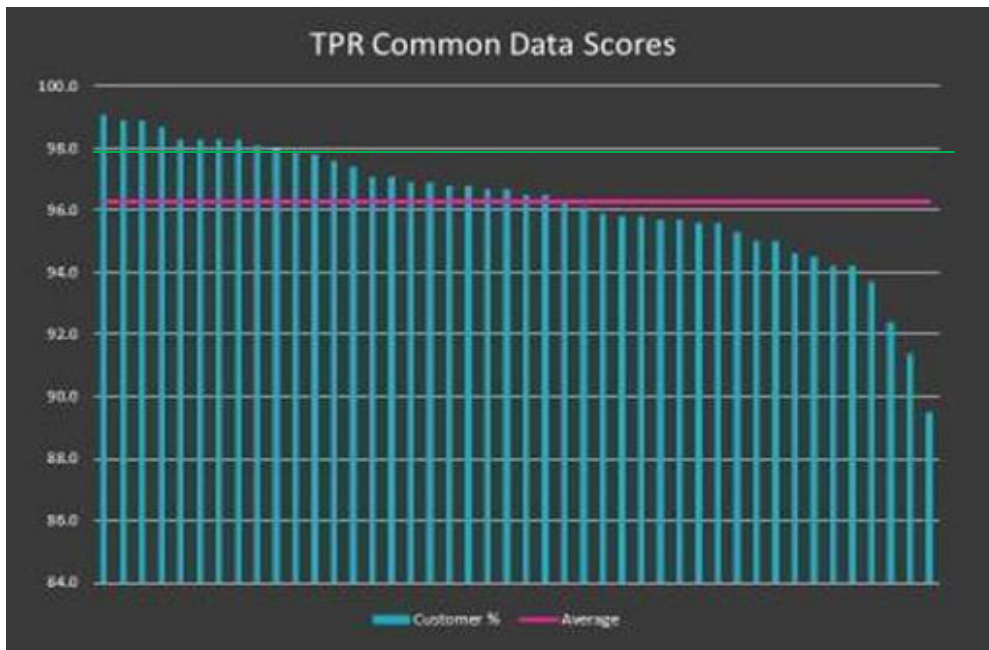


APPENDIX 2: tPR Data Quality scores

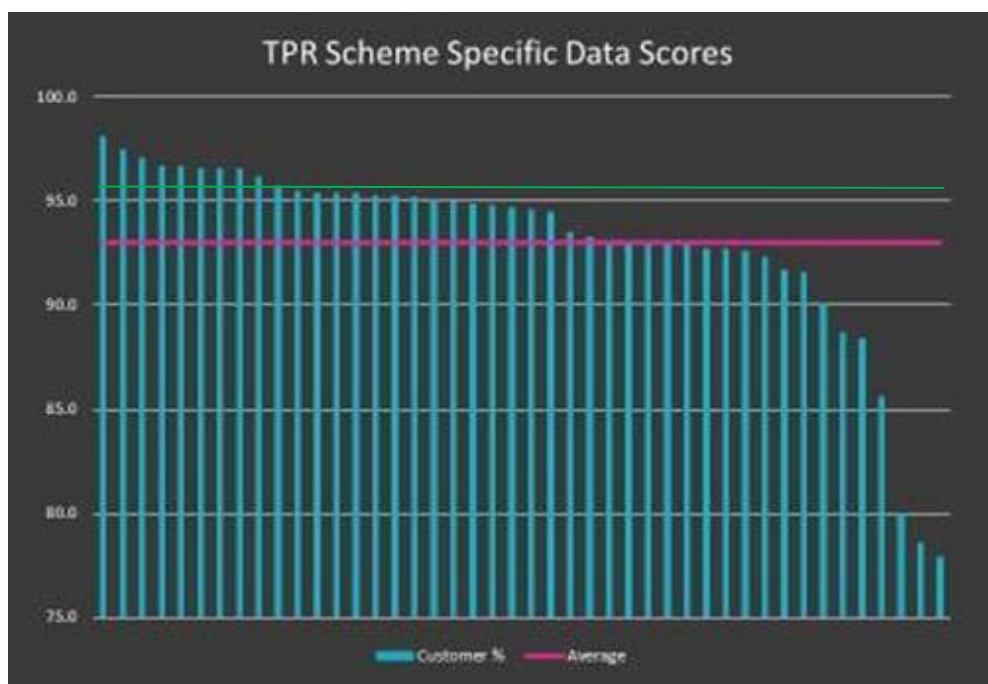
a). tPR Common Data Percentage Breakdown (At 11 October 2019)
Total score = 97.9% (from 94.2%)

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

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



Wiltshire Pension Fund



Wiltshire Pension Fund

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

Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

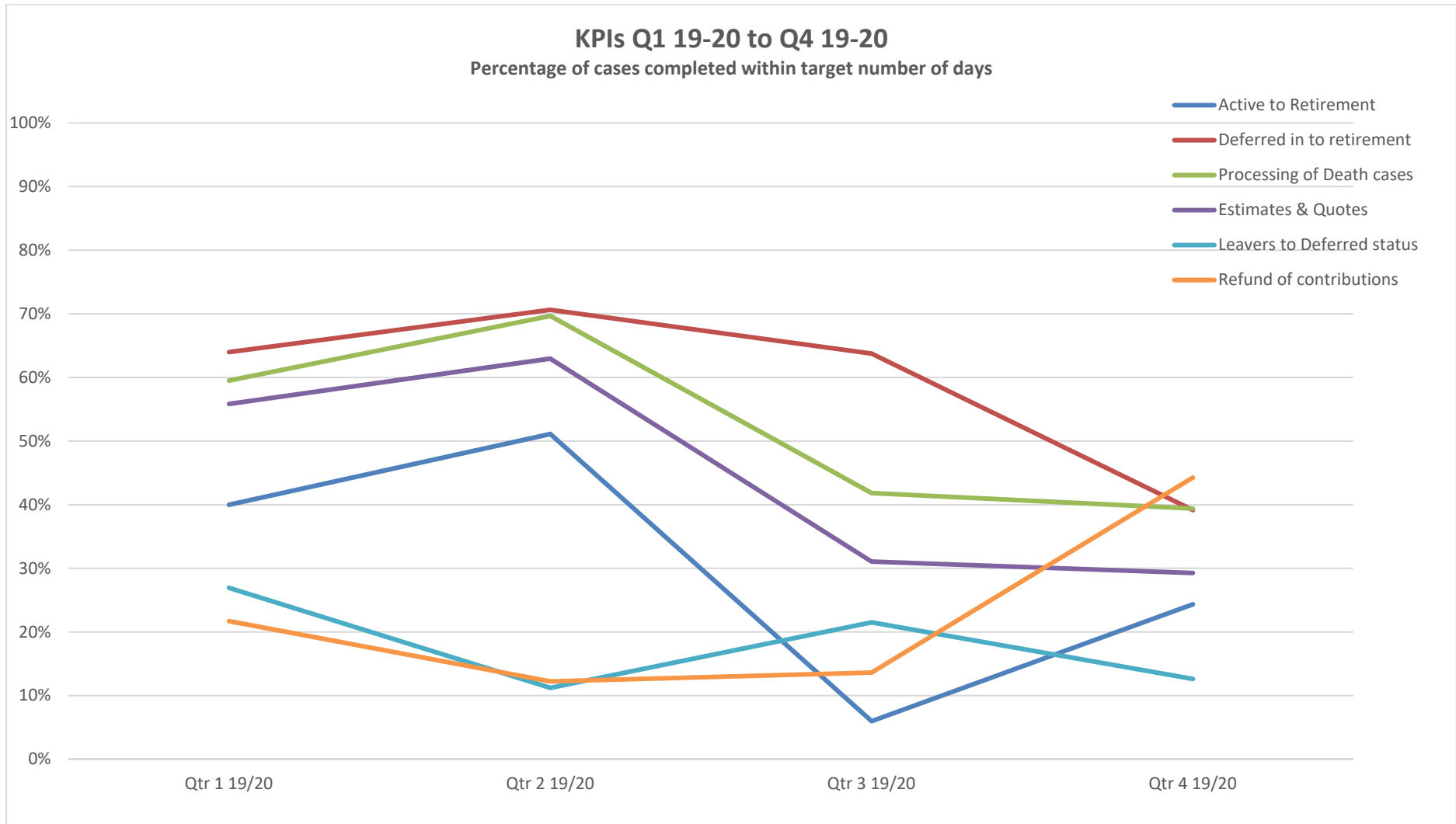
Administration Strategy

Period 01/01/2020 to 31/03/2020

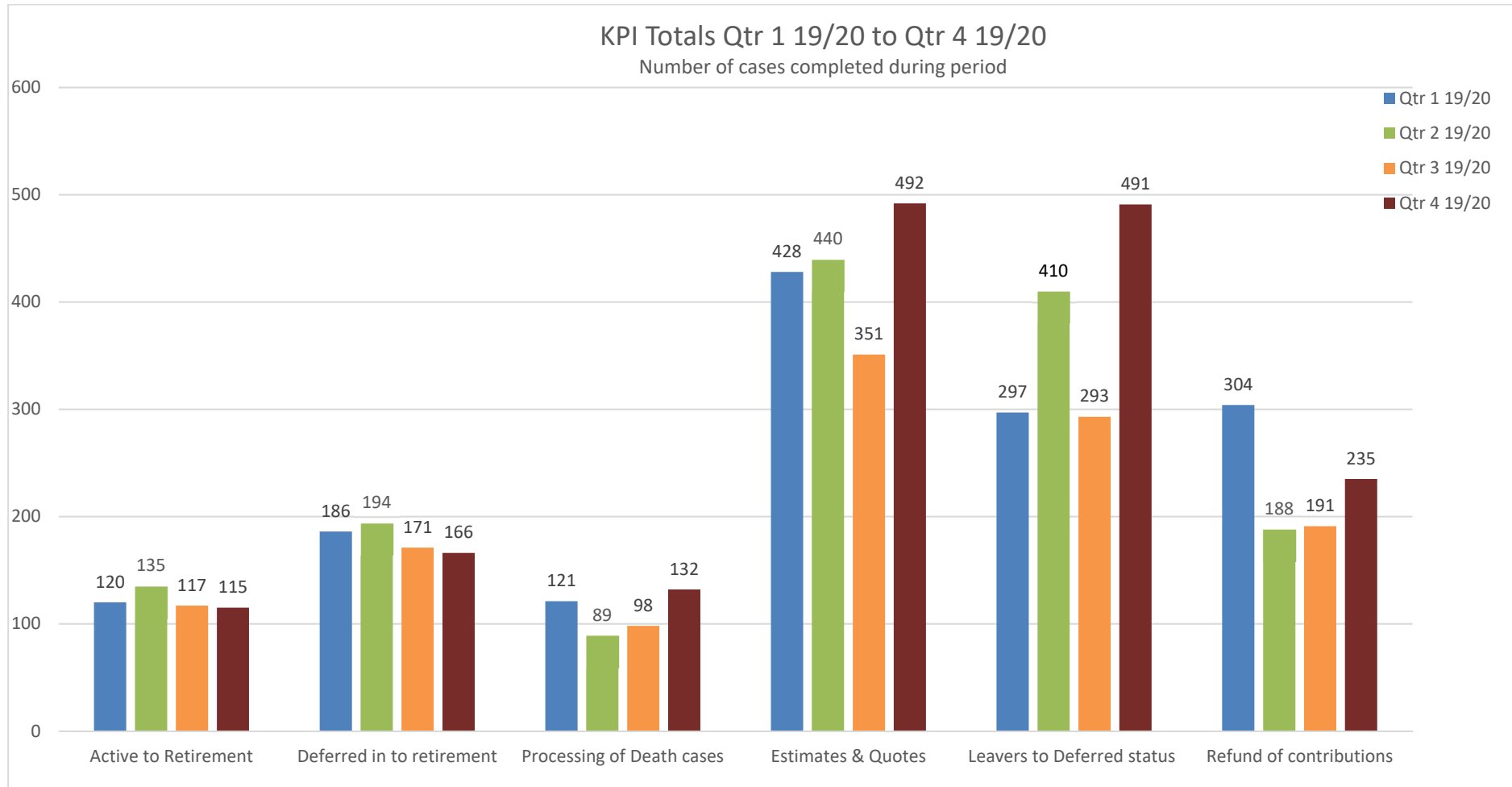
Type of case	Created cases in period	Open cases at period end	Percentage against membership	Completed cases time to complete						Total	Timescales	
				0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 + days		Admin Strategy % on target	Admin Strategy working days
Active to Retirement	243	111	0.49%	10	18	30	26	20	11	115	24%	5
Deferred in to retirement	296	23	0.07%	65	39	36	24	2	0	166	39%	5
Processing of Death cases	231	110	0.14%	52	33	24	14	7	2	132	39%	5
Benefit Estimates	682	174	0.77%	59	85	58	109	169	12	492	29%	10
Leavers to Deferred status	2070	3197	14.19%	36	18	4	4	28	401	491	13%	20
Refund of contributions	35	46	0.20%	73	13	17	1	20	111	235	44%	10
Grand Total	3557	3661		295	206	169	178	246	537	1631		
Percentage				18%	13%	10%	11%	15%	33%			

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

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

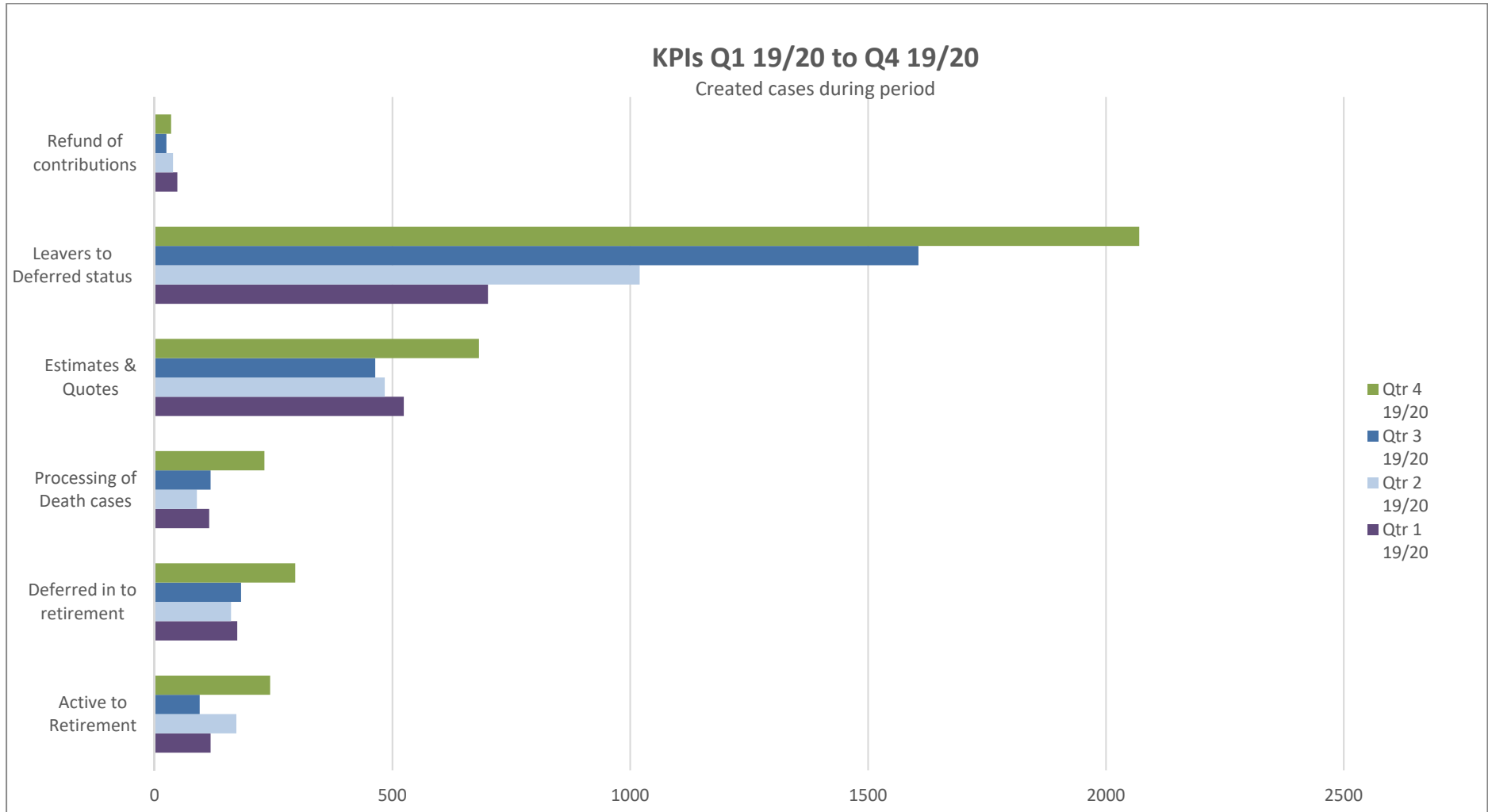


APPENDIX 3: Administration Strategy KPIs - Fund (Chart 2)

