

# AGENDA

**Meeting:** Local Pension Board

**Place:** [View the Online Meeting of the Local Pension Board Here](#)

**Date:** Thursday 18 February 2021

**Time:** 10.30 am

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Please direct any enquiries on this Agenda to Ellen Ghey, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718259 or email [ellen.ghey@wiltshire.gov.uk](mailto:ellen.ghey@wiltshire.gov.uk)

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

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## Membership:

Mark Spilsbury (Chairman)

Mike Pankiewicz (Vice-Chairman)

Cllr Richard Britton

Marlene Corbey

Ian Jones

Rod Lauder

Paul Smith

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## **Recording and Broadcasting Information**

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## **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 or substitutions for the meeting.

3 **Minutes** (Pages 9 - 28)

To approve and sign as a true and correct record the Part I (public) minutes of the previous meeting held on 15 October 2020.

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

4 **Declarations of Interest**

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

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **Public Participation and Councillor Questions**

The Council welcomes contributions from members of the public. During the ongoing COVID-19 situation the Council is operating revised procedures and the public are able participate in meetings online after registering with the officer named on this agenda, and in accordance with the deadlines below.

[Guidance on how to participate in this meeting online.](#)

### **Statements**

Members of the public who wish to submit a statement in relation to an item on this agenda should submit this is electronically to the officer named on this agenda no later than 5pm on **Tuesday 16 February 2021.**

Statements should:

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

Up to three speakers are allowed for each item on the agenda.

### Questions

Those wishing to ask questions are required to give notice of any such questions electronically to the officer named on the front of this agenda no later than 5pm on **Thursday 11 February 2021** in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on **Monday 15 February 2021.**

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 members prior to the meeting and made available at the meeting and on the Council's website; they will be taken as read at the meeting.

7 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee** (Pages 29 - 42)

To consider the Part I (public) minutes from the last ordinary meeting of the Wiltshire Pension Fund Committee held on 17 December 2020.

*Minutes for the last extraordinary meeting of the Wiltshire Pension Fund Committee and the last ordinary meeting of the Investment Sub-Committee held on 14 January 2021 and 2 December 2020 respectively, are under Part II of this agenda.*

8 **Scheme, Legal, Regulatory and Fund Update** (Pages 43 - 50)

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

9 **Training Update**

To receive a verbal update outlining the training plan for 2021/22 alongside training on Administering Authority Discretions.

10 **Administering Authority's Discretion Policy** (Pages 51 - 66)

To receive a brief report and review the changes to the Administering Authority's Discretions Policy.

11 **Death Grant Policy** (Pages 67 - 72)

To receive a brief report and review the changes to the Death Grant Policy.

- 12 **Proposed Business Plan - 2021/22** (Pages 73 - 92)  
To receive an update on the Business Plan objectives.
- 13 **LPB Budget Monitoring for 2020-21 and Budget Setting for 2021-22** (Pages 93 - 96)  
To receive an update on the Local Pension Board budget.
- 14 **Key Performance Indicators (KPIs)** (Pages 97 - 108)  
To receive a report presenting the Fund's administration KPIs for review by the Board.
- 15 **IHER Insurance Proposal** (Pages 109 - 112)  
To receive a report outlining some technical and implementation details currently being discussed with Hyman Robertson, along with comment on the employer consultation.
- 16 **Board Insurance Update**  
To receive a verbal update on the Local Pension Board insurance cover.
- 17 **Review of the Governance Compliance Statement and Investment Sub-Committee Terms of Reference** (Pages 113 - 132)  
To receive a report requesting the endorsement of these documents and highlighting the changes made.
- 18 **tPR Governance and Administration Survey** (Pages 133 - 202)  
To receive a brief report outlining the findings and recommendations from the latest tPR survey issued in December 2020.
- 19 **Risk Register Update** (Pages 203 - 210)  
To receive a report presenting the Risk Register for review by the Board.
- 20 **Investment Strategy Statement Update** (Pages 211 - 248)  
To receive a report outlining the changes to the Investment Strategy Statement.
- 21 **Overseas Pensioner Existence Update 2020-21** (Pages 249 - 252)  
To receive a report concerning the progress of this exercise.

22 **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.

23 **Date of Next Meeting and Forward Plan** (Pages 253 - 256)

The next ordinary meeting of the Local Pension Board will be held on 20 May 2021.

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

24 **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 25 - 29 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in 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.

25 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee** (Pages 257 - 294)

To consider the Part II (private) minutes of the last ordinary and extraordinary meetings of the Wiltshire Pension Fund Committee held on 17 December 2020 and 14 January 2021 respectively, and the Investment Sub-Committee held on 2 December 2020.

26 **Pensioner Payroll Database Reconciliation** (Pages 295 - 302)

To receive a report updating the Board on the progress of this project.

27 **Brunel Pension Partnership Update** (Pages 303 - 306)

To receive an update on the Brunel Pension Partnership governance arrangements.

28 **Key Financial Controls** *(Pages 307 - 314)*

To receive a report updating the Board on the Fund's key financial controls.

29 **Minutes** *(Pages 315 - 332)*

To approve and sign as a true and correct record the Part II (private) minutes of the previous meeting held on 15 October 2020.

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## Local Pension Board

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### MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 15 OCTOBER 2020 AT ONLINE MEETING.

#### **Present:**

Mike Pankiewicz, Paul Smith, Mark Spilsbury (Chair), Cllr Richard Britton, Ian Jones and Rod Lauder

#### **Also Present:**

Richard Bullen, Marlene Corbey, Andy Cunningham, Jennifer Devine and Ashleigh Salter

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#### 77 **Membership**

The following change in membership was noted:

- Marlene Corbey would be appointed as a new member of the Local Pension Board, replacing Barry Reed as a Scheme Member Union representative, following confirmation of the appointment at the next meeting of Full Council on 20 October 2020.

The Chairman welcomed Marlene to the Board, and noted that Board member, Paul Smith, had completed The Pensions Regulator (tPR) toolkit training.

#### 78 **Apologies**

There were no apologies for absence received.

#### 79 **Minutes**

The minutes of the previous meeting held on 6 August 2020 were considered, and it was:

#### **Resolved**

**The Part 1 (public) minutes of the previous meeting held on 6 August 2020 were approved as a true and correct record, and the Board's action log was noted.**

#### 80 **Declarations of Interest**

There were no declarations of interest.

81 **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.

82 **Public Participation and Councillors Questions**

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

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

The minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 24 September 2020 and 10 September 2020 respectively were considered, and it was:

**Resolved**

**The Part 1 (public) minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 24 September 2020 and 10 September 2020 respectively were noted.**

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

Andy Cunningham, Head of Pension Administration and Relations, updated the Board on the various Scheme, Legal, Regulatory and Fund developments.