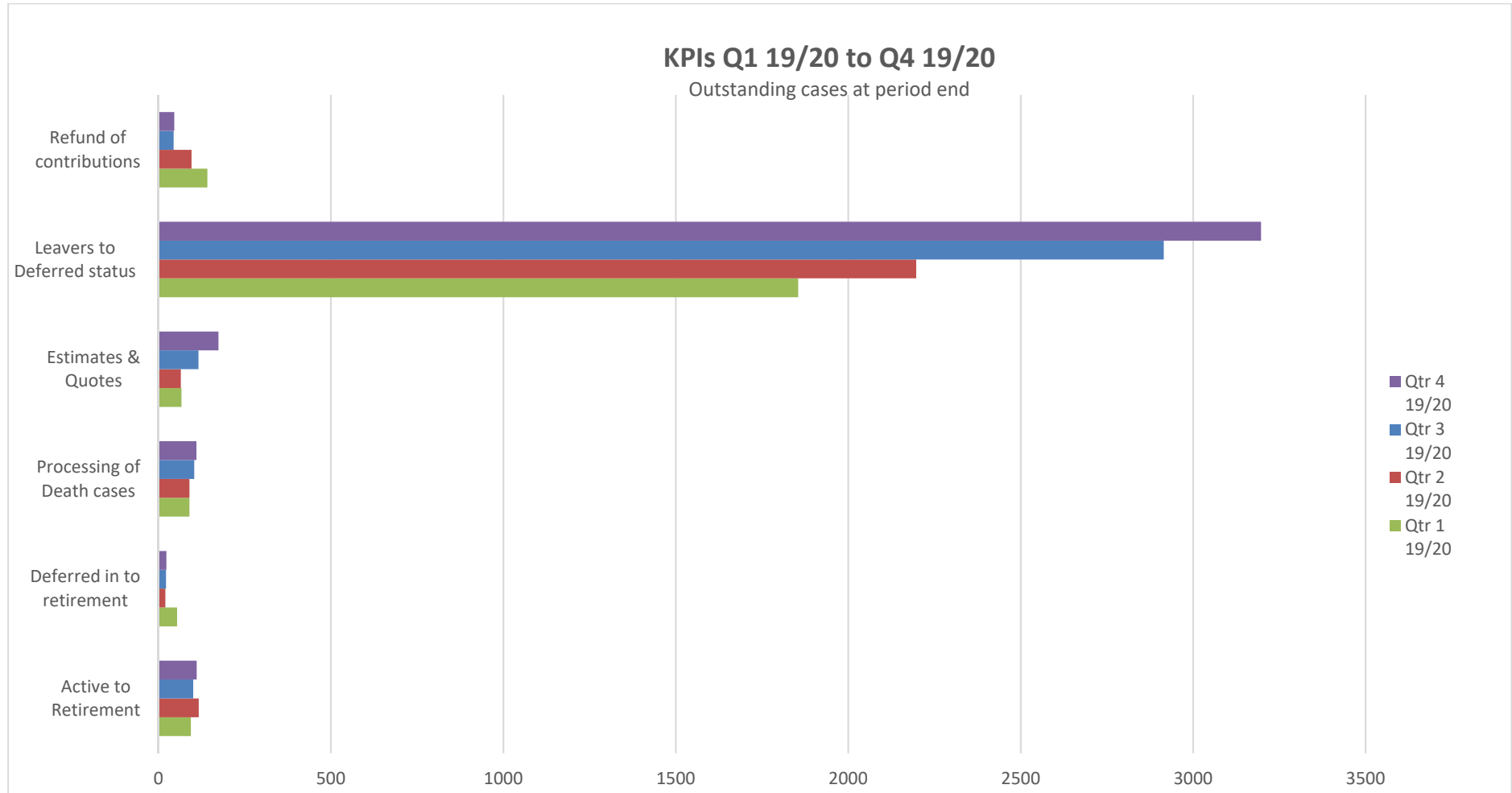


Note: Leaver to Deferred Status includes cases which will be later determined to be refund of contributions.

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



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



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

Employer Key Performance Indicators

Administration Strategy

Period 01/01/2020 to 31/03/2020

Type of case	Time to advise							Total	Timescales	
	In Advance	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		Admin Strategy % on target	Admin Strategy working days
<i>Retirement</i>	70	3	8	7	6	6	15	115	77%	2
<i>Leavers</i>	34	20	20	18	33	101	265	491	25%	20
<i>Refund of contributions</i>	45	8	5	5	8	48	116	235	30%	20
Grand Total	149	31	33	30	47	155	396	841		
Percentage	18%	4%	4%	4%	6%	18%	47%			

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

5 Largest "Managed" Employers

Employer	Managed Records	Time to advise - Retirements							Total	Admin Strategy	Admin Strategy
		In Advance	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	Working days
Wiltshire Council	34154	25	0	4	1	2	2	2	36	83%	2
Swindon Borough Council	15721	14	2	2	2	2	0	3	25	80%	2
Police Civilians	2840	4	0	1	0	0	0	0	5	100%	2
White Horse Federation	1922	2	0	1	0	0	0	0	3	100%	2
Wiltshire College	1859	1	0	0	0	0	0	0	1	100%	2
Others	18263	24	1	0	4	2	4	10	45	64%	2
		43	2	7	3	4	2	5	115		
		37%	2%	6%	3%	3%	2%	4%			

Employer	Managed Records	Time to advise - Leavers							Total	Admin Strategy	Admin Strategy
		In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	Working days
Wiltshire Council	34154	3	0	0	0	0	48	99	150	2%	20
Swindon Borough Council	15721	8	4	7	5	15	10	23	72	54%	20
Police Civilians	2840	3	1	1	3	2	1	1	12	83%	20
White Horse Federation	1922	2	2	3	1	10	7	3	28	64%	20
Wiltshire College	1859	1	2	1	2	0	2	1	9	67%	20
Others	18263	17	11	8	7	6	33	138	220	22%	20
		34	20	20	18	33	101	265	491		
		7%	4%	4%	4%	7%	21%	54%			

Employer	Managed Records	Time to advise - Refunds							Total	Admin Strategy	Admin Strategy
		In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	working days
Wiltshire Council	34154	12	2	1	1	0	25	40	81	20%	20
Swindon Borough Council	15721	6	0	1	1	1	2	18	29	31%	20
Police Civilians	2840	0	0	0	1	3	1	1	6	67%	20
White Horse Federation	1922	9	0	1	0	1	1	2	14	79%	20
Wiltshire College	1859	2	2	1	0	0	0	3	8	63%	20
Others	18263	16	4	1	2	3	19	52	97	27%	20
		45	8	5	5	8	48	116	235		
		19%	3%	2%	2%	3%	20%	49%			

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
21 May 2020

PENSION FUND – LOW VOLUME FUND PERFORMANCE MONITORING

Purpose of the Report

1. The purpose of this report is to update the Board on the Fund's performance measures for 2019/20 in connection with the following areas;
 - Internal Dispute Resolution Procedures (IDRPs);
 - ICO Data Protection breach log; &
 - tPR breach log.

Background

2. As part of the Fund's good governance arrangements it maintains a range of performance measures which sit alongside the Fund's KPI's such as administration, data quality & benchmarking. However, whilst officers report on high volume KPI's such as administration at each quarterly meeting, it was felt that to provide meaningful analysis of low volume performance measures such as those identified above the statistics would only warrant being presented to the Board on completion of each scheme year.
3. The scope of the compliance requirements for the maintenance of the low volume performance measures are identified below;
 - The Pension Regulator's Code of Practice 14 in respect of tPR breaches, complaints & IDRPs
 - The Data Protection Act 2018 in respect of Data Protection breaches & Subject Access Requests
 - The Freedom of Information Act in respect of FOI requests
4. Being the first year of production of this report only the three measures specified are being presented, however in future submissions it is intended that Complaints, Freedom of Information Requests (FOIs) & Subject Access Requests (SARs) will also be communicated.

Considerations for the Board

5. The tables below present a summary of each of the performance measures, which are supported by an officer comment highlighting any themes which can be observed from the measures recorded;

a) IDRPs

The Fund has a two stage formal complaints process for eligible complainants, with IDRPs stage 1 complaints involving officers using the services of an independent external consultant & stage 2 complaints involving determinations at Corporate Director level which may include guidance from the Fund's actuarial advisers. Where a resolution can still not be reached the complainant can take their case to the Pensions Ombudsman.

Sponsoring employers of the Fund are also required to appoint a stage 1 independent adjudicator & publish a discretionary decision-making policy to ensure fair & transparent determinations.

See Appendix I

Officer comment – During 2019/20 only three IDPRs were recorded by the Fund, one of which was raised against one of the Fund’s sponsoring employers. Typically, IDPRs are generated because of a perceived or actual failing of historic administration practice & a crucial part of current Fund officer governance & oversight is to foster a continuous regime of process improvements with the intended aim of preventing disputes before they occur.

b) Data Protection breaches

A personal data breach is 'a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed' (GDPR Article 4, definition 12)

Reporting an incident to the ICO is assessed on the impact of an incident on a person’s rights and freedoms & “impact” is risk assessed in terms of likelihood & severity of that incident. Where a person’s rights & freedoms have been compromised the individual(s) must be informed without delay. Where a breach is not reported to the ICO a justifiable reason must be recorded.

ICO breach by category	Severity rating	Total members affected	No. of breaches
Personal data sent by post to the wrong address	Green	5	4
Telephone message with personal data forwarded inadvertently to an unauthorised Council staff member	Green	1	1
Printed personal data left in office due to printer malfunction	Amber	est. 50	1
Personal data within email chain inadvertently forwarded to an unauthorised Council staff member	Green	2	1
IG's Data Loss Prevention (DLP) tool identifying personal data being sent externally by email	Green	1	1
Total Data Protection breaches recorded in 2019/20		59	8

Officer comment – Fund officers complete an initial risk assessment employing a formula approach, before referring all incidents to the Council’s Information Governance (IG) team. Fund officers viewed all incidents as immaterial except for the printed personal data breach due to the potential number of individuals affected. On referral to IG it was determined that no incidents, including the printed personal data breach required reporting to the ICO as this incident was contained within Wiltshire Council.

Four of the incidents identified above occurred within the Fund’s Benefits team, three within the Systems team & one was not identified. In all relevant incidents the Fund’s procedure to notify affected individuals without delay was carried out.

c) tPR breaches

Where a breach is likely to be of material significance to the Regulator there is a duty to report that breach having considered the cause, effect, reaction to and wider implications of that breach. Consequently, Fund officers have a process in place to monitor, record assess & escalate any breaches where they are determined as significant.

Scheme Managers, Board members, Employers, Fund advisers & any other party with a vested interest in the Fund have a responsibility to report breaches to the Regulator. Determining whether a breach is material & should be reported can be subjective & to ensure appropriate assessment Fund officers operate a range of self-challenges in line with Fund policy including formula assessment, assessment against Regulator examples & individual review based on escalated discussions & agreed mitigations to address the breach with the party concerned.

tPR breach by category	Severity rating	No. of breaches
Late Payment of Future Service Contributions	Green	49
	Amber	9
Late Payment of Future Service Contributions & Deficit Reduction Contributions	Green	0
	Amber	8
Late Payment of Deficit Reduction Contributions	Green	0
	Amber	2
Board Member Breach	Green	0
	Amber	2
ABS Disclosure	Green	0
	Amber	1
Total tPR breaches recorded in 2019/20		71

Officer comment – The focus of the Fund’s breach log recording covers financial controls, maintenance of key documentation & the disclosure of information to members associated with significant projects. There are two breaches which are not typically recorded on the Fund’s breaches log, these are IDPRs & casework disclosures both of which are reported separately, within this report & at quarterly Board meetings via the administration KPI statistics. The failure of employers to submit their contributions to the Fund as required is also reported quarterly to the Investment sub-Committee (ISC).

During 2019/20 no breaches were reported to the Regulator. Most Amber breaches in the table above are associated with the late payment of future service & deficit reduction contributions caused by a small number of smaller employers whose material impact on the Fund is minimal. These employers are reported to the ISC each quarter. Only three Amber breaches were considered significant in the last Scheme year, namely the two late payments of deficit reduction contributions by large educational employers, both of which agreed individual arrangements with the Fund & the ABS disclosure in which Fund officers implemented an improvement plan. Because of the implementation of these arrangements the threshold requirement to report any of these breaches to the Regulator was not considered to have been reached.

Conclusions

- IDRPs** – Due to the low volume & diverse nature of the cases recorded during 2019/20 the data can only really suggest that there is insufficient information on which to draw any meaningful conclusions. It should be noted however that Fund officers will continue

with their end-to-end process reviews & procedural updates to ensure that all officer working practices are as effective as possible.

7. **Data Protection breaches** – A review of the breaches highlighted that a pattern of human error was inherent in the incidents reported. Whilst this is unfortunate the level of human error & the immaterial nature of those errors should be seen in context to the total volume of personal data being processed by the Fund. For example, the volume of completed casework highlighted in the administration KPI statistics. Whilst not complacent, officers do not feel that the number of breaches which occurred during the 2019/20 scheme year is a cause for significant concern.
8. **tPR breaches** – Officers consider the Fund's breach reporting arrangements to be adequate & note the Board's confirmation of this at their meeting on 22nd August 2019 whereby they requested that breaches only need to be brought to their attention on an exception's basis (minute 53). A robust strategy is in place to address material breaches & in relation to non-material breaches, after investigation of that breach & where no intent to avoid compliance was established, a strategy of education & support was provided to that party.

Environmental Impact

9. There is no environmental impact from this report.

Financial Considerations

10. There are no immediate financial considerations.

Risk Assessment

11. There are no risks identified at this time.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no implications at this time.