Reforms to public sector exit payments were highlighted as being particularly challenging in respect of the proposed changes to the primary legislation. This meant that the Fund could be legally required to follow two pieces of legislation that contradicted one another for a period of time, in regard to the payment of exit and pension packages in line with the LGPS regulations. It was noted that as this was a national issue, and not one that just affected the Wiltshire Pension Fund, advice was being sought from the Scheme Advisory Board, LGA and MHCLG with updates and further information provided on a regular basis. It was noted that further clarity was needed to enable Fund officers to understand how best to administer the issues correctly and form subsequent operational actions to minimise the impact on scheme members. However, these issues were commented upon as being short term until the solution was formed.

In response to a question, officers clarified that the changes were twofold, with the first stage having been approved by Parliament. It was confirmed that once the legislation had been signed off then the changes would take 21 days to be applied and this 21 day 'countdown' would signify the start of the contradictory legislative position.

Members of the Board questioned the national impact and what actions could be taken by the Board to support the concerns already discussed, to which

officers clarified that they were pursuing all options in regard to seeking advice from national pension bodies and putting appropriate policies in place. From an employer perspective it was noted that it was complicated for them to communicate with scheme members about the changes, and that timing in the short term was the biggest issue as organisations could be looking at redundancy exercises and this would cause a barrier to undertake such analysis due to the complexity of the legislative position. It was confirmed that officers were taking a cautious approach until more information was gleaned and were not providing any redundancy estimates to larger employers at present to mitigate the risk of providing incorrect figures.

After a question from the Chairman, Andy Cunningham confirmed that this topic would remain on this agenda item and would be brought forward to all future meetings until the issues were resolved. However, it was reiterated that once the reforms were fully in place and the transition phase settled, then business as usual would return in the long term.

Employer risk management was discussed, and it was noted that the Government had made changes that applied from 23 September 2020 and that the Fund needed to implement policy changes to reflect these (mainly to the Cessation Policy and Funding Strategy Statement). This had led to newly available options, notably employer contribution rates can change inter valuation as long as certain conditions were met, such as material changes in circumstances specific to an employer. These would be requested by an employer subject to the Fund's agreement, or the Fund could insist on a change in employer contribution rate.

The changes to the LGPS Regulations enabled the Fund to implement a more flexible approach. An example of which was the ability to allow employers leaving the Fund to enter into an agreement to spread any cessation debt across a specified period of time. Additionally, the possibility to allow employers to delay the crystallisation of the final calculation was discussed.

It was confirmed that draft changes to the Cessation Policy was being undertaken and any proposals would be brought forth to the next Wiltshire Pension Fund Committee (WPFC) meeting. Once these changes had been examined by the Actuary, any feedback would be collated, and a revised version would be brought forward to the Board and WPFC for approval.

The McCloud case was explored, and it was confirmed that further analysis was being undertaken to provide a targeted, proportional administrative approach to the issues faced. It was clarified that although the McCloud rulings would ultimately affect only a small number of members, these members needed to be identified to avoid unnecessary administrative work in relation to members which would not have been impacted. The cost impact was expected to be relatively small compared to the Fund as a whole, but it was reiterated that these were estimations due to the McCloud case's focus on the future circumstances of the members.

The Goodwin Case was introduced to the Board; it was noted that it was similar to McCloud in so much as it was a discrimination case but instead related to

sexual orientation, and was not legally as far advanced as the McCloud case. Although this would mean changes to the legislation the funding, administration and communicative costs were expected to be smaller than McCloud. It was confirmed that as soon as the case developed, and more information was available, updates would be circulated to the Board.

The Vice-Chairman questioned a figure presented in the McCloud analysis table on page 39 of the agenda pack; specifically, 45% of active members under the 'Rectified' column, and sought an explanation. Officers confirmed that this table was an estimate of how many members they believed would be affected and how many members' cases and records had been prepared for the McCloud changes. It was noted that for active members, the main task was ensuring that Fund officers have the relevant members' hours histories up to date on the system, as this process was stopped in 2014 due to the introduction of a new CARE system. It was explained that as employers were onboarded onto i-Connect, Fund officers were backtracking and updating these histories from 2015 as part of the new process which had been completed for 45% of active members. It was noted that once the legislations and systems were place and when the active members leave it would then be an automatically programmed system that would ease administration work for the long term.

The Chairman raised a question in relation to the Fund update concerning the employer ill health insurance policy review and asked when the proposed review would be completed and to confirm if it would also be brought forward to the Board as well as the WPFCA. In response, officers confirmed that work was being undertaken with the Actuary to provide firmer clarity on costs and approaches in order to limit the risk for employers but to provide similar cover that was more cost effective.

It was noted that the impact on the Fund's budget was neutral as the external insurers charged a large premium cost that was passed onto the employers themselves. The current administration was highlighted as being quite complex, particularly the financial aspects, but that this would be explained in more detail in the future paper brought forward to the Board. A further question as to if the current arrangement required certain categories of employers to have the insurance, officers clarified that it was optional, but it would be assumed that all the current insured employers would wish to continue to be covered by any replacement product. It was noted that the Fund's largest employers decided to not take part in the cover because they felt they could self-insure, which was commented upon as being common within larger employers in comparison to the smaller employers who had all bought it.

## **Resolved**

**The Board noted the noted the scheme, legal, regulatory and Fund update.**

## 85 **Training Update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on a new training and online development portal offered by Hymans Robertson.

Members were reminded to complete a self-assessment review that had been circulated that allowed them to provide officers with details of any training needs and strategy for 2021-22. Appreciations were also given to those members who had completed and returned their questionnaire.

Due to the COVID-19 restrictions preventing members from attending conferences, seminars and other events to aid in maintaining their current knowledge and understanding across topical pensions issues, alternative training methods had been considered. The online training platform from Hymans Robertson was noted as containing a broad range of subjects, with modules lasting approximately 10-20 minutes, at a cost-effective price. Members were asked to provide feedback on the subject and whether this proposal should be extended to members of the WPFC and Investment Sub-Committee (ISC).

In response to a question from the Vice-Chairman, it was clarified that this portal would be as an addition to the existing member training assessments through the CIPFA Knowledge and Skills Framework and tPR toolkit. It was also noted by officers that this portal contained a module concerning the MiFID II requirements and would aid training for members of the WPFC and ISC alongside any additional training workshops and sessions held within the meetings.