Proposals

14. The Board is asked to note the findings of the low volume performance measures being monitored & managed by officers on behalf of the Fund.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

Appendix I

Low Volume Performance Measures – IDRP

Nature of IDRP	Summary of Complaint	Outcome	Fund actions
<p>A complaint against the Fund relating to a transfer in from the Civil Service in 2011 and how it is to be treated for the purposes of the 85-year rule.</p>	<p>At the time of the transfer there was a lack of central guidance regarding the treatment of transfers in. As a result, it was possible for a transfer in to be calculated using two different methods. This is supported by the LGS's guide to the 85-year rule. With regards to this member, their service credit was increased at the point the transfer was received to account for the scheme NPA (at the time) of age 65. This methodology was not made clear on the transfer in documentation. Subsequent 'generic' communications referred to their pre – 2008 service as being protected under the Rule of 85 i.e. giving the impression that this element would have no reductions at age 60. Whilst the application of this statement could be deemed as misleading, all pension calculations had applied the correct retirement reductions so the figures themselves were not overquoted. The issue had arisen from a number of technicalities which wasn't helped by changes to the treatment to transfers-in in 2011. However, the Fund are not in a position to pay something that would not be allowed under the regulations. This would result in an unauthorised payment.</p>	<p>The stage one adjudicator determined that there was serious maladministration and recommended that WPF make an award of £1,500 for distress and inconvenience. However, they acknowledged that WPF were not able to pay something that would not be allowed under the regulations. They were also unable to determine any direct financial loss, other than potentially some loss of earnings, which the member is still able to mitigate for.</p> <p>The stage one determination was inconclusive but advised WPF to seek specialist legal advice. This was to establish whether a contract was formed at the point they accepted the transfer-in. The legal advice received determined that a contract was <u>not</u> formed. This concluded the stage 1 process.</p> <p>The member submitted a stage 2 IDRP. The outcome of the stage 2 review was corroborative with the stage 1 determination and subsequent legal advice.</p>	<p>The member has the right to refer his complaint to the Pensions Ombudsman. To date, we are not aware of any such referral.</p> <p>This case highlights the importance of making sure the Fund's paperwork is accurate and compliant with any changes in legislation. Also, the Fund should ensure that the wording used to explain technical areas (such as the 85-year rule) is clear and not ambiguous.</p>
<p>A complaint against the Employer where Member resigned from their employment on 01/11/2018, however, believed that her employer had an obligation to investigate ill-health retirement from active status based on her circumstances.</p>	<p>The member was assessed in February 2019 and it was determined that she would meet Tier 1 ill-health retirement. However, as she was no longer in active employment benefit payments would be in relation to accessing her on a deferred benefits basis on ill-health grounds.</p>	<p>The employer intervened before the stage 1 adjudicator had had a chance to conduct their review. The employer reviewed their decision and awarded tier 1 ill-health retirement (from active status). The member is now receiving her pension. The complaint was not taken any further.</p>	<p>There were no learning objectives or actions for the Fund in respect of the complaint. However, it highlighted that there was a breakdown in the employer IDRP process itself as the employer believed that they had not carried out their internal resolution</p>

			process before it had gone to IDR. I have asked the employer to nominate a Stage 1 adjudicator and a nominated contact to avoid this confusion in the future.
<p>A complaint against the Fund where the member was a 'casual hours' employee between 2001 and 2013. On leaving, this member queried her service history & in turn her benefit entitlement. Her complaint surrounds the effort required in the resolution of her case and the need to involve an IFA in order to resolve the matter.</p>	<p>On leaving her role the member was credited with 56 days pensionable service, the service believed to be related to her final year only. There were no records to suggest that WPF asked her former employer to clarify her service history.</p> <p>In 2019 this member used an IFA to investigate the matter. WPF asked SBC for a history of the hours worked and, based on a mutually agreed approach, WPF re-calculated their pension entitlement. The member and the IFA were satisfied with the agreed approach. However, the member requested for the IFA fees to be paid in full.</p>	<p>As there was no arrangement (informal or otherwise) for the Fund to pay the IFA fees the Fund declined to cover these fees.</p> <p>This was also on the basis that the IFA would have been aware of the IDR process which could have been used to resolve this matter (without the need for involvement from an IFA). However, a payment of £500 was offered for the distress and inconvenience which was accepted by the member.</p> <p>The member then submitted a stage 1 application in which she also expressed her concerns that the issue identified and requiring resolution in her case, may affect other members of WPF. The stage 1 complaint was not upheld, and it was determined that the error was not indicative of a wider issue. On this basis there was no further action required.</p>	<p>This complaint could have been avoided at a number of stages. At the point of being deferred, the hours should have been clarified with the employer and adjusted correctly on the record.</p> <p>At the point the member queried her service, a member of the team should have taken responsibility to look into this and clarify again with the employer.</p> <p>WPF notes on her record indicate that the member was going to send in copies of her P60's, however, it doesn't appear that these were ever provided. Diary notes to follow up on outstanding member casework issues & ensuring member records are complete form part of the current end-to end process review.</p>

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
21 May 2020

PENSION FUND – TPR CODE OF PRACTICE 14 REVIEW

revealed

Purpose of the Report

1. This report updates the Board on the findings of an internal review of the Wiltshire Pension Fund's compliance with the Pension Regulator's Code of Practice 14 for the Fund year 2019-20;

Background

2. For the 2018-19 year the review was undertaken in two stages. Firstly, a self-assessment by officers covering the Fund's adequacy against its compliance with the Pension Regulator's Code of Practice 14, in relation to the areas of internal controls, governance, administration & resolving issues based on an independent questionnaire originally provided by Aon Consulting. Secondly, by independent internal audit conducted by SWAP to provide assurance that the self-assessment completed by officers was sufficiently robust and reliable in its execution.
3. The 2018-19 self-assessment an overall improvement in the Fund's compliance with the Code of Practice, identifying a reduction in the number of risks requiring improvement from 2017-18, from 16 to 10. The independent internal audit submitted to the Board in August 2019 recorded a "reasonable assurance", with the caveat that as part of any future self-assessment process random sample testing should be undertaken to ensure that the information provided by the Fund's Management team was correct.
4. Two key changes have been made to the officer's self-assessment for 2019-20. These were;
 - a) The period of assessment has been altered from 1st July to 30th June, to 1st July to 31st March each year to bring the self-assessment into line with the scheme year & thus enhance comparability with other Fund reporting; &
 - b) The implementation of random sample testing whereby the Governance Manager has scoped the testing selecting 10% of the responses provided & conducting a separate evidence-based review of the responses. Only green responses were selected.
5. As a result of SWAPs recommendation, the "Consideration for the Board" section below has been split into two parts. Firstly, a summary of the self-assessment for 2019-20 & secondly a summary detailing the sample testing which has been undertaken.

Considerations for the Board

Self-assessment analysis

6. The questionnaire posed 83 questions covering all areas of the Fund's internal controls & the answers to most of the areas reviewed were that the Fund was found to be adequately controlled and being well managed. Overall an improvement was observed from 10 areas identified as requiring improvement in 2018-19 to 8 areas in 2019-20.

7. Of the 10 areas identified as requiring improvement in 2018-19, 2 had shown improvement moving to a well-managed green risk status, most notably reflected in the understanding of tPR breach reporting & its management. This left 7 risks where no significant progress had been made, plus 1 risk where a marginal improvement had occurred improving from a red to an amber risk rating. All 8 amber risks identified are set out below. Officers will continue to implement their action plan to address the risks failing to reach the adequate standard.

Ongoing Risks identified		
Risk No.	Description of the risk	Remedy date
B12	Board members completion of the Pension Regulator's toolkit for training	October '20
E7	A review of internal controls is required to ensure all Fund procedures are up to date	December '20
F1	Do member records record the information required as defined in the Regulations and are they accurate	Rolling programme
F2	Ensuring that Employers provide timely & accurate information	July '20
F10	Setting in place procedures to reconcile Fund & Employer records	December '20
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales	October '20
H7	Are Employers issuing new Scheme members will all the essential basic Scheme information	December '20
H9	Is all information to members provided within the required legal timescales	December '20

Independent Sample Testing

8. Guidelines in connection with samples tested was not part of the recommendation made by SWAP. Officers have therefore sought to independently evidence the responses made, by selecting a cross section of categories with green responses & then detailing the evidence supporting that response.

Sample Risks reviewed			
Risk No.	Description of risk	Response	Evidence
A3	Was the Scheme Return completed on time	2018-19 Scheme Return submitted on 15th November 2019.	A copy of the Return can be found on TPR Exchange
B8	Are Board members investing sufficient time in learning & development	Training records are published as part of the Board's Annual Report	Although content is published, a CIPFA recommendation of duration isn't.
B11	Are training records being actively maintained	A training log is maintained by the Governance Manager	The training log is circulated annually to members to verify its accuracy
C10	Is the Board membership in line with legal requirements	Yes, there are 3 member & 3 employer reps. with an independent non-voting chairman.	An actual number isn't specified, only that the voting membership is even

F11	Are member data process compliant with GDPR	Staff GDPR training is annual. In 2018 data protection procedures were written & in Q1 2020 a system access & security review was completed	Current Fund compliance relies heavily on the Council & 3 rd party security processes. During 2020 officers will implement Fund level processes.
H5	Have ABS AVC statements been provided within the required timescales	All AVC statements with the exception of Equitable Life (EQ) were issued on time. EQ were issued late due to the Utmost takeover	Issuance is within 12 months of the end of the relevant Scheme year. The statutory deadline was achieved, just not the Fund's own standards
H12	Does the Fund's Communications strategy ensure delivery of pension provision to its members	A new Communication strategy was approved in December 2019, incorporating the Fund's intention of operating on a more digital platform	Whilst the Communication strategy ensures the vision, the delivery is not currently evidenced. Statistics to evidence delivery are being developed
I7	Are notification requirements in relation to TPAS & the Ombudsman adhered to	Notification of the requirements appear on the Fund's website	Notifications can be found under "Understanding pensions", "Useful links" on the Fund's website.

Conclusions

Self-assessment analysis

9. As minuted in the Board minutes in February 2020 new members should seek to complete TPR toolkit training within 6 months of taking their seat on the Board (B12).
10. Fulfilling the Fund's standard business & change management commitments in accordance with its business plan continues to place a strain on officer resources to update & maintain the Fund's procedures (E7 & H7).
11. It is envisaged that the implementation of new software, notably i-Connect, should address the Fund's core issues of non-compliance in relation to F1, F2 & F10, which in turn will also have a direct impact on H3 & H9. In short, this means that if the Fund can ensure the receipt of good quality data from its employers on a timely basis the Fund's disclosure of information to its members will be significantly enhanced.

Independent Sample Testing

12. Whilst the sample testing evidence identified a degree of divergence between the responses provided & the independent evidence acquired, officers are satisfied that the level of divergence is not material & that the process by which sample testing is undertaken is appropriate.

In particular, the sample testing noted that only in risks B8, F11 & H12 was sufficient evidence lacking to support the response. Action to remedy the required level of evidence in all cases has been taken.

Environmental Impact

13. There is no environmental impact from this report.

Financial Considerations

14. There are no immediate financial considerations resulting from the reporting of the Fund's compliance with tPR Code of Practice 14.

Risk Assessment

15. Any risks reflected in this report shall be reflected in the Risk Register.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no implications at this time.

Proposals

18. The Board is asked to note the internal, self-assessment undertaken.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

21 May 2020

ACTUARIAL VALUATION 2019 REVIEW

1. This report summarises the completion of the 2019 Actuarial Valuation exercise for the Wiltshire Pension Fund.

Introduction & Background

2. At the meeting on 25 October 2019, the results of the 2019 Triennial Valuation were presented to the Committee.
3. The Committee noted the proposed contribution rates for the period 1 April 2020 to 31 March 2023 and noted that discussions would be held with employer bodies outside the Stabilisation Policy and officers would be delegated authority to agree any alternative rates proposed by employers within the parameters set within the Funding Strategy Statement.
4. This paper provides a review of the data considerations used, a summary of where revised employer contribution rates were agreed and two appendices showing the final Valuation Report for members to note and report on data.
5. This report was presented to the Committee in March 2020.

Main Considerations for the Board

Setting contribution rates

6. Employers were written to after the meeting on the 25 October 2019 to provide them with details of their results and to request that each employer confirm their agreement to the contribution rates to be paid over the next three years. Further correspondence was sent out in subsequent months to chase the remaining employers which had not confirmed their rates shortly after the date they were sent.
7. The “secure employers” (i.e. those with tax-raising powers) had the option of being part of the Stabilisation Policy, which is supported by the Fund Actuary’s modelling. This policy limits increases and decreases on contribution rates to 1% per annum. All eligible employers remained within this policy.
8. The remaining employers (i.e. those without tax raising powers) were sent a proposed contribution rate schedule as part of their Valuation results.
9. Officers agreed alternative employer contribution rates with 13 employers. This was in line with expectations and all revised rates were within the parameters agreed by Committee.
10. For employers that failed to respond, despite various attempts to engage with them, the rates put into payment from 1 April 2020 were those proposed by the Fund’s Actuary.

Data review

11. The following text was provided by the actuary concerning our data quality. A more formal report can be found in Appendix 1.

a). Employer data

- *Given that we have been involved in completing the formal valuations for the Wiltshire Fund for some time now, the historic records and notes available on fund employers tend to be reasonably accurate (and are updated by the fund at each valuation)*
- *With the introduction of different funding targets (ongoing participation, contractor and low risk exit) available at this valuation, Fund officers have worked hard to ensure that all historic agreements/details/guarantors etc are confirmed and recorded to ensure that each employer's position within the fund (and their responsibility for pension obligations) is known*
- *Further to the work carried out above, small changes were made to notes for a handful of employers*

b). Membership data

- *Overall, the quality of the membership data provided by the Wiltshire Pension Fund was of a good standard, this is consistent with the quality provided as at the 2016 formal valuation*
- *The queries raised/corrective actions taken set out in the second attachment are typical for a county council fund of this size. The majority of the queries included either a) spot-checking data which would lead to high liability values e.g. abnormally high salaries, service or CARE pots or b) making necessary estimations of data in order to accurately carry out the actuarial valuation e.g. estimation of missing spouses proportions*
- *Given the volume of employers who now participate in the fund (and their differing levels of pensions experience), it is expected that there are some issues with data provided for individual employers, incorrect data can have a material impact for small employers. As noted in the Data Report, we carried out reruns for 5 individual employers – again, this is consistent with 2016 and similar to other county council funds*

c). Accounting data

- *The fund has operated a unitisation system for many years now and so the quality of data provided (and the processes in place) are of a high standard*
- *There has been a significant increase in the number of aggregations at the 2019 formal valuation and this has brought an added level of complexity when transferring assets between employers (to reflect the transferred service between employers). It would be helpful to understand a bit more about the processes in place to deal with aggregations and who is responsible for ensuring that this work is completed*
- *As mentioned in the Data Report, there were a handful of missing CETV transfer amounts (for members transferring between employers) but the majority were carried out correctly and over a 3 year inter-valuation period it is expected that there may be a handful of errors relating to these amounts*

d). Multi-academy trusts

- *The fund has experienced an increase in the number of participating multi-academy trusts and, again, this has added complexity to the recording of membership and accounting data*
- *It is important to keep a record of all transfers and combinations of academy/MATs, the contribution rates payable by each and details of any name/employer code changes*

12. Whilst the quality of the data was assessed as being 'good', the Fund will continue to make improvements to processes over the next three years to improve the accuracy further.
13. The Fund has since submitted the Valuation report to the Scheme Advisory Board (SAB) and the Ministry of Housing, Communities and Local Government (MHCLG). It was also required to provide the data it used to the Government's Actuary Department (GAD).

Risk Assessment

14. Risk PEN006a and PEN007a *Significant rises in employer contributions for secure employers due to increases in liabilities and poor investment returns* is being addressed through the implementation of the Stabilisation Policy which limits volatile increases in contribution rates.
15. Risk PEN006b and PEN007b *Significant rises in employer contributions for non-secure employers due to increases in liabilities and poor investment returns* is being addressed by the review of employers' risk to the Fund and the subsequent contributions relief offered to them for the next three years based on this evaluation.

Environmental Impact of the Proposals

16. There are no direct environment impacts from these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There no known implications at this time.

Financial Considerations

18. For "secure employers" the Stabilisation Policy has limited contribution rate increases to 1% per annum, ensuring they remain stable.
19. Employer contributions rates have been tested by the Fund Actuary and provide between a 70% and 75% probability of meeting the full funding target at the end of the agreed time horizon for each employer on an on-going basis. This range satisfies the requirement for prudence in setting employer funding.

Proposal

20. The Board is asked to note the Valuation update provided, including the appendices and to note the valuation report has been published.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

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

Unpublished documents relied upon in the production of this report:

None.

This page is intentionally left blank

2019 Valuation: Membership Data Report

Introduction

We have finalised the data validation stage of the 2019 valuation and have signed off your membership data as being fit for this purpose. We set out below a summary of the membership data that has been used for the valuation along with any updates and assumptions made to the data during the validation process.