One member of the Board stated that the ability to have different and innovative training tools on demand to facilitate in maintaining the level of education and skills necessary to understand the extent of complex historical and current pensions related topics and issues would be beneficial. The length of modules was also cited as being advantageous in consideration of maintaining a sensible work-life balance.

It was raised that unlike tPR toolkits there would not be any certifications for completion of the modules on the Hymans platform as the training would have a rolling element due to the continued introduction of newer modules. However, it was stated that there was a monitoring process involved which would produce a report of who had undertaken/completed modules which officers noted would be beneficial when gathering information ahead of the construction of future Local Pension Board Annual Reports and the Fund's Annual Report and Accounts.

It was agreed by officers and members of the Board that in the event that the recommendations to the WPFC for all Committee members and substitutes to adopt the training platform was not approved, then members of the Board would still be signed up and would have access to the platform alongside certain Fund officers.

## **Resolved**

- 1) The Board unanimously approved their own use of this training platform.**
- 2) The Board unanimously recommended that the Committee members & their substitutes also adopt the introduction of this training platform for the next two years.**

## **86 Administering Authority Discretions Policy**

Andy Cunningham, Head of Pension Administration and Relations, introduced a report from officers that proposed amendments to four of the Fund's regulatory discretions.

It was noted that the last time the Policy was updated and approved was in December 2015. In parts of the LGPS Regulations, the Fund was afforded discretion over how the rules of the Scheme operate, thus a degree of localised decision making was possible.

An employer had approached the Fund and requested a change to the Policy which officers agreed to bring forth to Board and WPFC, along with the other proposed changes, as part of a wider review. It was stated that the requested change was to mitigate a large financial issue for the employer; officers noted the need for the Fund to balance the protection of employers and the rights of members. The four discretions proposed to be changed were: acceptance of only certain 'non-club' transfers in; death grants; child pensions; and medical certificate requirements for APCs. It was clarified that the acceptance of any 'non-club' transfers in would be subject to agreement between the Fund and the employers on a case by case situation dependant on the context which meant in practice this restriction would be likely to affect only a small group of members.

It was confirmed by officers that the completed review report would be brought to the Board for feedback before being submitted to the WPFC.

## **Resolved**

**The Board noted the recently approved amendments to the Administering Authority Discretions Policy and the plans to undertake a further review either later in 2020 or early 2021.**

**The Board requested that the next update be brought to the Board first for comments before submission to Committee for approval.**

## **87 LPB Budget Monitoring**

Jennifer Devine, Head of Pension Fund Investments, delivered a verbal update on the Local Pension Board year to date budget outturn.

It was highlighted that due to the move to virtual working, there had been a significant travel and training underspend projected. Additionally, there was an underspend noted for consultancy charges which had not been used during the past financial year. Officers noted that although the underspend was projected as being relatively high, if the online training platform discussed in Item 9 was approved, the underspend figure would be lower.

## 88 **Board Insurance**

Richard Bullen, Fund Governance and Performance Manager, delivered a verbal update on the Local Pension Board insurance cover.

It was noted that the Board's insurance arrangement was put in place to protect the Board against certain claims and that this was due for renewal on 9 October 2020. Officers confirmed that they were liaising with insurance providers on the insurable interest and premium amounts, which were £2,500 plus VAT but it was noted that this would increase to £2,850 plus VAT, including commission.

Officers highlighted that the Scheme Advisory Board (SAB) was approached with regard to the need for insurance as the Local Government Association (LGA) had provided advice in the past and officers wanted to check that this legal advice had been updated with regard to Local Pension Board insurance requirements. It was noted that past advice stated insurance should be in place, but that this was during the inception of Local Pension Boards as there was uncertainty on how Boards would establish themselves. Officers had been informed by the SAB that the topic would be discussed in a meeting at the beginning of October 2020, with a subsequent survey intended to be circulated to all Boards for feedback. It was noted that officers were working alongside the Wiltshire Council insurance team and were exploring alternative providers to attain a more competitive insurance policy for the Board. Additionally, officers noted that the existing insurance provider had been approached to glean some more details surrounding their claims experience, but it could not be obtained as it was deemed commercially sensitive. Members were informed that the provider had offered an extension for the Board to allow for a decision to be made on how best to proceed.

The Chairman noted that the previous Chairman of the Board had felt insurance was needed to protect against the risk to members but that he felt that there was not an insurable risk due to the nature of the Board being a non-decision-making body. However, the Chairman noted his reluctance to terminate the cover as he felt it was inappropriate to do so unless all members of the Board agreed. It was noted that more information was needed before a final decision could be made. Officers noted that they had written to the Wiltshire Council Corporate Leadership Team and had asked for guidance on the matter and whether it was possible for a level of assurance to be provided to the Board to ensure that no action would be taken against them under any circumstances.

Members of the Board questioned an alternative route by contacting other Local Pension Boards to query if they had experienced similar issues. Officers noted that this had been done on an informal basis but that the majority of feedback

had confirmed that many other Boards did not have insurance in place. Members explored the idea of not renewing the insurance cover but also discussed the adoption of a more cautious approach to not withdraw the insurance without hearing a response back from Wiltshire Council as to some assurance surrounding the wider cover, if that would include the Board, and a statement affirming that no action would be taken against the Board.

The Chairman agreed with the cautious approach and suggested that if the assurance was not able to be obtained within the renewal extension period, then the Board should consider committing to insurance cover for one year to determine the level of risk, thus allowing for a more informed decision. Officers noted the length of time until the next meeting of the Board and suggested a conditional style recommendation that would enable to officers to communicate and take action before the next meeting. The Chairman agreed with the addition of the conditional recommendation and asked if any members of the Board did not support, to which one member of the Board expressed unease to go ahead with such if the explicit assurance desired was not provided. Said member suggested an amendment to the recommendation that stated that in the event that no assurance was forthcoming, the Board would again review the need for insurance. Officers stated that the assurance was likely to be obtained but that the cover under Wiltshire Council's existing insurance had been checked and confirmed that the Board would not be eligible for cover under the Council's wider insurance due to the limited inclusion of pension areas in general and the separation of the Board and the Council.

The Chairman stated that he did not want any of the discussions to lead Board members feeling that they were not content to continue on the Board without insurance. Therefore, it was:

### **Resolved**

**The Board recommended to extend the insurance cover for one year and to seek written assurances from Wiltshire Council and to await the updated SAB advice before deciding to withdraw or extend the insurance policy. In the event that no assurance was obtained, a further review on the need for insurance would be undertaken.**

### 89 **Internal Audit 2020-21 (Part 1)**

Andy Cunningham, Head of Pension Administration and Relations, and Richard Bullen, Fund Governance and Performance Manager, presented a report on the findings of the final Internal Audit Report for 2020-21 prepared by the South West Audit Partnership (SWAP), in respect of the Wiltshire Pension Fund.