This report is addressed to Wiltshire Council as Administering Authority of the Wiltshire Pension Fund (“the Fund”). This report and all data processes used throughout the 2019 formal valuation are compliant (where material and to a proportionate degree) with Technical Actuarial Standards 100 and 300 issued by the Financial Reporting Council.

This report may not be passed on to any third party, except as required by law or regulatory obligation, without the prior written consent of Hymans Robertson LLP. If it is passed onto a third party, then it should be provided in full.

Membership data validation process

Individual membership data as at 31 March 2019 was generated by the Fund in line with the Universal Data Extract (UDE) format and initially submitted to Hymans Robertson via the Data Portal on 22 July 2019.

The process followed during the membership data validation stage was:

- 1 Inspection by the Fund of the ‘critical errors’, ‘range validations’ and ‘comparison validations’ flagged up by the Data Portal
- 2 Discussions between Hymans Robertson and the Fund to understand and resolving the critical errors
- 3 Hymans Robertson review of the membership data submitted by the Fund and comparison of employee contributions and pensions paid in 2018/19 implied by the membership data against the actual figures paid.
- 4 Hymans Robertson raised any queries with the Fund from the review
- 5 Final data set agreed and signed off by Hymans Robertson

In reconciling the membership data provided with the Fund’s financial data, details of the employee contributions and pensions paid over the year 2018/19 were separately taken from the HEAT system.

Membership data validation timeline

The timeline of the valuation upload process is given below:

- Initial membership data upload – 22 July 2019
- Removal of critical errors - 30 August 2019
- Sign off whole fund data (after appropriate data estimations made) – 9 September 2019

Discussions carried out between Hymans Robertson and fund officers regarding membership data queries, as well as the appropriate actions to be taken, are set out in the paper “190826 Membership data – review of remaining warnings”. Further details on the amendments made to the membership data are provided below.

Data summary

A summary of the membership data at 31 March 2019 at whole Fund level is given below with a comparison to the 2016 valuation data.

	Membership numbers		Total salaries/ pensions (£000)		Total CARE pot (£000)		Average Age (weighted)	
	2016	2019	2016	2019	2016	2019	2016	2019
Actives	20,172	21,912	297,281	330,746	10,477	24,535	51.5	51.8
Deferreds	31,085	37,689	30,413	38,649	-	-	51.1	51.6
Pensioners	14,907	17,288	64,753	75,500	-	-	68.2	68.7

Membership data validation

Individual record validation

The Data Portal carries out data validations on certain data items in each individual member record. The validations are broken down into three types:

- Critical errors – where data items are missing, at the wrong date, inconsistent with other fields, etc. such that we cannot carry out an actuarial valuation.
- Range errors – where data items are outside an expected range. Some data items that fail these validations may be correct.
- Comparison errors – where data items are not as per expectations based on the data submitted for the 2016 valuation. Some data items that fail these validations may be correct

Please see the validation results spreadsheets in the Data Portal for details on the individual membership queries identified. A list of the parameters used in the Data Portal is provided in Appendix.

Further details about each validation applied to the membership data is set out in the Data Portal User Manual which can be accessed within the Data Portal or provided upon request.

As part of the data validation process we helped the Fund understand the reasons behind the critical errors, advice was given on how to correct individual member records on Altair and resolve the errors.

Review of submitted data

Individual membership data

As mentioned above, further to the individual record validations carried out by the Data Portal, a paper was prepared setting out membership data queries raised by Hymans Robertson that should be looked into by fund officers, subsequent versions of the paper contain the query responses from fund officers and the actions taken by Hymans Robertson.

The paper was provided in order to aid the data validation process and ensure the membership data was fit for purpose.

Amendments/approximations made to membership data

Details of all amendments and approximations made within the membership data provided are set out in the paper mentioned above.

Missing Records

Where an exit record exists (i.e. those records that contain a date and reason for leaving their current status) and no follow-on record exists, the Data Portal creates an estimated record based on the information available in the active/deferred member extract and appended this to the data set as shown in the data validation results spreadsheet.

Please note that no such records were created in the membership data provided i.e. all follow-on records had been successfully created by fund officers and so there was no requirement to generate estimated records.

Employer level reconciliation

We have compared the membership data supplied against the data used for the 2016 formal valuation at employer level for the purpose of checking high level summary statistics and membership movements. These checks are detailed in our reconciliation spreadsheet which was issued to the Fund on 12 September 2019.

We also compared the employee contributions and pension payments implied by the membership data against the equivalent figures from the 2018/19 HEAT data. We were able to reconcile the employee contributions implied by the membership data with the equivalent figure in the HEAT data to within 2.1% (compared to 1.0% at the 2016 valuation). Some smaller employers could not be reconciled closely but this is to be expected as the impact of members with fluctuating pay or changing employee contribution rates is more significant and our checks are limited by the nature of the data available.

The check on the pension paid data revealed that the figure implied by the membership data was 1.7% higher than the equivalent figure from the HEAT data. This was slightly higher than at the last valuation (the 2016 figures were reconciled to within 0.8%).

Individual employer membership data submissions

Revised membership data submissions were provided for each of the employers listed in the table below. Note that although in some cases below changes were made to individual members, given the relatively small size of the employer the changes made had a material impact on the underlying position.

Employer	Reason for revised membership data submission
Activate Learning Trust	Revised pension amount for individual member
Adoption West	Members not coded to new employer on Altair
Caterlink4	Revised CARE pots for active members
Create Great Studios	Revised service details for active member
Swindon Wildcats	Revised salary at 2016 and 2019 formal valuations

Internal transfers

The fund currently has a process in place to deal with internal member transfers and the associated transfer of asset values (between the employers involved). Similarly to the 2016 formal valuation, when reconciling some of the individual employer positions we noticed that there were a number of internal transfers of assets that had not been completed. The cases referred to here were discussed with Fund officers and corrected.

Other assumptions made in the data

We have calculated retirement ages for active and deferred members with no critical retirement date supplied in the data based on date of birth, qualifying service and date joined fund.

Please note that where GMP pension amounts for deferred and pensioner members are higher than the total pension amount, the total pension amount has been set equal to the GMP pension amount.

Overall comments on the data quality and suggestions for next steps

Overall, after the data validation stage, the membership data submitted by the Fund for the 2019 valuation is of good quality and fit for the purpose of a funding valuation.

Although the data submission and validation stage of the valuation is complete, this output can be used by the Fund to help continue to ensure its data is as complete and accurate as possible. Possible next steps to achieve this could be:

- Analysing the Data Portal validation results to ascertain if there any employers with a significant amount of validation errors. In these cases, it may suggest that the employer does not have a suitable level of knowledge and/or expertise in terms of understanding what data needs to be submitted to the Fund. The Fund can then carry out a targeted communication to help improve the standard of the employer's data submission. This analysis can be done by using the filter function in the Data Portal validation results spreadsheet (please contact us if further guidance is needed).
- Consider carrying out a focussed exercise to process all leaver forms.
- Carrying out annual data cleansing exercises using the Data Portal and reconciling membership data with accounts data.
- Liaising with the Fund's administration software provider to resolve any of the critical errors that are being caused by the UDE extraction programme. If no resolution is possible, understanding the workarounds required to clear these errors to allow the Fund to focus on 'genuine' validation errors.
- Put in place a formal data improvement plan. This plan should consider not only the data correction work required to improve the membership data at the time of review but also understanding the 'root' problems affecting data quality. Plans should then be put in place to resolve 'root' cause problems.
- To aid both short and long-term improvement, put in place employer training sessions that raise the knowledge levels of scheme employers. This will aid employers as they fulfil their statutory responsibilities.

Assumptions and limitations

Our data validations take the form of range and comparison checks. However, erroneous data can still pass the validations as we cannot compare against the underlying raw data in the administration system (we do not have access to this data). We therefore rely on the Fund to inspect the data to ensure it is clean and accurate before submission. Our valuation calculations are carried out assuming that the data extracted from the administration system is as specified in the Universal Data Extract. Again, we are unable to verify that this is the case as we do not have access to the underlying raw data stored in the administration system, therefore the responsibility lies with the Fund and their data administration software provider to ensure this is the case.

If the data is misreported or contains errors this may lead to a material misstatement of liabilities and contribution rates at either or both Fund and employer level.

Our data validations are set to ensure that the data supplied is fit for purpose for a formal funding valuation only. We have not sought to check or comment on whether the data supplied is compliant with the Pension Regulator's Code of Practice or is fit for any other purpose.

A handwritten signature in black ink, appearing to read 'Barry Dodds', is positioned above the typed name.

Barry Dodds FFA

Fund Actuary

For and on behalf of Hymans Robertson LLP

28 February 2020

Appendix: Data Portal details

The following tables provide a summary of the data portal inputs and the validation parameters used. As discussed on page 1, the initial membership data extract was uploaded on the 22nd of July 2019.

Job details

Job details	Value
Job ID	9472
Job type	Fund valuation (triennial)
Client	Wiltshire Pension Fund
Created at	22 July 2019 09:50:50
Valuation date	31 March 2019
Valuation data date	31 March 2016

Upload info

Upload info	Value
File name	190909 - WPF 2019 Valuation data - MJ estimations v3 (fix a handful of actual salaries) .xlsx
Uploaded at	09 September 2019 15:12:35
Validation version	3.2.10

Validation parameters

Name	Value
Active/Deferred age (years)	15 (inclusive) to 75 (inclusive)
Pensioner age (years)	55 (inclusive) to 100 (inclusive)
Child age (years)	0 (inclusive) to 21 (inclusive)
FTE salary (£)	10,000 (inclusive) to 100,000 (inclusive)
Actual salary (£)	1,000 (inclusive) to 100,000 (inclusive)
Pension/Deferred Pension (£)	100 (inclusive) to 50,000 (inclusive)
Additional Pension (£)	0 (inclusive) to 10,000 (inclusive)
CARE Pot Range (£)	0 (inclusive) to 5,000 (inclusive)
GMP Range (£)	0 (inclusive) to 20,000 (inclusive)
Part-time hours (%)	5% (inclusive) to 100% (inclusive)
Current member contribution rate (%)	3 (inclusive) to 20 (inclusive)
Entitlement service v DJF tolerance (years)	1.00
80th calculation service tolerance (years)	0.10
60th calculation service tolerance (years)	0.50
CARE entitlement service tolerance (years)	0.50
Estimated Actual (2014 definition) Salary (£ p.a.)	12000.00
Estimated FTE (2008) Salary (£ p.a.)	18000.00
Salary increase tolerance (%)	15%
Salary decrease tolerance (%)	5%
Pension/Deferred Pension tolerance (%)	10%
Spouse Pension as % of member pension	35%
Valid ages at critical retirement date (years)	55 (inclusive) to 65 (inclusive)
Valid ages at taper protection date (years)	55 (inclusive) to 65 (inclusive)

Wiltshire Pension Fund

Actuarial valuation as at 31 March 2019

DRAFT Valuation report

Contents

Page 160

Valuation report

Page

1	Introduction	1
2	Valuation approach	3
3	Valuation results	5
4	Sensitivity analysis	11
5	Final comments	143

Appendices

- Appendix 1 – Data
- Appendix 2 – Assumptions
- Appendix 3 – Rates and Adjustments certificate
- Appendix 4 – Section 13 dashboard

1 Introduction

Background to the actuarial valuation

We have been commissioned by Wiltshire Council (“the Administering Authority”) to carry out an actuarial valuation of the Wiltshire Pension Fund (“the Fund”) as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”).

The actuarial valuation is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the Fund’s participating employers for the period from 1 April 2020 to 31 March 2023. This report summarises the outcomes of the valuation and the underlying advice provided to the Administering Authority throughout the valuation process.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our [2019 valuation toolkit](#) which sets out the methodology used when reviewing funding plans;
- Our assumptions papers dated 15th July 2019, which discuss the discount rate, salary growth and demographic assumptions;
- Our Initial Results Report dated 28th February 2020 which outlines the whole fund results and inter-valuation experience;
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members.

Reliances and Limitations

This report has been prepared for the sole use of Wiltshire Council in its role as Administering Authority of the Fund to provide an actuarial valuation of the Fund as required under the Regulations. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards¹ are applicable in relation to this report and have been complied with where material:

- TAS 100 – Principles for technical actuarial work;
- TAS 300 – Pensions.

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

Use of this report by other parties

This report is addressed to the Administering Authority of the Fund only. We appreciate that other parties may also seek information about the 2019 valuation process and methodology. We would encourage such parties to refer to the following publicly available documents for further information:

- The Fund's Funding Strategy Statement;
- The Fund's Investment Strategy Statement;
- Published meeting papers and minutes for the quarterly meetings of the Fund's Pensions Committee.

Considering these papers alongside this valuation report will provide a more complete view of the Fund's funding strategy and decision-making process surrounding this. These documents are available on the Fund's website or on request.

2 Valuation approach

Employer contribution rates

The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due.

Valuations for open defined benefit multi-employer pension funds such as the Wiltshire Pension Fund are complex. Firstly, the time horizons are very long; benefits earned in the LGPS today will be paid out over a period of the next 80 years or more, and new members will continue to join in the future. Secondly, as they depend on unknowns such as future inflation and life expectancy, the actual value of future benefit payments is uncertain. Finally, to keep contributions affordable, the Fund invests in return seeking assets which have higher levels of future volatility.

Given the above and that the future cannot be predicted with certainty, employer contribution rates can only ever be an estimate. However, the valuation approach adopted uses an understanding of the Fund, and the uncertainties and risks discussed above, to quantify the likelihood of the contribution plan and investment strategy for each employer being sufficient to fund future benefits.

This is achieved in practice by following the process outlined below.

Step 1: The Fund sets a funding target (or funding basis) for each employer which defines the estimated amount of assets to be held to meet the future benefit payments.

Step 2: The Fund sets the funding time horizon over which the funding target is to be achieved.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

These three steps are central to the "risk-based" approach to funding which is described in Guide 5 of our [2019 valuation toolkit²](#).

The risk-based approach uses an Asset Liability Model (described in Guide 6) of the [2019 valuation toolkit](#)) to project each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore asset values) are variables in the projections. Further details of these variables are provided in Appendix 2. The investment strategies underlying the projection of employer asset values are provided in Appendix 1.

By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of the future projections being successful i.e. meeting the funding target by the funding time horizon.

The risk-based approach to setting employer contributions allows the Fund and its employers to understand and quantify the level of risk inherent in funding plans, something that is not possible using a single set of assumptions alone.

Further detail on the approach to calculating contributions for individual employers, including the parameters used in the three steps for each type of employer, is set out in the Funding Strategy Statement.

² https://www.hymans.co.uk/media/uploads/LGPS_2019_Valuation_Toolkit_Guides.pdf

Funding position as at 31 March 2019

The valuation also offers an opportunity to measure the Fund's funding position as at 31 March 2019. Whilst this measurement has limited insight into understanding the long term ability to be able to pay members' benefits, it is a useful summary statistic.

For the purposes of this valuation we have adopted a "mark to market" approach, for measuring the funding position, meaning that the Fund's assets have been taken into account at their market value and the liabilities have been valued by reference to a single set of assumptions based on market indicators at the valuation date. These assumptions are detailed in Appendix 2. As we have taken a market-related approach to the valuation of both the assets and the liabilities, we believe that they have been valued on a consistent basis.

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2019. Details can be found at <http://www.lgpsregs.org/>.

McCloud ruling

The LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. At the time of writing, the format and scope of any benefit changes in light of the McCloud ruling is still unknown. In line with the [advice issued by the Scheme Advisory Board in May 2019](#), details on how the Fund has made allowance for the uncertainty associated with the McCloud ruling is set out in the Funding Strategy Statement, specifically:

- Contribution rates – the Fund has made no explicit additional allowance for the McCloud ruling in the calculation of contribution rates as the Fund believes the impact of McCloud can be absorbed within the planned prudence margins (namely within the likelihood of success

used). Once the outcome of the McCloud ruling case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate

- Cessation valuations – the Fund is currently updating its cessation policy to set out how the McCloud ruling is to be allowed for in the calculation of finalised cessation valuations.