The audit covered the Fund's processes concerning its key financial controls, the Data Protection Act 2018/GDPR and MiFID II, and gave an opinion of "reasonable assurance". Five areas of review were also highlighted: three were low priority and two were medium priority. Officers noted that under the GDPR item, SWAP conducted a survey on Fund officers for breach reporting and data protection which resulted in positive comments and a good level of



understanding of the processes, roles and responsibilities. Members were informed that officers had requested that SWAP contact other Funds with regard to MiFID II and whether their approaches were similar to that of the WPF. It was confirmed that nine other Funds had been approached and the general feedback was varied but the underlying theme was that the WPF's good practice approach for MiFID II was very high and officers expressed satisfaction at the recognition for the high-quality management of the area.

Jennifer Devine, Head of Pension Fund Investments, spoke of the i-Connect contribution issues discussed within the report. It was confirmed that the issues weren't a risk in terms of the implementation of i-Connect, it was more the posting of the contributions data to the general ledger that caused issues within the accounting team. However, it was clarified that the problem had been identified and actions were being implemented to resolve those issues such as ensuring that employers were submitting simplified returns, and the development of spreadsheets that automatically uploaded the data onto the ledger system which would subsequently minimise the risk of errors. It was also noted that the accounting and investment team were developing a monitoring report that would be sent to the administration team to help the two teams work in tandem with more clarity.

Andy Cunningham followed on from this and highlighted one of the benefits of i-Connect; the ability to view data on a monthly basis instead of waiting for the end of year figures, thus allowing Fund officers to identify and solve any data issues at a faster rate. Officers noted that the short to medium term had produced complications and delays due to officers striving to simplify the process, but that the end result would put the Fund in a far better position for checking data with minimal errors. It was highlighted that this had been raised within the report, but that it was already being actioned by officers prior to the audit. Further improvements were cited as potential action points but that this was reliant on the software providers improving their reporting capabilities.

The recommendations were noted as having been accepted by officers, and actions were taking place, with a report to such being taken to the next meeting of the WPF in December 2020 if completed. The Chairman noted that he had felt there was a risk of delaying employers onto i-Connect as a result but that he felt reassured that this was not the case and that officers were actioning the recommendations.

One member of the Board raised that the covering paper stated that the report contained the management responses but that he could not find reference of such, therefore they felt that it was not clear whether each individual recommendation had been accepted or disputed by management. Said member also expressed disappointment that there were outstanding recommendations still attached from the 2018-19 audit. Officers clarified that management responses were under the title "Agreed Action" but acknowledged that it could have been emphasised more clearly. Officers additionally clarified that the recommendations that had been carried over had been agreed upon by officers but that the recommendations themselves were rather complex and difficult, therefore they were taking officers a long time to resolve. It was noted that the

specific issue concerning the reconciliation of administration and payroll databases had been referred to within the Fund update in Agenda Item 8. Officers were hopeful that an updated report would be brought forth to the December 2020 meeting of the WPFC.

Officers noted that the turnaround between the finalised audit report and this meeting of the Board had been tight which meant that they could not fulfil all subsequent suggestions such as including a process log on the implementation of recommendations but confirmed that this would be raised with SWAP to be included within future audit reports. Officers also confirmed that an update on any outstanding recommendations would be brought forth to the next meeting of the Board in February 2021 to reassure members that action was being taken.

### **Resolved**

**The Board noted the findings of the SWAP audit report and the management responses stated within the report.**

#### 90 **Internal Audit 2021-22 (Part 2)**

Richard Bullen, Fund Governance and Performance Manager, presented a report that outlined the scope of the recommended auditing proposals to the WPFC, for inclusion in the Fund's audit plan for 2021-22.

It was explained by officers that the established procedure was to put forward proposals that members could consider as WPFC recommendations for next year's commissioning of audits; internal, external and self-assessments, with the primary purpose intended to retain consistency but to also challenge the Fund with new or topical items such as MiFID II. The Chairman requested an update on the recommendations made to the WPFC at the last Board meeting on 6 August 2020 concerning the inclusion into the 2021-22 audits of a review into the Brunel cost savings. It was confirmed by officers that the request had been considered and agreed upon and would be recommended to the WPFC. Officer also confirmed that the goal was to challenge the Fund with regard to i-Connect, GDPR and access controls and so forth in order to provide a complete scope of audit challenges and changes.

The Vice-Chairman highlighted the last sentence of Section 4 of the report concerning the request by the Fund of SWAP audits from other service areas within Wiltshire Council, and asked whether these requests would be for information only. Officers responded and informed members that this would be for key audits pertinent to the Fund, such as Wiltshire Council's ICT systems audits following on from the cyber security item discussed at the last meeting of the Board. It was noted that any payroll audit reports could be beneficial for members to provide some oversight on how sizeable services that the Fund shares with the Council operate. Members noted that this could be advantageous for Fund officers in the event that the recommendations would adversely affect the Fund. After deliberations by members and subject to the respect for Council protocols, it was agreed that officers could request copies of the reports on behalf of the Fund.

The Chairman made a recommendation to the WPFC that Fund officers had sight of key financial systems reports for information, unless there were concerns, in which case the reports would be brought forth before the Board.

Cllr Richard Britton highlighted the update on Paragraph 6 of the report concerning the outstanding external audit of the 2018-19 Wiltshire Council accounts. It was noted that a lot of work had been undertaken but a satisfactory conclusion had not been found, and a decision had been taken between the Audit Committee (AC) and Deloitte to sign off the accounts at the AC November 2020 meeting leading to a qualification by the auditors. The Chairman noted the consideration written in the report by officers and proposed that the first recommendation be amended to include that if the AC does not approve the accounts at their November 2020 meeting then the Board would require a written explanation, but only if they are not signed off.

Newer members of the Board asked for a brief explanation of what the technical issues were in regard to the delayed sign off of the 2018-19 accounts to which Cllr Richard Britton and Jennifer Devine clarified that it was not related to the Pension Fund's accounts but solely with the main Council's accounts and that a separate audit could not be undertaken for the Fund's accounts. It was noted that the issue was as a result of the historical valuation of the Council's assets and the basis on which those valuations were completed. Officers noted that they had requested that a written explanation be included with the Annual Report & Accounts to clarify that the issue was not part of the Pension Fund's accounts.

The third recommendation concerning an officer self-assessment against tPR Code of Practice 14 was raised and members were asked if they wanted to proceed. The Chairman asked whether the report of the self-assessments would be brought forth to the Board and WPFC, to which officers confirmed that it would be. The Chairman then noted that if the self-assessment reports were to be brought forward then he felt that the third recommendation for approval did not seem appropriate. Therefore, it was agreed by members to remove this recommendation and to consider it once the self-assessment reports had been reviewed by the Board.

## **Resolved**

- 1) The Board recommended that in the event that the Audit Committee approved the signing off of the qualified 2018-19 Annual Report & Accounts, no further action was required. However, if the sign off did not take place, then the Pension Fund Committee should request a written report outlining a resolution from the Audit Committee. This also included the 2019-20 accounts.**
- 2) The Board recommended that the Committee approved the scope of the internal SWAP audits in 2021-22, covering the Fund's Pension Transfer arrangements, its internal financial controls, data Protection Act 2018/GDPR compliance and Brunel cost savings.**

- 3) **The Board recommended that Fund officers request sight of SWAP Internal Audit reports from other key services areas, subject to the adherence of Wiltshire Council protocols. Such reports should be provided to the Board and Committee to fulfil their oversight functions.**

91 **The LPB's Register of Interests & Conflict of Interests Policy**

Richard Bullen, Fund Governance and Performance Manager, introduced a brief report on the Local Pension Board Code of Conduct, Register and Conflict of Interests Policy's.

It was noted that these were last reviewed in the Summer of 2018, and that the only material change highlighted within the past two years was the review of the Council's Constitution with regards to the approval of Protocol's 2A in respect of the WPFC, and 2B in respect of the Board. Changes to Protocol 2B effectively require the Board's Code of Practice to be aligned to the administering authority's Code of Practice, rather than operate as a standalone arrangement.

The Democratic Services Officer reminded all members that had not already to review their Register of Interests forms and to highlight any changes.

**Resolved**

- 1) **The Board approved the officer recommendations outlined in paragraph 5 of the report:**
  - a) **That any declaration made on their own Register of Interests form continues to be complete and accurate;**
  - b) **To consider extending the cycle of the current review period from two years to three, subject to c) below;**
  - c) **On receipt of any updated guidance from the Pension's Regulator in connection with tPR's anticipated new "Single Code of Practice", replacing the current Code of Practice 14, the policy is reviewed.**
- 2) **Officers agreed to update the Board's Code of Conduct, Register and Conflicts of Interests Policy to reflect Protocol 2B.**

92 **Risk Register Update**

Richard Bullen, Fund Governance and Performance Manager, presented an update to the Board in relation to changes made to the Fund's Risk Register.

It was explained that the register had been updated to reflect the internal audit findings in terms of GDPR and MiFID II compliance (PEN009 and PEN049), and it was noted that PEN012, over reliance on key officers, had been raised to an Amber status due to the bespoke and specialist role that was being recruited for within the Accounting and Investment team. It was additionally highlighted that officers had become aware of a requirement for the Fund to make

improvements to the website concerning accessibility for members who had additional needs such as impaired sight or hearing. Officers noted that they would be undertaking a project to ensure that the Fund was compliant and that it would be added to the Risk Register.

The Chairman noted his support at raising PEN012 to Amber and suggested that the topic be further explored within Agenda Item 22. The Vice-Chairman highlighted the use of the word “appear” within the Risk Register report in relation to PEN012 and asked for further clarification to which officers detailed the historic recruitment and logistical issues when approaching the search for a suitable appointment to the specific role.

#### **Resolved**

- 1) The Board noted the attached Risk Register.**
- 2) The Board recommended the changes/actions made by officers in points 5 to 8 to the Committee.**
- 3) The Board requested that the matter of Accessibility Regulations be added to the Risk Register.**

#### **93 Administration Quarterly Key Performance Indicators**

Andy Cunningham, Head of Pension Administration and Relations, presented a report on the Fund’s performance against its Key Performance Indicators (KPIs) in relation to the administration of pension benefits.

Attention was drawn to Appendix 2 (tPR Data Quality Scores) and it was noted that the Fund paid their software providers to undertake the required analysis annual due to the fees involved and the requirement for annual figures to be submitted to tPR. It was highlighted that the current figures were outdated, and it was confirmed that the Fund had already commissioned their software providers to update the figures which would be brought to the next meeting of the Board in February 2021.

The Chairman noted the positive nature of the report, particularly in relation to Appendix 1 and 2, and highlighted the fact that most Funds use the same provider for analysis which provided reliable benchmarking statistics for the WPF’s data quality results.

#### **Resolved**

**The Board noted the current situation and the Fund’s plans for improvement.**

#### **94 Annual Benefit Statement Update**

Andy Cunningham, Head of Pension Administration and Relations, presented a report that summarised the outcome of this year’s Annual Benefit Statements (ABS) exercise for the year ending 31 March 2020.

Officers explained that the legal deadline for statements to be distributed was 31 August each year, but that there was some flexibility on how to produce them in terms of posting to home addresses or onto an online portal where members were given the opportunity to sign in to receive it or to opt out and instead receive the paper copy. As the online portal would be linked to i-Connect it allowed members to view their financial position on a monthly basis which would be more up to date than the annual statement.

It was noted that some participating employers sent their end of year returns in late, which led to Fund officers having less time to send queries and undertake standard data checks. These delays were cited as part of the reason for the goal of 99% active ABS being produced not being met. It was confirmed that the Fund's production rate was instead 96.9% which although less than target was an improvement on last year's 95%. However, it was highlighted that work was continued on those remaining ABS throughout September, bringing the total percentage up to 97.8% by the end of the month. It was noted that the onboarding of employers onto i-Connect would naturally improve this figure as well as it enabled the Fund to receive more up to date records earlier in the year, spreading out the queries and make the work needed at the end of year minimal.

#### **Resolved**

**The Board noted the current situation and the Fund's plans for next year.**

#### 95 **Urgent Items**

There were no urgent items.

#### 96 **Date of Next Meeting and Forward Plan**

The next meeting of the Board would be held on 11 February 2021.

It was noted that the Board's Forward Work Plan was attached to the agenda pack for members' consideration.

#### 97 **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 22 - 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.**

98 **Accounting Update Report**

Jennifer Devine, Head of Pension Fund Investments, in relation to the Fund's accounting to 30 June 2020.

**Resolved**

**The Board noted the report.**

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

The minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 24 September 2020 and 10 September 2020 respectively were considered, and it was:

**Resolved**

**The Part 2 (private) minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 24 September 2020 and 10 September 2020 respectively were noted.**

100 **Brunel Governance Review Update**

Jennifer Devine, Head of Pension Fund Investments, updated the Board on the Brunel Pension Partnership governance arrangements.