Indexation and equalisation of Guaranteed Minimum Pensions (GMP)

As a result of the Government's introduction of a single-tier state pension (STP) there is currently uncertainty around how who funds certain elements of increases on GMPs for members reaching State Pension Age after 6 April 2016.

As part of the introduction of STP, the Government confirmed that public service pension schemes, including the LGPS, will be responsible for funding all increases on GMP as an 'interim solution'. In their [January 2018 consultation response](#), HM Treasury confirmed that the 'interim solution' will continue to remain in place up to 5 April 2021. Thereafter the Government's preferred approach is to convert GMP to scheme pension.

For the 2019 valuation, given the Government's preference for conversion to scheme benefits, we have assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This has served to increase the value placed on the liabilities.

The Government have also stated that their preferred long term indexation solution of converting GMP to scheme pension will also meet the requirements of equalisation.

3 Valuation results

Employer contribution rates

The key objective of the Fund is to set employer contributions that are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding surplus or deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain relatively stable employer contribution rates.

In order to meet the above objectives, the methodology set out in Section 2 has been used to set employer contributions from 1 April 2020.

Employer contributions are made up of two elements:

- a) the estimated cost of future benefits being built up each year, after deducting members' own contributions and including an allowance for the Fund's administration expenses. This is referred to as the "Primary rate", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the total contribution the employer needs to pay, referred to as the "Secondary rate". In broad terms, the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The Primary rate and Secondary rate for every contributing employer in the Fund is set out in the Rates and Adjustments Certificate in Appendix 3.

Each employer has been certified primary and secondary contributions that are appropriate for that employer's circumstances and which reflects that employer's experience. However, broadly speaking:

- Primary contribution rates have been subject to some upwards pressure as a result of a weaker outlook for future investment returns.
- Secondary contributions have decreased as employer assets have increased since 31 March 2016, reducing any extra contributions required in respect of benefits accrued to the valuation date. The impact of this on secondary contributions has been partially offset by the additional prudence built into funding plans to allow for the McCloud ruling.

The table below summarises the whole fund Primary and Secondary Contribution rates at this valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the Regulations and CIPFA guidance. The whole fund Primary and Secondary contributions calculated at the 2016 valuation of the Fund are shown for comparison.

	Last Valuation 31 March 2016		This Valuation 31 March 2019	
Primary Rate (% of pay)	19.4%		TBC	
Secondary Rate (£)	2017/18	17,165,000	2020/21	TBC
	2018/19	19,998,000	2021/22	TBC
	2019/20	22,995,000	2022/23	TBC

The Primary rate includes an allowance of 0.8% of pensionable pay for the Fund's expenses (0.5% at the 2016 valuation). Note that the expense allowance is calculated based on the average administration expenses seen in the Fund's accounts over the last 3 years.

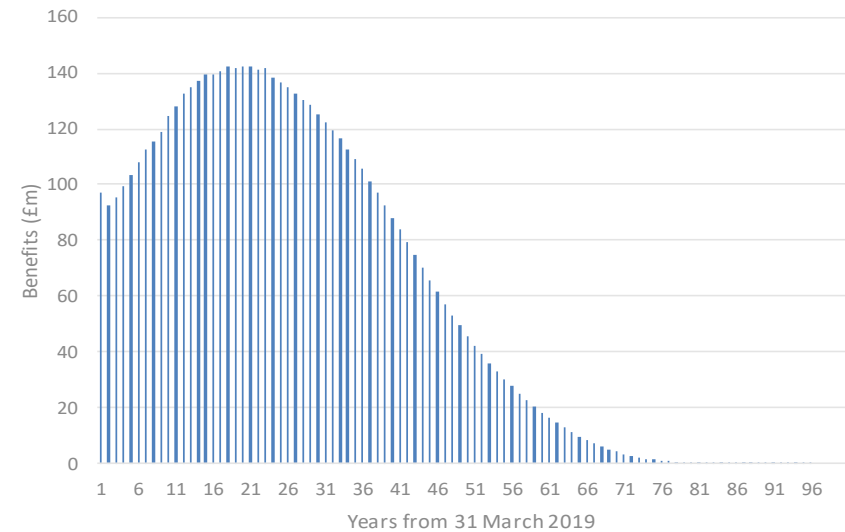
The total expected contributions to be received by the Fund over the period 1 April 2020 to 31 March 2023 is higher than the expected contributions over the period 1 April 2017 to 31 March 2020.

The average employee contribution rate is 6.1% of pensionable pay (6.0% at the 2016 valuation).

Funding position as at 31 March 2019

The funding position is a summary statistic often quoted to give an indication of the health of the fund. It is limited as it provides only a snapshot in time and is based on a single set of assumptions about the future. To measure the funding position at 31 March 2019, we compare the value of the Fund's assets on that date against the expected cost (including an allowance for future investment returns) of all the future benefit payments accrued up to the valuation date (the liabilities).

The chart below details the projected future benefit payments based on the membership data summarised in Appendix 1 and the demographic, salary and benefit increases assumptions summarised in appendix 2.



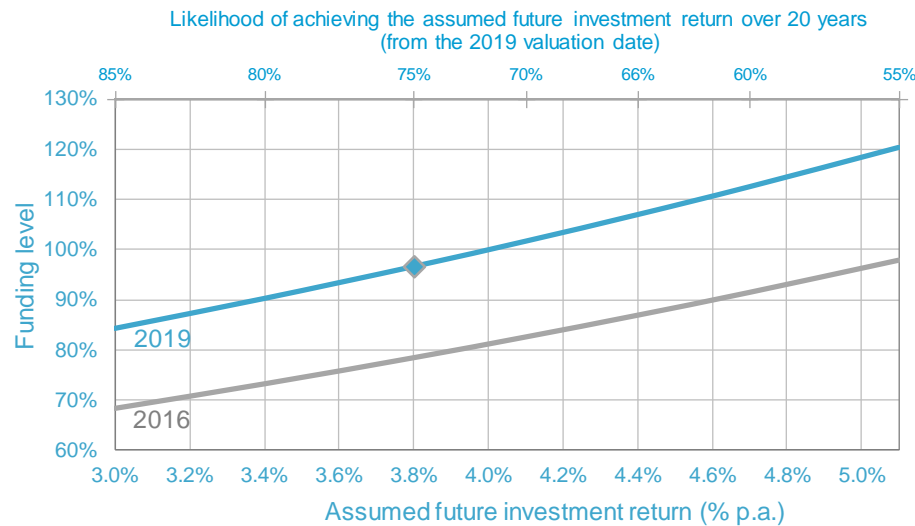
Using an assumption about the future investment return generated from the Fund's assets then allows a value to be placed on these payments in today's money; the liabilities. The higher the assumed investment return, the lower the liability value and therefore the higher the funding level.

The value placed on the liabilities is extremely sensitive to the investment return assumption. Based on the Fund's current investment strategy (detailed in Appendix 1) and the same model used in the contribution rate calculations, it is estimated that:

- There is a 50% likelihood of the Fund's investments achieving at least an annual return of 5.3% p.a. over the next 20 years;
- There is a 75% likelihood of the Fund's investments achieving at least an annual return of 3.8% p.a. over the next 20 years; and

- There is an 80% likelihood of the Fund’s investments achieving at least an annual return of 3.4% p.a. over the next 20 years.

The following chart shows how the funding level varies with the future investment return assumption (blue line). For comparison, the funding level associated with the same choice of investment return assumption at the 2016 valuation is also shown (grey line).



From this chart, we can see that:

- Regardless of the investment return assumption used, there has been a genuine improvement in the funding position at 31 March 2019 compared to the last valuation, reflecting an increase in the assets held today per pound of benefit to be paid out in future;
- The funding position would be 100% if future investment returns were around 4.0% p.a. (at 2016, the investment return would have needed to

be 5.2% p.a.). The likelihood of the Fund’s assets yielding at least this return is around 71%;

- If future investment returns were 5.3% p.a. then the Fund currently holds sufficient assets to meet 125% of the accrued liabilities. The likelihood of the Fund’s assets yielding at least this return is 50%. 125% can therefore be considered the “best estimate” funding position.

Reported funding position

The valuation outputs are more meaningful when stakeholders can understand the likelihood, and hence the level of prudence, attached to them. The above chart does this for the measurement of the funding position.

However, there is still a requirement to report a single funding position at 31 March 2019. This reported position must include a margin of prudence.

For the purpose of reporting a funding level and an associated funding surplus/deficit for the 2019 valuation, an investment return of 3.8% p.a. has been used. It is estimated that the Fund’s assets have a 75% likelihood of achieving this return.

The resulting funding position is as follows:

Valuation Date	31 March 2016	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	690	777
Deferred Pensioners	543	688
Pensioners	1,013	1,215
Total Liabilities	2,246	2,680
Assets	1,831	2,589
Surplus / (Deficit)	(415)	(92)
Funding Level	82%	97%

There has been an improvement in the reported funding level since 31 March 2016 from 82% to 97% and a reduction in the funding deficit from £415m to £92m.

A breakdown of the key factors that have influenced the reported funding position from 31 March 2016 to 31 March 2019 are detailed overleaf.

Change in the surplus/deficit position	Assets (£m)	Liabilities (£m)	Surplus / (Deficit) (£m)
Last valuation at 31 March 2016	1,831	2,246	(415)
Cashflows			
Employer contributions paid in	239		239
Employee contributions paid in	60		60
Benefits paid out	(253)	(253)	0
Net transfers into / out of the Fund*	26		26
Other cashflows (e.g. Fund expenses)	(8)		(8)
Expected changes in membership			
Interest on benefits already accrued		283	(283)
Accrual of new benefits		266	(266)
Membership experience vs expectations			
Salary increases greater than expected		5	(5)
Benefit increases less than expected		(0)	0
Early retirement strain (and contributions)	5	8	(3)
Ill health retirement gain		(6)	6
Early leavers greater than expected		(4)	4
Pensions ceasing greater than expected		(1)	1
Commutation less than expected		5	(5)
Other membership experience		31	(31)
Changes in market conditions			
Investment returns on the Fund's assets	688		688
Changes in future inflation expectations		72	(72)
Changes in actuarial assumptions			
Change in demographic assumptions (excl. longevity)		(5)	5
Change in longevity assumptions		(66)	66
Change in salary increase assumption		2	(2)
Change in assumed rate of investment returns		98	(98)
This valuation at 31 March 2019	2,589	2,680	(92)

* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Since the previous valuation, various events have taken place which affect the value placed on the liabilities, including:

- There is an interest cost of £283m. This is broadly three years of compound interest (or expected investment returns) at 4.0% p.a. applied to the previous valuation liability value of £2,246m. The benefits that have been accrued to the valuation date are three years closer to payment at 31 March 2019 than they were at 31 March 2016, meaning there is a shorter period for future investment returns to help meet this cost. This serves to increase the value placed on the liabilities;
- The areas of membership experience that have had the greatest impact on the surplus/deficit position of the Fund are set out below, together with their impact on the liabilities:

	Expected	Actual	Difference	Impact on Liabilities
Pre-retirement experience				
Early leavers (no of lives)	4,880	8,958	4,078	Positive
Ill health retirements (no of lives)	176	140	(36)	Positive
Salary increases (p.a.)	3.1%	3.4%	0.4%	Negative
Post-retirement experience				
Benefit increases (p.a.)	2.1%	2.1%	(0.0%)	Broadly neutral
Pensions ceasing (£m)	5,431	5,677	246	Positive

- The changes to the longevity assumptions used for the valuation have resulted in a modest reduction in life expectancies. This has served to reduce the liabilities by £66m;
- The assumed rate of future CPI inflation has increased from 2.1% p.a. at 31 March 2016 to 2.3% p.a. at 31 March 2019. This has increased the value of the liabilities by £72m;
- The assumed rate of future investment returns has decreased from 4.0% p.a. to 3.8% p.a.. This has increased the value of the liabilities by £98m.

There has been a large increase in the value of the Fund's assets since the previous valuation because:

- The investment return on the Fund's assets for the period 31 March 2016 to 31 March 2019 was 38.4%. This has increased the value of the assets by £688m.

Projection of the funding position

The progression of the funding position will depend on various factors including future asset performance, economic conditions and membership movements. If the financial and demographic assumptions made at this valuation are borne out in practice, and there are no changes to the valuation assumptions, we project that the funding level at the 2022 valuation date will be approximately **TBC**. This allows for contributions to be paid as described in Appendix 3.

4 Sensitivity analysis

The results set out in this report are based on assumptions about the future. The actual cost of providing the benefits will depend on the actual experience of the Fund, which could be significantly better or worse than assumed. This section discusses the sensitivity of the results to some of the key assumptions.

Sensitivity of contribution rates to changes in assumptions

The approach to setting employer contribution rates mitigates the limitation of relying on one particular set of assumptions about the future by recognising the uncertainty around future investment returns and inflation. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions.

The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

Sensitivity of the funding position to changes in assumptions

The reported valuation funding position is based on one set of actuarial assumptions about the future of the Fund. If all of the assumptions made were exactly borne out in practice, then the liability value presented in this report would represent the actual cost of providing accrued benefits from the Fund as it stands at 31 March 2019.

Sensitivity of the funding position to future investment returns

The chart in Section 3 details how the funding position varies with the future assumed investment return.

Sensitivity of the funding position to future inflation

Pensions (both in payment and in deferment) in the LGPS increase annually in line with CPI. Furthermore, benefits accrued in the CARE scheme are revalued annually in line with CPI. If future CPI inflation is higher than the assumed rate of 2.3% then the cost of the benefits will be higher than we have set out in Section 3.

The table quantifies the impact on the funding position of varying the benefit increases and CARE revaluation (CPI) assumption below.

CPI Assumption	Surplus/(Deficit)	Funding Level
% pa	(£m)	%
2.1%	(20)	99%
2.3%	(92)	97%
2.5%	(163)	94%

Sensitivity of the funding position to life expectancy

The main area of demographic risk is people living longer than expected. If long term mortality rates fall at a rate of 1.5% p.a. (compared to the assumed 1.25% p.a.) then members will live slightly longer than we have assumed in this valuation. The impact on the funding position is detailed below.

Long term rate of improvement	Surplus/(Deficit)	Funding Level
% pa	(£m)	%
1.25%	(92)	97%
1.50%	(112)	96%

Other demographic risks to consider

There are other risk factors which would have an impact on the funding position. Examples of these include the level of ill health retirements, withdrawals from the scheme and take up of the 50:50 option. These are probably unlikely to change in such a way that would rank them as amongst the highest risks facing the Fund and therefore there has been no further quantification of their risk.

Comment on sensitivity analysis

Note that the tables above show the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the funding position is therefore more complex. Furthermore, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme experience could actually be.

There has recently been significant volatility in the financial markets as a result of the economic uncertainty associated with the COVID-19 pandemic. At 10 March 2020, we estimate that the whole fund investment return since 31 March 2019 would be in the region of -1%. As an open scheme, with a strong covenant, the LGPS as a whole is able to take a long-term outlook when considering the general funding implications of such external events. For employers who have a very short time horizon, recent market falls may be more immediately impactful, and the administering authority is taking steps to engage individually with these employers about the deteriorated funding position.

At the time of writing, it is very uncertain how this will affect the long-term economy and investment returns. Therefore, no allowance has been made for this ongoing volatility in the 2019 valuation results or contribution rates detailed in the Rates & Adjustments Certificate. This situation will be monitored closely

to understand what impact it may have on the Fund and participating employers.

As of March 2020, the funding position is expected to have worsened, mostly as a result of falls in asset values since 31 March 2019.

Other risks to consider

Regulatory, Administration and Governance risks

As well as financial and demographic risks, the Fund also faces:

- Regulatory risks – central government legislation could significantly change the cost of the scheme in the future; and
- Administration and governance risk – failures in administration processes could lead to incorrect data and inaccuracies in the actuarial calculations.

These risks are considered and monitored by the Fund as part of its ongoing risk management framework.