**Resolved**

**The Board noted the report.**

101 **Minutes**

The minutes of the previous meeting held on 6 August 2020 were considered, and it was:

**Resolved**

**The Part 2 (private) minutes of the previous meeting held on 6 August 2020 were approved as a true and correct record.**

(Duration of meeting: 10.30 am - 1.05 pm)

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

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**Wiltshire Pension Fund Board – Action Log**

<b>Minute reference</b>	<b>Section</b>	<b>Meeting Action</b>	<b>Task owner</b>	<b>Target date for completion</b>	<b>Completed and reported to last meeting</b>
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	AC	31/03/2021 (ASAP)	
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.	AC	14/11/19	On 18/02/2021 agenda
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	AC	15/10/20	Complete - tracking information is shown in the appendix to the KPI paper and within annual benefit statement reviews
83 (14/11/19)	Administration (Communications Strategy)	Information on digitalisation should be made available on all platforms to avoid issues and meet compliance	AC	15/10/20	Complete
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	RV	16/07/20	On 18/02/2021 agenda

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	RB	15/10/20	15/10/20 - Minute 88
64 (06/08/20)	Accounting (Audit)	To recommend to Committee that an audit into the Brunel cost savings should be included in the next financial year, 2020/21	JD	31/07/21	17/12/2020 - Committee Minute 215
73 (06/08/20)	Governance (Cyber Security)	Fund officers to work with ICT to develop an annual report for submission to the Fund's Board & Committee	RB	31/08/21	
73 (06/08/20)	Governance (Cyber Security)	From 2021 the scope of the SWAP internal audit on GDPR is broadened to include internal controls relating to system access & request key security audits of ICT	RB	31/08/21	
85 (15/10/20)	Governance (Training)	The Board unanimously approved their own use of this training platform	RB	18/02/21	17/12/2020 - Committee Minute 210
85 (15/10/20)	Governance (Training)	The Board unanimously recommended that the Committee members & their substitutes also adopt the introduction of this training platform for the next two years	RB	17/12/20	17/12/2020 - Committee Minute 210
86 (15/10/20)	Administration (Discretions Policy)	Approved amendments to the Administering Authority Discretions Policy and officers plans to undertake a further review either later in 2020 or early 2021	AC	18/02/21	On 18/02/2021 agenda
88 (15/10/20)	Governance (Board Insurance)	The Board recommended to extend the insurance cover for one year and to seek written assurances from Wiltshire Council and to await the updated SAB advice before deciding to withdraw or extend the insurance policy. In the event that no assurance was obtained, a further review on the need for insurance would be undertaken	RB	18/02/21	On 18/02/2021 agenda
89 (15/10/20)	Governance (SWAP Audit 2020/21)	An update on any outstanding recommendations would be brought forth to the Board in February 2021 to reassure members that action was being taken	AC	18/02/21	On 18/02/2021 agenda

90 (15/10/20)	Governance (SWAP Audit 2021/22)	In the event that Audit Committee did not sign off the qualified Annual Report & Accounts 2018/19 then the Pension's Committee should request a written report outlining a resolution from the Audit Committee. This also included the 2019-20 accounts.	RB	18/02/21	
90 (15/10/20)	Governance (SWAP Audit 2021/22)	The Board recommended that Fund officers request sight of SWAP Internal audit reports from other key service areas subject to the adherence of Council protocols.	RB	19/08/21	
92 (15/10/20)	Governance (Risk Register)	That the matter of Accessibility Regulations be added to the risk register	RB	17/12/20	17/12/2020 - Committee Minute 217
100 (15/10/20)	Governance (BPP Governance review)	Officers to update the Board of the outcomes of their BPP meeting	JD	18/02/21	On 18/02/2021 agenda

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### Wiltshire Pension Fund Committee

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#### MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 17 DECEMBER 2020 AT ONLINE MEETING.

##### **Present:**

Tracy Adams, Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Robert Jandy, Cllr Gordon King, Chris Moore, Cllr Christopher Newbury and Mike Pankiewicz

##### **Also Present:**

Andy Brown, Richard Bullen, Joshua Caughey, Andy Cunningham, Jennifer Devine, Anthony Fletcher, Hill Gaston, Kieran Harkin, Rod Lauder and Mark Spilsbury

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#### 202 **Membership**

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

#### 203 **Apologies for Absence**

Apologies were received from:

- Cllr Pauline Church
- Cllr George Jeans
- Stuart Dark

#### 204 **Minutes**

The Part 1 (public) minutes of the previous meeting held on 24 September 2020 were considered, and it was:

##### **Resolved**

**The Committee approved the Part 1 (public) minutes of the previous meeting held on 24 September 2020 as a true and correct record.**

#### 205 **Review of Actions Log**

Richard Bullen, Fund Governance and Performance Manager, introduced the item and noted that the AVC review had been carried forward. A review of the Fund's benchmarking arrangements was still ongoing.

**Resolved**

**The Committee noted the actions log.**

206 **Declarations of Interest**

There were no declarations of interest.

207 **Chairman's Announcements**

There were no Chairman's announcements.

208 **Public Participation**

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

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

Mark Spilsbury, Chairman of the Local Pension Board, addressed the Committee and commented upon the minutes and recommendations arising, in particular; reforms to public sector exit payments, employer ill-health insurance review, the training update and internal audit updates.

The unanimous approval from the Board for the use of the Hymans-Robertson online training platform was emphasised and the first recommendation in Minute Item 90 was highlighted as requiring no further action. With regard to the internal audit updates it was noted that the Chairman of the Board was content with the action being taken and was keen to hear the further updates as they arose in the meeting.

Following which, it was:

**Resolved**

**The Committee noted the Part 1 (public) minutes of the last meeting of the Local Pension Board held on 15 October 2020.**

210 **Training Update**

Richard Bullen, Fund Governance and Performance Manager, gave an update on the Fund's training strategy for Committee and Board members and Committee member self-certification in respect of MiFID II.

Reference was made to the results of the questionnaire circulated in October 2020 and it was noted that of the eight substitute members, none had completed and returned their form. The online training platform by Hymans-Robertson was raised and it was highlighted that as members were all working from home, a virtual framework for maintaining knowledge and understanding was crucial due to the inability to attend physical seminars and conferences.

Officers noted that there had been feedback from one substitute member. Following discussions, it was felt that the expanse of knowledge needed to effectively substitute at a meeting was considerable and that substitutes should only be expected to invest the time in training and building up their understanding in the event that they were appointed as a full member of the Committee. Members agreed with the sentiment and noted that the degree of involvement from the substitutes was so little that they felt it unreasonable to expect them to undertake such an extensive task and considerable commitment on a regular basis. One member of the Committee noted the purpose of MiFID II self-certification and how members needed to demonstrate the maintenance of their own knowledge and understanding, and how it was vital that if a substitute was called upon that they could deliver the same level of competency. Officers confirmed that in that scenario new appointees would follow that standard introductory programme which would enable them to develop their knowledge over a period of time. The Chairman raised that if a substitute was called upon, they could also be directed to the Hymans-Robertson training which would allow them to attain MiFID II compliance and bring them up to date.

#### **Resolved**

- 1) The Committee approved the Board and Committee member training self-assessment outcomes identified for 2021-22. Officers will implement these outcomes in the form of structured training;**
- 2) The Committee approved the removal of their requirement that substitute members complete the MiFID II self-certification form and in turn participate in member training, except on an opt-in basis;**
- 3) The Committee required any members who have not completed their K&U self-certification of MiFID II compliance to do so;**
- 4) The Committee accepted the recommendation made by the Board that they register and take part in the online training platform to be released by Hymans-Robertson.**

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

Andy Cunningham, Head of Pension Administration and Relations, updated the Committee on the various Scheme, Legal, Regulatory and Fund developments.

Reforms to public sector exit payments were raised and it was confirmed that the Fund continued to be in a position of operating under conflicting legislation. It was noted that officers were encouraging employers to delay taking action until further clarity on the situation was achieved, however it was also confirmed that the majority of redundancy cases were falling under the cap. The consultation on the changes to the management of employer risk was raised and it was confirmed that officers had implemented one of the resulting changes and that another was already embedded within the Fund's cessation policy which would be discussed later in the meeting. It was noted that officers were awaiting the final outcome of the cost cap mechanism and McCloud case, with

timeframes uncertain, however officers were undertaking as much preparation work as possible but stated that a high proportion of the work could not begin until the final legislation was in place.

The Chairman raised how the impact of the pandemic could alter Wiltshire Council's working practices far into the future to which officers confirmed that there had not been much discussion on how this would affect the Pension Fund's employees so far, but that the general consensus between the Fund and Council was to continue working from home full-time for the time-being and to review the situation later. It was highlighted that discussions were ongoing, and more information was needed.

One member of the Committee, with regard to McCloud, questioned the progress being made to engage with employers and retrieve the necessary information on part-time members. Officers noted that it was part of the onboarding process onto i-Connect but highlighted that it was, at times, difficult for employers to retrieve the membership data from different sources or employers were in a position where there was no historical data to look back on. Despite this, officers were confident that the new i-Connect process would become easier in the long-term albeit time consuming in the present to set up. In response to a further question as to the risk of not receiving the part-time hours information and how this would affect the benefits calculations, officers stated that it was likely that they would be unable to retrieve the necessary data in certain cases but that it was too early to confirm and the system was a work in progress.

One member of the Committee raised the Goodwin case and asked whether it would have the potential to be as time consuming and complex as McCloud to which officers noted that the scope of people it covered would be much smaller than McCloud and therefore, in theory, should not generate the same impact but noted that this was still uncertain due to the relative infancy of the Goodwin case.

## **Resolved**

**The Committee noted the report.**

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

Andy Cunningham, Head of Pension Administration and Relations, introduced a revised report that summarised the latest KPIs for the period of 1 July 2020 to 30 September 2020, in a changed format.

It was noted that The Pensions Regulator (tPR) had allowed benchmarking to take place on a key tPR metric: annual benefit statements. Officers confirmed that LGPS Funds were broadly similar, with the average being 96% and WPF at 96.9% (with a 95% average at the time of the survey), but that they were confident for a higher result next year due to the continued onboarding onto i-Connect. The tPR Common and Conditional Data percentages were shown in Appendix 2 of the report and it was noted that these were updated annually as



the Fund reports to tPR and that both had seen improvements since last year. Officers stated that they were uncertain of how these figures compared to other Funds, but they were in the processing of obtaining that data to bring forward to the next meeting of the Committee if possible.

Councillor Steve Allsopp, a member of Swindon Borough Council (SBC), asked for an update on the progress of SBC onto i-Connect to which officers confirmed that SBC had encountered complications when calculating the historical part-time hours information but that they were in a good position despite this.

One member of the Committee questioned how much information was provided to employers and how clear they were on timeliness. Officers confirmed that they were attempting to onboard as many as possible by the end of the financial year but that this was driven by what each employer needed to do to ensure that they were ready to move onto i-Connect; as such, there was no fixed deadline but they were being encouraged to make the necessary arrangements as quickly as possible but that this was dependant on size and structural complexity. Members asked that an update be provided to members at the end of the financial year that outlined which employers were outstanding and what was left to do. Officers reiterated that they hoped that the majority of employers would be onboarded by March 2021 but that once this informal deadline had passed, they would review the situation from there.

### **Resolved**

**The Committee noted the current situation and the Fund's plans for improvement.**

**Officers agreed to bring a further update to the next meeting of the Wiltshire Pension Fund Committee in March 2021.**

### 213 **Budget Monitoring**

Jennifer Devine, Head of Pension Fund Investments, and Andy Cunningham, Head of Pension Administration and Relations, spoke to the report outlining the budget monitoring for the period 1 July 2020 to 30 September 2020.

It was noted that the next ordinary meeting of the Committee in March 2021 would be when the budget for the next year would be approved but that the backlog issues and longer-term improvements needed to be addressed earlier. It was clarified that the amount requested would aid in the funding of three additional staff to cover the outstanding administrative resource requirements. The Chairman of the Local Pension Board stated his recommendation that the Committee approved the proposals within the report. Anthony Fletcher, MJ Hudson, noted a general observation that Wiltshire Council's resources, in comparison to other local government pension schemes, were considered to be thinly stretched and highlighted the necessity for the backlog issues and increased workload in the future to be mitigated. Members echoed this observation.

## Resolved

- 1) The Committee noted the projected outturn for 2020-21.
- 2) The Committee approved the additional staff/resource spending of £105,000 to help fund temporary support to deal with the following areas:
  - a. The additional work created by the McCloud ruling, mostly immediately, collecting and processing the retrospective data needed back to April 2014 (as discussed in the Scheme update paper).
  - b. Dedicated resource in relation to tackle administrative backlogs (as shown in Appendix 5 of the KPI paper)
  - c. Reconciliation and rectification work (as later explained in Agenda Item 22)

**Note:** Most of the additional spending requested is likely to occur within the 2021-22 financial year but it is requested now so the recruitment can start shortly.

### 214 Internal Audit Report

Richard Bullen, Fund Governance and Performance Manager, introduced a report updating members on the Internal Audit recommendations for 2020-21 from SWAP.