Resource and environment risks

The Fund is exposed to risks relating to future resource constraints and environmental changes. These risks may prove to be material.

Climate change is a complex issue for the Fund. Adverse future climate change outcomes will have an impact on future longevity, inflation, government and corporate bond yields and equity returns.

Whilst there has been no explicit increase in certified employer contribution related to climate change, these risks may be considered by the Administering Authority when assessing the output from contribution rate ('comPASS') modelling.

Risk management

Employers participating in the Fund are exposed to a number of risks. These include, but are not limited to:

- Investment risk;
- Market risks;
- Demographic risks;
- Regulatory risks;
- Administration and Governance risks;
- Resource and Environmental risks.

The Funding Strategy Statement has further details about these risks and what actions the Fund takes to monitor, mitigate and manage each one.

5 Final comments

The Fund's valuation operates within a broader framework, and this document should therefore be considered alongside the following:

- the Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated;
- the Investment Strategy Statement, which sets out the investment strategy for the Fund;
- the general governance of the Fund, such as meetings of the Pensions Committee and Local Pension Board, decisions delegated to officers, the Fund's business plan, etc;
- the Fund's risk register; and
- the information the Fund holds about the participating employers.

Intervaluation employer events

New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 62 of the Regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund; or
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement;

should be referred to us to consider the impact on the Fund.

Valuation frequency

Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2022 where contribution rates payable from 1 April 2023 will be set.

Catherine McFadyen

Barry Dodds

Fellows of the Institute and Faculty of Actuaries

For and on behalf of Hymans Robertson LLP

XX March 2020



Appendix

Appendix 1 – Data

Membership data as at 31 March 2019

A summary of the membership data provided by the Administering Authority for the purposes of the valuation at 31 March 2019 is shown below. The corresponding membership data from the previous valuation is also shown for reference.

Whole Fund Membership Data	Last Valuation 31 March 2016	This Valuation 31 March 2019
Employee members		
Number	20,172	21,912
Total Actual Pay (£000)	297,281	330,746
Total Accrued Pension (£000) (80ths)	-	10,364
Total Accrued Pension (£000) (60ths)	-	12,873
Total Accrued Pension (£000) (CARE)	10,477	24,535
Average Age (liability weighted)	51.5	51.8
Future Working Lifetime (years)	9.6	6.5
Deferred pensioners		
Number	31,085	37,689
Total Accrued Pension (£000)	30,413	38,649
Average Age (liability weighted)	51.1	51.6
Pensioners		
Number	14,907	17,288
Total pensions in payment (£000)	64,753	75,500
Average Age (liability weighted)	68.2	68.7
Average duration of liabilities	17.9	17.7

Benchmark investment strategy

The following investment strategies, provided by the Fund's investment advisor (Mercer), have been used to assess employer contribution rates and to set the future investment return assumption as at 31 March 2019:

% allocation	Long term strategy	Alternative strategy
UK equities	1.9%	0.0%
Global equities	25.1%	16.4%
Private equity	5.0%	0.0%
Infrastructure (equity)	8.0%	5.3%
Total growth assets	40.0%	21.7%
Index-linked gilts	15.0%	41.8%
UK corporate bonds	0.0%	13.2%
Total protection assets	15.0%	55.0%
Multi-asset credit	5.0%	4.4%
Emerging market debt	5.0%	1.6%
High yield bonds	0.0%	2.0%
Senior loans	0.0%	1.6%
Insurance linked securities	5.0%	0.0%
Property	25.0%	13.7%
Private lending	5.0%	0.0%
Total income generating assets	45.0%	23.3%
Grand total	100.0%	100.0%

Other data used in this valuation

We have also relied upon asset and accounting data from the Fund's published 2016/17, 2017/18 and 2018/19 Annual Report and Accounts. Employer level cashflow data was provided by the Administering Authority and reconciled against the information shown in these documents. It should be noted that there is a variation between the asset figures shown in the Fund's accounts and the unitised asset figure used for the funding position shown. This is mostly due to an allowance made in the accounts for £25 million due from Dorset County Pension Fund in respect of a bulk transfer in of Dorset Fire civilians, which was received in May 2019. In addition, there is a small variation due to the way in which the unitisation model used by Wiltshire Pension Fund accounts for the timing of cashflows.

Comment on data quality

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. We have carried out validations on the membership data provided to ensure it is fit for the purpose of the valuation. Further details can be found in our report issued to the Administering Authority entitled "Data report for 2019 valuation". We believe the membership data is fit for the purposes of this valuation.

Appendix 2 – Assumptions

Financial assumptions used to set employer contribution rates

Projection of assets and benefit payments

The approach to setting employer contribution rates does not rely on a single set of assumptions but involves the projection of an employer's future benefit payments, contributions and investment returns under 5,000 future economic scenarios. In this modelling, inflation (and therefore benefit payments) and investment returns for each asset class (and employer asset values) are variables and take different values in each projection.

The model underlying these projections is Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	Corp Medium A	Inflation	17 year real yield	17 year yield
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
Volatility (Disp) (1 yr)		1%	7%	10%	17%	17%	14%	11%	1%		

Funding target

At the end of an employer's funding time horizon, an assessment is made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). To value the cost of future benefits assumptions are made about the following financial factors:

- Benefit increases and CARE revaluation;
- Salary growth;
- Investment returns (the “discount rate”).

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is not appropriate for every projection. Therefore, instead of using a fixed value, each assumption is set with reference to an economic indicator. The economic indicators used are:

Assumption	Economic Indicator
Benefit increases	Future CPI inflation expectations
CARE revaluation	Future CPI inflation expectations
Salary increases	As above plus 0.4% p.a.
Future investment returns	Prevailing risk free rate of return plus margin

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis uses a different margin in the future investment return assumption.

Funding Basis	Margin above risk-free rate
Ongoing participation	1.6%
Contractor exit	Same as used to allocate assets on joining the Fund
Gilts exit	0%

Financial assumptions used to assess the funding position

Salary and Benefit Increases

Financial Assumptions (p.a.)	31 March 2016	31 March 2019
Benefit increases and CARE revaluation (CPI)	2.1%	2.3%
Salary increases	2.4%*	2.7%**

*CPI plus 0.3%

**CPI plus 0.4%

Investment Return

The reported funding position is based on an assumed future investment return of 3.8%. The derivation of this assumption is set out in Section 3. The equivalent assumption at the 2016 valuation was 4.0%. This was derived in a different way, please see the 2016 valuation report for further details.

Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding position.

Longevity

As the fund is a member of Club Vita, the baseline longevity assumptions are a bespoke set of Vita Curves that are tailored to fit the membership profile of the Fund. These curves are based on the data the Fund has provided us with for the purposes of this valuation.

We have also allowed for future improvements in mortality based on the CMI 2018 model with an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for both women and men.

Longevity Assumptions	31 March 2016	31 March 2019
Baseline Longevity	Club Vita	Club Vita
Future Improvements	CMI2013, Peaked, 1.25% p.a. long term	CMI2018, Smoothed, 1.25% p.a. long term

Full details are available on request.

The longevity assumptions result in the following typical future life expectancies from age 65 (figures for 2016 shown for comparison):

Assumed Life Expectancy	31 March 2016	31 March 2019	
Male	Pensioners	22.5 years	21.7 years
	Non-pensioners	24.1 years	22.5 years
Female	Pensioners	24.9 years	24.0 years
	Non-pensioners	26.7 years	25.5 years

Non-pensioners are assumed to be aged 45 at the valuation date

Other demographic assumptions

We are in the unique position of having a very large local authority data set from which to derive our other demographic assumptions. We have analysed the trends and patterns that are present in the membership of local authority funds and tailored our demographic assumptions to reflect LGPS experience. The resulting demographic assumptions are as follows:

Demographic Assumptions	
Retirements in normal health	We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation. Further details are available on request.
Death in Service	See sample rates below
Retirements in ill health	See sample rates below
Withdrawals	See sample rates below
Promotional salary increases	See sample increases below
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% service from 1 April 2008).
50:50 option	1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Sample rates for demographic assumptions

Males

Age	Salary Scale	Incidence per 1000 active members per annum						
		Death Before Retirement FT & PT	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.21	353.77	439.47	0.00	0.00	0.00	0.00
25	117	0.21	233.68	290.28	0.00	0.00	0.00	0.00
30	131	0.26	165.80	205.93	0.00	0.00	0.00	0.00
35	144	0.30	129.54	160.88	0.10	0.07	0.02	0.01
40	150	0.51	104.30	129.48	0.16	0.12	0.03	0.02
45	157	0.85	97.97	121.60	0.35	0.27	0.07	0.05
50	162	1.36	80.76	100.12	0.90	0.68	0.23	0.17
55	162	2.13	63.59	78.88	3.54	2.65	0.51	0.38
60	162	3.83	56.68	70.28	6.23	4.67	0.44	0.33
65	162	6.38	0.00	0.00	11.83	8.87	0.00	0.00

Females

Age	Salary Scale	Incidence per 1000 active members per annum						
		Death Before Retirement FT & PT	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT	PT	FT	PT	FT	PT
20	105	0.12	318.32	378.95	0.00	0.00	0.00	0.00
25	117	0.12	214.19	254.95	0.12	0.07	0.02	0.01
30	131	0.18	179.54	213.68	0.15	0.10	0.03	0.02
35	144	0.30	154.96	184.36	0.31	0.19	0.05	0.04
40	150	0.48	128.97	153.39	0.46	0.29	0.08	0.06
45	157	0.77	120.36	143.12	0.62	0.39	0.10	0.08
50	162	1.13	101.47	120.53	1.16	0.73	0.24	0.18
55	162	1.49	75.71	90.03	4.31	2.69	0.52	0.39
60	162	1.90	61.02	72.46	6.85	4.28	0.54	0.40
65	162	2.44	0.00	0.00	12.31	7.69	0.00	0.00

Prudence in assumptions

We are required to include a degree of prudence within the valuation. This has been achieved in both the setting of contributions and assessment of funding position.

Contribution rates

- Employer funding plans have been set such that the likelihood the employer's funding target is met by the end of the funding time horizon is more than 50%. The actual likelihood varies by employer. Further detail in is the Funding Strategy Statement.

Funding position

- The Fund's investments have a 75% likelihood of returning at least the assumed return.

All other assumptions represent our "best estimate" of future experience.

The assumptions used in this valuation have been agreed with the Administering Authority and are set out in the Fund's Funding Strategy Statement.

Appendix 3 – Rates and Adjustments certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement and in Appendix 2 of our report on the actuarial valuation dated XX March 2020. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund Primary and Secondary Contribution rates for the period 1 April 2020 to 31 March 2023. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the Regulations and CIPFA guidance.

Whole Fund Contribution Rate		
Primary Rate (% of pay)	TBC	
Secondary Rate (£)	2020/21	TBC
	2021/22	TBC
	2022/23	TBC

The required minimum contribution rates for each employer in the Fund are set out below.

TBC

Further comments

- Contributions expressed as a percentage of payroll should be paid into Wiltshire Pension Fund (“the Fund”) at a frequency in accordance with the requirements of the Regulations;
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions. If an employer has ill health liability insurance in place with the insurer arranged through the Fund, the premium is deducted from that employer’s asset share and any amounts recovered through that insurance are allocated to that employer’s asset share.
- The certified contribution rates represent the **minimum** level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

Page 183

Signature:

Name: Catherine McFadyen Barry Dodds

Qualification: Fellows of the Institute and Faculty of Actuaries

Firm: Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

Date: XX March 2020

Appendix 4 – Section 13 dashboard

The following information has been provided to assist the Government Actuary's Department in complying with Section 13 of the Public Service Pensions Act.

TBC

Wiltshire Pension Fund

2019 Actuarial Valuation

Initial Results

February 2020



Barry Dodds FFA

For and on behalf of Hymans Robertson LLP



Contents

2019 Actuarial Valuation Initial Results

Page

1	Introduction	1
2	Data	2
3	Assumptions	2
4	Funding position as at 31 March 2019	7
5	Sensitivity analysis of the funding position	11
6	Next steps	13

Appendices

Page

Appendix 1 – Projecting the Fund’s Assets
Appendix 2 – Economic Scenario Service

1 Introduction

We have been commissioned by Wiltshire Council (“the Administering Authority”) to carry out a full actuarial valuation of the Wiltshire Pension Fund. (“the Fund”) as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”).

This report is addressed to the Administering Authority. The purpose of this document is to;

- present the current funding position of the Fund using a range of actuarial assumptions; and
- explain why the funding position has changed since the previous actuarial valuation was carried out in 2016; and
- show the sensitivity of the funding position.

This information can be used by the Administering Authority to support the development of the funding strategy and to identify and understand areas of potential risk for which it may wish to explore possible avenues of risk mitigation during the valuation process.

This report should not be shared with any third parties without our prior written consent. Where consent is given, the report should be supplied in full including any related reliances and limitations.

Please note that Hymans Robertson LLP accept no liability to any third parties. The reliances and limitations in this report apply equally to all users of this report.

The following Technical Actuarial Standards¹ are applicable in relation to this report and have been complied with where material:

- TAS 100 – Principles for technical actuarial work;
- TAS 300 – Pensions.

However, it should be noted that this report does not comply with paragraph 12 b) or c) of TAS 300. The figures in this report provide a notification of the whole fund funding position. This report does not include individual employer contributions. Therefore, we do not believe the exclusion of the information required under these paragraphs is material.

¹ Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

2 Data

We have relied on the following items of data provided by the Administering Authority when carrying out our calculations:

- Membership data uploaded to the Data Portal on 30 August 2019
- Cashflow data uploaded to the Data Portal on 20 April 2019
- Investment data provided by the Administering Authority over the course of the intervaluation period (summarised in Section 4).

The accuracy of our results is limited by the quality of the data provided. We have carried out validations on the data provided to ensure it is fit for the purpose of the valuation. Further details can be found in our paper entitled “Data report for 2019 valuation”, issued 28 February 2020. We believe the membership data is fit for the purposes of this valuation.

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2019. Details can be found at <http://www.lgpsregs.org/>. The Administering Authority should note that the LGPS benefit structure is currently under review following the Government’s loss of the right to appeal the McCloud court case. At the time of writing we have not been provided with details for any subsequent benefit improvements and as such have not allowed for any in our calculations. This approach is in line with the [advice issued by the Scheme Advisory Board in May 2019](#).

3 Assumptions

The key assumptions required to carry out the formal valuation, and our approach to setting the assumptions, are discussed in guides 7 (*Longevity and other demographic assumptions*), 8 (*Financial Assumptions*) and 9 (*Measuring a funding level*) of our [2019 valuation toolkit](#).

To set appropriate assumptions for the valuation of the Wiltshire Pension Fund, the Administering Authority commissioned the following actuarial advice to assist its assumption setting:

- Paper entitled “2019 Valuation: setting the discount rate” dated March 2019
- Paper entitled “2019 Valuation: Salary growth assumption” dated March 2019
- Paper entitled “Demographic Assumptions for 2019 valuations – Analysis of Wiltshire Pension Fund” dated March 2019

The valuation assumptions were provisionally agreed by Officers following these papers and discussed at the March 2019 Pensions Committee meeting.

Demographic assumptions

Longevity

The proposed 2019 valuation longevity assumptions are set out below, along with the assumptions adopted for the 2016 valuation:

Longevity Assumptions	31 March 2016	31 March 2019
Baseline Longevity	Club Vita	Club Vita
Future improvements	CMI2013, Peaked, 1.25% p.a. long term	CMI2018, Smoothed, 1.25% p.a. long term

The proposed longevity assumptions result in the following typical future life expectancies from age 65 (figures for 2016 shown for comparison):

Assumed Life Expectancy	31 March 2016	31 March 2019
Male		
Pensioners	22.5 years	21.7 years
Non-pensioners	24.1 years	22.5 years
Female		
Pensioners	24.9 years	24.0 years
Non-pensioners	26.7 years	25.5 years

Non-pensioners are assumed to be aged 45 at the valuation date

Other demographic assumptions

The other proposed 2019 valuation demographic assumptions are set out below:

Demographic Assumptions	
Retirements in normal health	We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation. Further details are available on request.
Death in Service	See sample rates below
Retirements in ill health	See sample rates below
Withdrawals	See sample rates below
Promotional salary increases	See sample increases below
Family details	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
Commutation	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% service from 1 April 2008).
50:50 option	1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Sample rates for demographic assumptions

Males

Incidence per 1000 active members per annum										
Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2			
			FT & PT		FT	PT	FT	PT	FT	PT
			FT	PT	FT	PT	FT	PT		
20	105	0.21	353.77	439.47	0.00	0.00	0.00	0.00		
25	117	0.21	233.68	290.28	0.00	0.00	0.00	0.00		
30	131	0.26	165.80	205.93	0.00	0.00	0.00	0.00		
35	144	0.30	129.54	160.88	0.10	0.07	0.02	0.01		
40	150	0.51	104.30	129.48	0.16	0.12	0.03	0.02		
45	157	0.85	97.97	121.60	0.35	0.27	0.07	0.05		
50	162	1.36	80.76	100.12	0.90	0.68	0.23	0.17		
55	162	2.13	63.59	78.88	3.54	2.65	0.51	0.38		
60	162	3.83	56.68	70.28	6.23	4.67	0.44	0.33		
65	162	6.38	0.00	0.00	11.83	8.87	0.00	0.00		

F

Incidence per 1000 active members per annum										
Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2			
			FT & PT		FT	PT	FT	PT	FT	PT
			FT	PT	FT	PT	FT	PT		
20	105	0.12	318.32	378.95	0.00	0.00	0.00	0.00		
25	117	0.12	214.19	254.95	0.12	0.07	0.02	0.01		
30	131	0.18	179.54	213.68	0.15	0.10	0.03	0.02		
35	144	0.30	154.96	184.36	0.31	0.19	0.05	0.04		
40	150	0.48	128.97	153.39	0.46	0.29	0.08	0.06		
45	157	0.77	120.36	143.12	0.62	0.39	0.10	0.08		
50	162	1.13	101.47	120.53	1.16	0.73	0.24	0.18		
55	162	1.49	75.71	90.03	4.31	2.69	0.52	0.39		
60	162	1.90	61.02	72.46	6.85	4.28	0.54	0.40		
65	162	2.44	0.00	0.00	12.31	7.69	0.00	0.00		

Financial assumptions

The key financial assumptions used to assess the funding position as at 31 March 2019 are set out below.

Salary and Benefit Increases

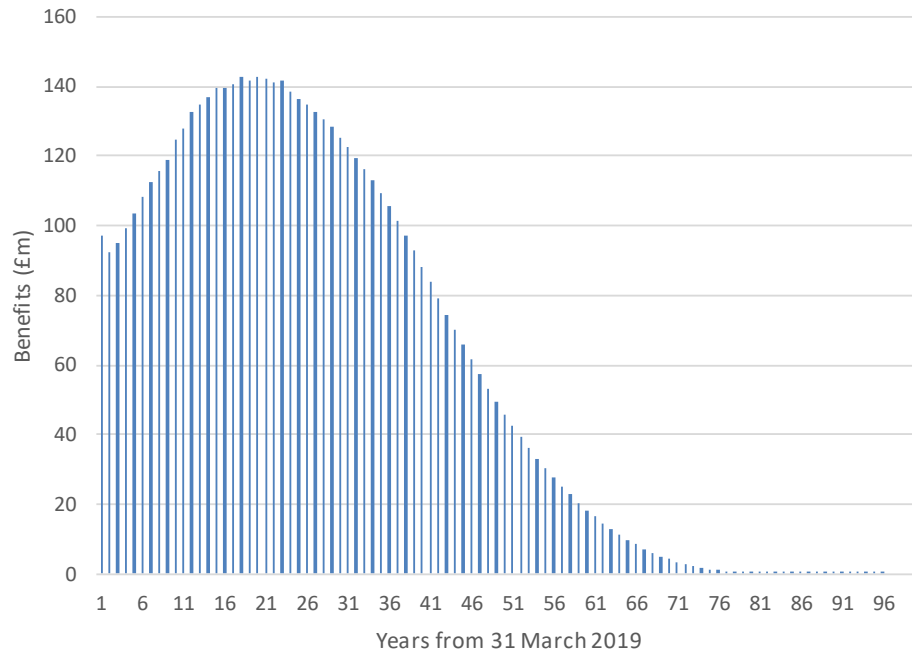
The table below details the salary increase, CARE revaluation rate and benefit increase assumptions at 31 March 2019. The equivalent assumptions used in the 2016 valuation are shown for comparison.

Financial Assumptions	31 March 2016	31 March 2019
Benefit increases and CARE revaluation (CPI) (% p.a.)	2.1%	2.3%
Salary increases (% p.a.)	2.4%*	2.7%**

*CPI plus 0.3%

**CPI plus 0.4%

Combining the membership data and the demographic and financial assumptions described above allows us to project the future benefit payments from the Fund for all benefits accrued up to 31 March 2019. The chart below shows this projection.

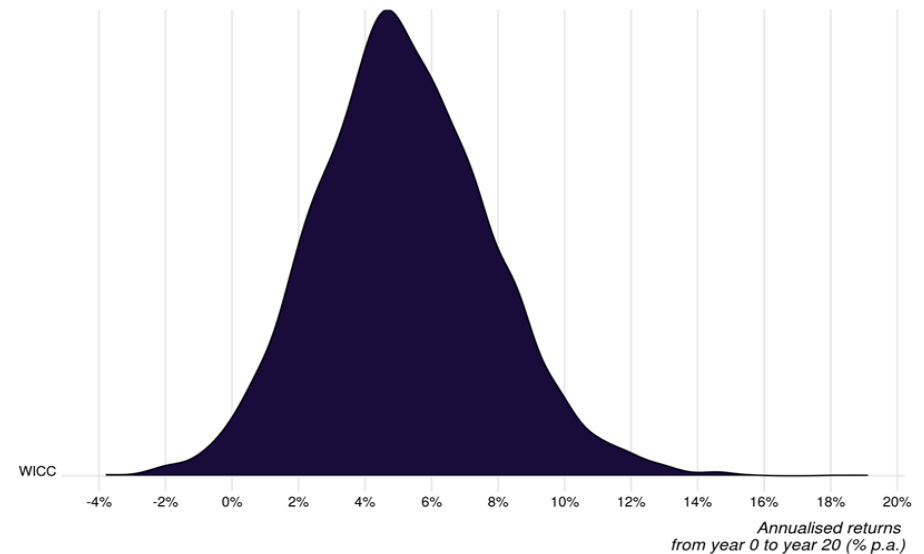


Investment Return

For the purpose of measuring the funding position, we need to be able to compare the value of the Fund’s assets against the value of all these future benefit payments (the liabilities). To be able to place a value on these payments in today’s money we need to make an assumption about the future investment returns that will be generated from the Fund’s assets after the valuation date. The higher the assumed return, the lower the liability value and therefore the higher the funding level.

The value placed on the liabilities, and hence the funding level, is extremely sensitive to the investment return assumption. Whilst there is a requirement for this assumption to be prudent, there is a range of assumptions that the Fund could consider meets this prudence criteria. We believe the valuation outputs are more meaningful when stakeholders can understand the likelihood, and hence the level of prudence, attached to them.

Using the Fund’s current investment strategy and running 5,000 simulations of our proprietary economic model, the Economic Scenario Service (ESS), we have generated a distribution of possible future annual investment returns over the 20 years from the valuation date:



Details of the investment strategy and assumptions underlying the ESS model can be found in the Appendix.

From the above chart, we can derive that:

- There is a 55% likelihood of the Fund's investments achieving at least an annual return of 5.1% p.a. over the next 20 years;
- There is a 75% likelihood of the Fund's investments achieving at least an annual return of 3.8% p.a. over the next 20 years; and
- There is a 80% likelihood of the Fund's investments achieving at least an annual return of 3.4% p.a. over the next 20 years.

5.3% p.a. would not be an appropriate investment return assumption for the purpose of the valuation as this represents our 'best estimate' of future investment returns and therefore does not include a margin for prudence.

For the purpose of reporting a funding level and funding surplus/deficit for the 2019 valuation, we have selected the investment return assumption which has an associated 75% likelihood, namely 3.8% p.a..

The assumption used in the valuation as at 31 March 2016 was 4.0% p.a. (note that this was derived using a different method from that described above).

Financial Assumptions	31 March 2016	31 March 2019
Investment return (% p.a.)	4.0%	3.8%

Employer Contributions

The ESS model is also used in our approach to setting employer contribution rates (set out in guides 5 and 6 of our [2019 valuation toolkit](#)). This approach does not rely on a single set of assumptions but involves the projection of the employer's future benefit payments, contributions and investment returns under 5,000 future economic scenarios. In this modelling, inflation (and therefore benefit payments) and investment returns for each asset class (and therefore investment return) are variables and take different values in each projection.

Further details on the assumptions required to set employer contribution rates are set out in guide 8 (Financial Assumptions) of the 2019 valuation toolkit. The assumptions which comprise each employer's Funding Target will be set out in the Funding Strategy Statement.

Comment on the proposed assumptions for the 2019 valuation

As required for Local Government Pension Scheme valuations, our approach to this valuation must include a degree of prudence. For the purpose of measuring the funding position, this has been achieved by explicitly allowing for a margin of prudence in the future investment return assumption.

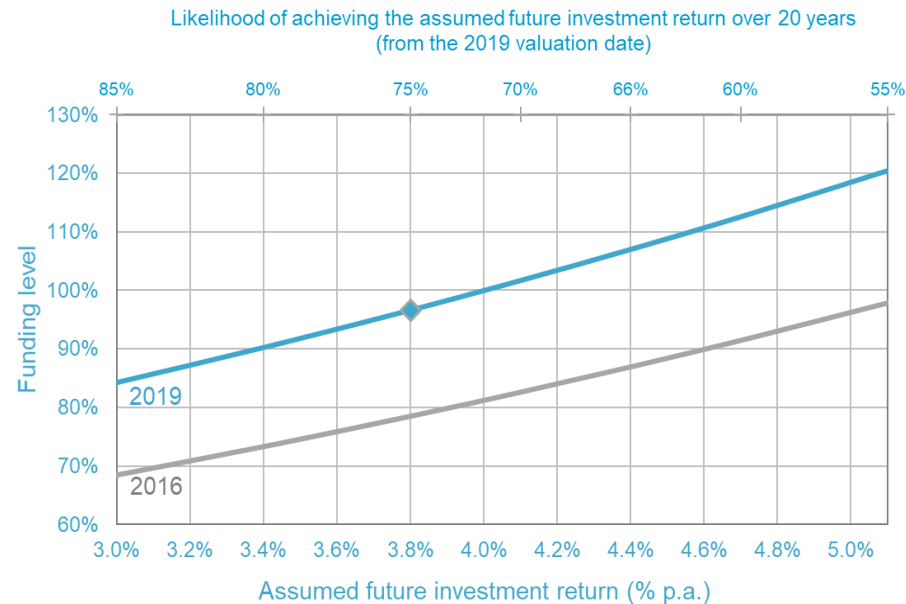
We believe that all other proposed assumptions represent the "best estimate" of future experience. This effectively means that there is a 50% chance that future experience will be better or worse than the chosen assumption.

Taken as a whole, we believe that our proposed assumptions are more prudent than the best estimate.

4 Funding position as at 31 March 2019

Understanding the likelihood associated with certain levels of assumed future investment returns (based on the information discussed in Section 3) means we can better understand the Fund’s funding position.

The following chart shows how the funding level varies with the future investment return assumption. For comparison, the funding level associated with the same choice of investment return assumption at the 2016 valuation is also shown.



From this chart, we can see that:

- The funding position would be 100% if future investment returns were around 4.0% p.a.. The likelihood of the Fund’s assets yielding at least this return is between 70% and 75%.
- Conversely, if future investment returns are on average 3.0% p.a. over the long term then the Fund currently holds sufficient assets to meet 84% of the accrued liabilities. The likelihood of achieving at least this level of future investment return is 85%.

It can be seen from the above chart that for any given expected future investment return, the funding position of the Fund has improved since the previous actuarial valuation in 2016. This is mainly a result of the strong investment performance of the Fund over the period from 31 March 2016 to 31 March 2019.

Whilst this chart gives the Fund a better understanding of the funding position than a single funding level, the Fund is still required to report a single funding balance sheet. Using the assumptions outlined in Section 3, including the selected investment return assumption of 3.8% p.a., the reported funding position of the Fund at the valuation date is summarised below. The asset figures are the market value of the Fund’s assets as at 31 March 2019. The results at the 2016 formal valuation are shown for comparison.

Valuation Date	31 March 2016	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	690	777
Deferred Pensioners	543	688
Pensioners	1,013	1,215
Total Liabilities	2,246	2,680
Assets	1,831	2,589
Surplus / (Deficit)	(415)	(92)
Funding Level	82%	97%

There has been an improvement in the reported funding level of the Fund from 82% to 97% and a reduction in the funding deficit from £415m to £92m.

It is critical to note that the reported funding level does not directly drive the contributions that will be set. A robust funding plan will be set for each employer which considers how the assets and liabilities will evolve over time in different economic scenarios.

The funding level and surplus/deficit figures provide a high-level snapshot of the funding position of the Fund as at 31 March 2019, however the limitations of these figures should be noted.

The funding position is calculated using a single set of assumptions about the future and is very sensitive to the choice of assumptions (see Section 5). The funding level is also volatile and will change as the market value of the assets held by the Fund changes.

Although the funding level is limited in nature, tracking it can help the Fund gain an understanding of the factors that cause their pensions costs to change over time. As part of the valuation exercise, we analyse the experience of the Fund and its membership since the previous formal valuation and quantify the impact of this experience on the funding surplus or deficit. The analysis helps to identify where changes may be needed in some assumptions or the Fund may wish to review existing risk management policies.

Since the previous valuation, various events have taken place which affect the funding position of the Fund.

Financial Markets experience

Investment returns

Investment returns	Expected	Actual	Difference	Impact on funding position
Over 3 year period	12.6%	38.4%	25.9%	Positive
Annual	4.0%	11.4%	7.4%	Positive

The Fund has experienced better than anticipated investment returns. The investment return in excess of the 2016 valuation assumption serves to 'pay back' a greater portion of the deficit than expected. Therefore, all other things being equal, this improves the funding position.

Inflation

Future inflation expectations	2016	2019	Difference	Impact on funding position
Expected CPI inflation (p.a.)	2.1%	2.3%	0.2%	Negative

Future inflation expectations	2016	2019	Difference	Impact on funding position
Expected CPI inflation (p.a.)	2.1%	2.3%	0.2%	Negative

Long term expectations for Consumer Prices Inflation (CPI) have increased slightly since 2016. Taken in isolation, this slightly worsens the funding position.

Fund expenses

The Fund's expenses (in relation to non-investment activities) over the last 3 years have totalled £8.1m. This figure is equivalent to 0.8% when expressed as a percentage of pensionable pay which is slightly higher than the last valuation (0.5%). Unless otherwise instructed, we propose to make allowance for the Fund's expenses by adding an allowance of 0.8% of pay to employer contribution rates payable from 1 April 2020.

Membership experience

The areas of membership experience that have had the greatest impact on the surplus/deficit position of the Fund are set out below:

	Expected	Actual	Difference	Impact on funding position
Pre-retirement experience				
Early leavers (no.of lives)	4,880	8,958	4,078	Positive
Ill-health retirements (no.of lives)	176	140	(36)	Positive
Salary increases (p.a.)	3.1%	3.4%	0.4%	Negative
Post-retirement experience				
Benefit increases (p.a.)	2.1%	2.1%	(0.0%)	Neutral
Pensions ceasing (£m)	5,431	5,677	246	Positive

Regulatory experience

Indexation and equalisation of Guaranteed Minimum Pensions (GMP)

In their [January 2018 consultation response](#), HMT stated that their preferred long term indexation solution of converting GMP to scheme pension will also meet the requirements of equalisation.