It was noted that the audit was undertaken during September 2020 and covered three areas: key financial controls, the Data Protection Act 2018/GDPR and MiFID II. It was confirmed that all three areas gave an opinion of “reasonable assurance”, with five recommendations for improvements, included within the report.

The Chairman stressed that some of the items on the report had been carried over from the report undertaken last year but noted that these would be addressed with increased resources as discussed further in the agenda.

## Resolved

**The Committee noted the findings of the SWAP audit report (Appendix A) and the management of the recommendations made outlined in Appendix B.**

### 215 Fund Audit Strategy for 2021-22

Richard Bullen, Fund Governance and Performance Manager, introduced a report that outlined the range of Pension Fund audits that could be commissioned and included within the Fund’s audit strategy for 2021-22.

It was noted that the initial report had been reviewed at the last meeting of the Local Pension Board in October 2020, and the recommendations being made to the Committee were based on the Board's guidance. Officers highlighted that there would be a focus on new and developing areas of administration alongside the more traditional areas to ensure consistency and compliance with expectations.

It was noted that the Audit Committee had signed off the 2018-19 accounts and the 2019-20 accounts were expected to be signed off at their next meeting in February 2021. It was highlighted that officers were awaiting a new Single Code of Practice from The Pensions Regulator (tPR) and as such an audit in connection with the existing Code of Practice 14 should be delayed until the new Single Code was introduced. Additionally, it was noted that due to the good governance arrangements observed by SWAP in relation to the Fund's implementation of its MiFID II compliance in 2020-21, no requirement for an audit was felt necessary for 2021-22.

### **Resolved**

**The Committee approved the commissioning of the external and internal audits outlined within the report and for officers to notify to the Audit Committee & CLT, as required, in respect of the recommendations agreed.**

## 216 **Employer Cessation Policy**

Andy Cunningham, Head of Pension Administration and Relations, introduced the report that outlined the amendments made to the Fund's current policy following further legislation released in September 2020 and subsequent guidance on the legislation.

It was explained that further regulatory changes to the cessation policy were made on 23 September 2020 which allowed the Fund greater flexibility on how they approached the collection of employer cessation deficit payments. The key change was the introduction of a "deferred employer status" whereby the employer can enter into a Deferred Debt Agreement with the Fund. Officers noted the positivity of the changes as it provided more options for both the employers and the Fund, but it was highlighted that additional controls and processes were being put in place to minimise any risks to the Fund.

One member of the Committee raised the ongoing exit payments consultations and questioned if this would be interlinked to the cessation policy regulatory changes with regard to increased flexibility. Officers noted that they were uncertain as to the intentionality of such connections by the Government but agreed that they would interlink.

### **Resolved**

**The Committee approved the policy subject to a consultation with employers being undertaken shortly after the meeting and no material issues being raised as part of the consultation process.**

## 217 **Pension Fund Risk Register**

Richard Bullen, Fund Governance and Performance Manager, updated the Committee in relation to the changes made to the Fund's Risk Register.

PEN012 and PEN024 were highlighted and discussed in consideration of the ongoing recruitment for an Accounting and Investment Officer and the pending changes from 1 January 2021 as a result of Brexit. Members questioned PEN012 and requested an update. It was confirmed by officers that the role was still vacant and that they were planning for a final recruitment drive before considering other options such as splitting the role into two.

### **Resolved**

**The Committee approved the attached Risk Register and accepted the recommendations for changes/actions made submitted by the Board in points 5 to 8.**

## 218 **Data Protection Policy**

Richard Bullen, Fund Governance and Performance Manager, presented a report on the updates to the Fund's Data Protection Policy.

It was explained that the new regulations were introduced in May 2018 and that a range of different policies had been brought in since then, however it was confirmed that a more pension specific approach to the management of the Fund's data was now completed, replacing prior reliance on the standard Wiltshire Council Data Protection Policy.

It was confirmed that Data Protection breaches could result in substantial fines, but officers reassured members that fines were a last resort with the Information Commissioner's Officer (ICO) preferring to work with organisations in the first instance.

The Chairman questioned how the change would affect the training of staff. Officers confirmed that Fund officers would continue to undertake mandatory training provided by Wiltshire Council on an annual basis but that there was also a focus on embedding the data principles as part of their ongoing daily tasks. It was noted that data breaches were typically as a result of human error but that these were of a minor nature, with nine data breaches recorded in the Annual Report for the previous year.

Committee members asked if the new Policy would cover older data. Officers confirmed that a separate Data Retention Policy approved by Committee and Board members in February 2020 outlined the management of older data and that there was a system in place to begin deleting or minimising the information that the Fund no longer required.

**Resolved**

**The Committee approved the Fund's Data Protection Policy prepared by officers.**

219 **Look Forward Plan Review**

Richard Bullen, Fund Governance and Performance Manager, presented the Look Forward Plan for the remainder of 2020-21.

An update was given on Club Vita where it was noted that a report would be submitted to Hymans-Robertson, and that suppliers contract management reviews would be revisited in due course. It was highlighted that the reviews had been postponed due to organisations experiencing exceptional circumstances as a result of COVID-19 and therefore it had been felt that fair assessments could not have been made.

**Resolved**

**The Committee noted the plan for the remainder of 2020-21.**

220 **Date of Next Meeting**

The next ordinary meeting of the Wiltshire Pension Fund Committee would be held on 25 March 2021.

The next extraordinary meeting of the Wiltshire Pension Fund Committee would be held on 14 January 2021.

221 **Urgent Items**

There were no urgent items.

222 **Exclusion of the Public**

One member of the Committee questioned why Agenda Item 26 was under Part 2 of the agenda to which officers confirmed that the topic in question would be made public at a later date as the item contained materials from the investment consultants, which was proprietary, and the issues were still very much in progress. Said Committee member requested a formal vote via roll call take place to decide the resolution of the exclusion of the public. After which, it was:

**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 22 – 31 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 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.**

*Councillor Christopher Newbury requested that his vote against the motion be recorded.*

## 223 **Pensioner Payroll Database Reconciliation**

Members took a comfort break from 12.10pm to 12.40pm.

Andy Cunningham, Head of Pension Administration and Relations, updated the Committee on the progress of the reconciliation project.

### **Resolved**

- 1) The Committee noted the current progress of the project and the approximate timelines as stated in the report. The Committee resolved to wait until March 2021 before agreeing on further actions, by which time the information should be somewhat clearer (although still likely to be uncertain to a degree) with regard to Stage 4 of the project.**
- 2) The Committee approved the additional budget costs of £45,000 for an additional full-time, temporary member of staff in relation