For the 2019 valuation we have assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This has served to increase the value placed on the liabilities.

LGPS cost sharing mechanism and the McCloud court case

Following the results of the first LGPS cost sharing valuation (communicated in Autumn 2018), it was expected that benefit improvements would be granted in respect of future benefit accrual from 1 April 2019. It was estimated that the improvement would cost 0.9% of payroll for a typical LGPS employer. This change in the LGPS benefit structure has been put on hold whilst the recent age discrimination cases in public sector pension schemes (colloquially known as "McCloud") are resolved. The benefits earned by some members since 1 April 2014 could be materially improved as a result of the McCloud case, increasing the value of the Fund's liabilities.

Based on [advice issued by the Scheme Advisory Board in May 2019](#) we have based our 2019 valuation calculations on the benefits as currently set out in the Regulations. That is, we have not made an allowance for the impact on (past and future service) liabilities of either the first LGPS cost sharing valuation or McCloud court case.

Comments on employers

Every employer is valued separately based on their own membership data as part of the valuation and their change in funding position will therefore vary compared to that of the whole fund based on their individual experience. This information will be available later in the valuation process.

Reconciling the change in the funding position

Quantifying and combining the impact of financial markets, membership and regulatory experience on the Fund's assets and liabilities provides an overall insight into how the funding position has changed between valuations. This is detailed in the following table:

Change in the surplus/deficit position	Assets (£m)	Liabilities (£m)	Surplus / (Deficit) (£m)
Last valuation at 31 March 2016	1,831	2,246	(415)
Cashflows			
Employer contributions paid in	239		239
Employee contributions paid in	60		60
Benefits paid out	(253)	(253)	0
Net transfers into / out of the Fund*	26		26
Other cashflows (e.g. Fund expenses)	(8)		(8)
Expected changes in membership			
Interest on benefits already accrued		283	(283)
Accrual of new benefits		266	(266)
Membership experience vs expectations			
Salary increases greater than expected		5	(5)
Benefit increases less than expected		(0)	0
Early retirement strain (and contributions)	5	8	(3)
Ill health retirement strain		(6)	6
Early leavers greater than expected		(4)	4
Pensions ceasing greater than expected		(1)	1
Commutation less than expected		5	(5)
Other membership experience		31	(31)
Changes in market conditions			
Investment returns on the Fund's assets	688		688
Changes in future inflation expectations		72	(72)
Changes in actuarial assumptions			
Change in demographic assumptions (excl. longevity)		(5)	5
Change in longevity assumptions		(66)	66
Change in salary increase assumption		2	(2)
Change in discount rate		98	(98)
This valuation at 31 March 2019	2,589	2,680	(92)

* We have insufficient data to value the impact on the liabilities as a result of all transfers in/out.

5 Sensitivity analysis of the funding position

The valuation funding position results depend critically on the actuarial assumptions that are made about the future of the Fund. If all of the assumptions made as at 31 March 2019 were exactly borne out in practice then the liability results presented in this document would represent the true cost of providing benefits from the Fund as it currently stands at 31 March 2019.

However, no one can predict the future with certainty and future experience will not exactly match all of our assumptions. The future therefore presents a variety of risks to the Fund which should be identified and, where possible, the financial significance should be quantified. Thereafter the Fund can assess how (or if) these risks can then be controlled or mitigated and put in place monitoring to assess whether any mitigation is actually working.

In this Section we quantify how sensitive the funding position as at 31 March 2019 is to the assumptions made about the future.

Financial assumptions

Sensitivity of the funding position to future investment returns

The amount of assets needed by the Fund to meet its accrued benefits (liabilities) is extremely sensitive to the assumption for future investment returns. This was considered in Section 4.

Sensitivity of the funding position to future inflation

Pensions (both in payment and in deferment) in the LGPS increase annually in line with CPI. Furthermore, benefits accrued in the CARE scheme are revalued annually in line with CPI. If future CPI inflation is higher than our assumption as at 31 March 2019 then the value of the benefits will be higher than we have set out in Section 4.

To help understand the impact of CPI being different from our assumption, we have shown the effects on the funding position of varying the benefit increases and CARE revaluation (CPI) assumption below.

CPI Assumption	Surplus / (Deficit)	Funding Level
% pa	(£m)	%
2.1%	(20)	99%
2.3%	(92)	97%
2.5%	(163)	94%

Employer contribution rates

The above analysis focuses on financial risk to the funding position as measured at 31 March 2019. Our approach to setting employer contribution rates recognises the uncertainty around future investment returns and inflation and therefore does not rely on a single set of financial assumptions.

Demographic assumptions

Sensitivity of the funding position to life expectancy

The main area of demographic risk is people living longer than expected. We have shown below the high level impact of people living longer than currently expected by using a more prudent assumption for future longevity improvements. The proposed valuation assumption assumes that in the longer term mortality rates will fall at a rate of 1.25% each year. The more prudent assumption shown for this sensitivity analysis assumes that mortality rates will fall at a rate of 1.5% each year in the longer term.

Long term rate of improvement	Surplus / (Deficit)	Funding Level
% pa	(£m)	(£m)
1.25%	(92)	97%
1.50%	(112)	96%

Given their potential impact, the Administering Authority may wish to seek direct advice on resource and environment risks.

Other demographic risks to consider

There are other risk factors which would have an impact on the funding position. Examples of these include the level of ill health retirements, withdrawals from the scheme and take up of the 50:50 option. These are probably unlikely to change in such a way that would rank them as amongst the highest risks facing the Fund and therefore we have not sought to provide further quantification of their risk.

Other risks

Regulatory, Administration and Governance risks

As well as financial and demographic risks, the Fund also faces: Regulatory risks – central government legislation could significantly change the cost of the scheme in the future; and: Administration and governance risk – failures in administration processes could lead to incorrect data and inaccuracies in the actuarial calculations. The risks should be considered and monitored by the Fund as part of its ongoing risk management framework.

Resource and environment risks

The Fund is exposed to risks relating to future resource constraints and environmental changes. These risks may prove to be material.

We have not sought to quantify the potential impact of these risks for the purpose of the results shown in this report, given the complexity and uncertainty involved. Further analysis is available to the Fund to illustrate the future impact of adverse climate outcomes.

6 Next steps

The next step in the process is as follows.

- Once a set of final contribution rates have been agreed for all employers, we will provide you with a **final valuation report** which will clearly set out the final valuation results and will meet all the relevant regulatory requirements. Included in this report will be the Certificate of Rates and Adjustments, which will certify the minimum contribution rates to be paid by each employer for the three-year period beginning on 1 April 2020. This final valuation report must be provided to you no later than 31 March 2020.



Appendix

Page 200

Appendix 1 – Projecting the Fund's Assets

The following investment strategy has been used to set the future investment return assumption as at 31 March 2019:

% allocation	Current strategy
Global equities	43.0%
Diversified Growth	10.3%
Infrastructure (equity)	1.8%
Total growth assets	55.0%
Index-linked gilts	15.3%
Total protection assets	15.3%
Absolute return bonds	6.5%
Multi asset credit	4.5%
Emerging Market Debt	5.3%
Property	13.5%
Private lending	0.0%
Total income generating assets	29.8%
Grand total	100.0%

Appendix 2 – Economic Scenario Service

The following figures have been calculated using 5,000 simulations of the Hymans Robertson Economic Scenario Service, calibrated using market data as at 31 March 2019. All returns are shown net of fees. Percentiles refer to percentiles of the 5,000 simulations and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the (simulated) yields in force at that time horizon.

		Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

The current calibration of the model indicates that a period of outward government bond yield movement is expected. For example, over the next 20 years our model expects the 17 year maturity annualised real (nominal) yield to rise from -2.1% (1.5%) to 0.8% (4.0%).

LOCAL PENSION BOARD - WORK PLAN 2020-21

Meeting:	LPB Term of Reference item	Description of scope as defined by the LPB ToR	21/05/20	06/08/20	15/10/20	11/02/21	May 2021	Guidance comments
GOVERNANCE - Board Specific								Comments
Election of Vice Chair	n/a	Appointments made as defined in the Board's Term of Reference					✓	Annual appointment between Member & Employer Reps. Member reps to be appointed in odd years
Board Annual Report	n/a	Recommendation under the legislation	✓				✓	Draft submission to the Board for there approval
Board Budget setting	n/a	Review & recommend to the Committee the budgetary requirements for the Board during the next Scheme year				✓		Review in conjunction with the Look Forward plan in order to anticipate future costs
Review Board's Terms of Reference (if and as required)	86g	Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.						This review should be in conjunction with the Committee & ISC's ToR review to ensure continuity. Lasted reviewed in May 2020 and a 3 year cycle may be viewed as good governance
Board Annual Training Plan Update	85i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.				✓		To be completed following each Scheme year for subsequent inclusion in the Board's Annual Report & the Fund's AR&A. Officer training strategy attached too.
Training Item relevant to agenda	85i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.	✓	✓	✓	✓	✓	To be consistent with Member's training & development strategy
Code of Conduct & Conflicts of Interest Policy	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓		2 year plan last approved on 12/12/2020. Annual reviews should be undertaken by Democratic Services in each Q4
Effectiveness review	86g	Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.				✓		3 year plan last raised with the Board on 12/12/2018. The LPB should also compare itself against its own core functions as set out in its ToR. Last completed on 24/01/2019
Forward Work Plan Review	n/a	Maintained by officers to enable Members manage their responsibilities	✓	✓	✓	✓	✓	Officers to update the next Scheme year's plan in time for the new Scheme year. Annual reviews to therefore be undertaken in Q1
GOVERNANCE - Fund Specific								Comments
Review of Risk Register	86e	Review the risk register as it relates to the scheme manager function of the Administering Authority	✓	✓	✓	✓	✓	Quarterly review. Recommendations are made to the Committee, via LPB minutes
Fund update & comments on minutes of PC & ISC	85a	Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.	✓	✓	✓	✓	✓	Amongst other purposes Members should use the minutes to identify risks which can be added to the register
Review Governance Compliance Statement	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						4 year plan last approved on 21/06/2018. (Note: To be reviewed on receipt of final SAB Good Governance report)

Review Fund Training Programme	85i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.			✓			Complete 3 year training plan last approved on 12/12/2018. Annual reviews undertaken in Q4 each year.
Review all Fund Declarations of Interest	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.			✓			2 year plan last approved on 12/12/2020. Annual reviews should be undertaken by Democratic Services in each Q4
tPR Code of Practice 14/record keeping compliance survey results	85b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.	✓				✓	Annual exercise of Self-assessment by officers & review by Members. Every other year the self-assessment will be independently audited
Review fund delegations and internal controls. Include the Fund's escalation policy	85b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.						3 year plan last raised with the Board on 11/10/2018
Scheme Legal, Regulatory & Fund update	n/a	A summary for Board members the latest legal, regulatory and Fund issues affecting the Pension Fund	✓	✓	✓	✓	✓	Quarterly update by the Head of Pensions
Review external advisor appointments process/controls and internal SLAs	86b	Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.			✓			Committee requested Board annually review advisors & services providers. Plus the Procurement framework by which it is done
Monitor Internal Audit Report	86d	Monitor internal and external audit reports			✓			Audit recommendations actioned
Monitor External Audit Report	86d	Monitor internal and external audit reports			✓			Audit recommendations actioned
Input to Annual External Audit Plan	n/a	Recommend to Committee the audit scope & timetable to be commissioned in the next Scheme year			✓			Committee to liaise with the Audit Committee concerning the scope of Deloitte's audit
Input to Annual Internal Audit Plan	n/a	Recommend to Committee the audit scope & timetable to be commissioned in the next Scheme year			✓			Committee to liaise with the Audit Committee concerning the scope of SWAP's audit
GOVERNANCE - Fund Plans, policies & strategies								Comments
Review Business Plan	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓		3 year plan last approved on 24/03/2019 Intermin review 26/03/2020
Review Pension Administration Strategy	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						3 year plan last approved on 17/12/2019
Review Communication strategy	85e	Review scheme members and employers communications as required by the Regulations and Relevant Legislation	✓				✓	3 year plan last approved on 17/12/2019. E-communication strategy update
Review Data Improvement Plan	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓		2 year plan last approved on 24/03/2019. To include a Data Retention Strategy update
Review Admin Charging Policy	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓		2 year plan last approved on 12/12/2018
Review Admin Authority Discretions	85j	Review the complete and proper exercise of employer and administering authority discretions		✓				4 year plan last approved in December 2015

Review Cessations policy	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						3 year plan last approved in September 2018
Review Funding Strategy Statement	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						3 year plan last approved on 17/12/2019
Review Compliance with FRC stewardship code	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓		Annually
Review Investment Strategy Statement	85d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.	✓					3 year plan last approved on 17/12/2019 (Ensure inclusion of MiFID II arrangements)
Review Fund "Responsible Investment Strategy"	n/a		✓					
Review the Fund's Annual Report & Accounts	85l	Review draft accounts and Fund annual Report		✓			✓	To ensure CIPFA compliance requirements have been applied
Review Internal Audit Report	85k	Review the outcome of internal and external audit reports		✓				Annually covers Key Controls, MiFID II, GDPR & Pension Fund Transfers. Every two years Code of Practice 14
Review External Audit Report	85k	Review the outcome of internal and external audit reports		✓				Published by 1st December
New Employer Admissions Policy	n/a	Policy drafted as part of the 2020/21 Business Plan	✓					
New Employer Training Policy	n/a	Policy drafted as part of the 2020/21 Business Plan		✓				
ADMINISTRATION								Comments
Review employers compliance (data)	85c	Review the compliance of scheme employers with their duties under the Regulations and Relevant Legislation				✓	✓	Incorporate with ABS review process & update on Fund's Data Improvement Plan.
Review Fund fraud risk prevention and mitigation measures	85b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.				✓		Completed every 2 years and will be an update of the Fund's NFI & Certificate of Existence exercises
Review Fund website contents/resilience	85b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.				✓		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	85f, 85g & 85h	Monitor complaints and performance on the administration and governance of the scheme & review the Internal Dispute Resolution Process & Pensions Ombudsman cases	✓					To cover Muse Advisory & annual confirmation of the appointment of an adjudicator by each Employer
Review Fund Communications (employers/members)	85e	Review scheme members and employers communications as required by the Regulations and Relevant Legislation				✓		To provide templates of key Fund documentation & evidence its compliance
Review of Data Security & Business Recovery	85b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.				✓		Report set out the arrangements in place & when they were last tested
Review GMP reconciliation process	86a	Monitor performance of administration, governance and investments against key performance targets and indicators				✓		Annual update of SAP & Altair reconciliations, plus GMP Rectification process

Board KPIs to monitor	86a	Monitor performance of administration, governance and investments against key performance targets and indicators	✓	✓	✓	✓	✓	Quarterly Administration performance reporting
Benchmark KPIs in Annual Report & Accounts information with other Funds	85f	Monitor complaints and performance on the administration and governance of the scheme				✓		Annual Report & Accounts must be disclosed each 1st December
Review of Annual Benefit Statement process	86a	Monitor performance of administration, governance and investments against key performance targets and indicators			✓			Percentage issued, action plan to issue outstanding ABSs & process improvement review
FUNDING & INVESTMENTS								Comments
Review Triennial Valuation Process	n/a	Consider how the whole valuation exercise was executed & what recommendations may be made to improve the process next time	✓					Next valuation currently due 31/03/2022
Review Triennial Valuation Results	86f	Review the outcome of actuarial reporting and valuations	✓					Verify that the FSS, ISS & Valuation results are consistent
Cost transparency of BPP, Managers & the Custodian	86c	Monitor investment costs including custodian and transaction costs.	✓				✓	To be presented in conjunction with the draft Annual Report & Accounts
Review Investment performance against Fund's benchmarking criteria	86a	Monitor performance of administration, governance and investments against key performance targets and indicators	✓				✓	To be presented in conjunction with the draft Annual Report & Accounts
Total number of Agenda Items:			17	14	17	16	13	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank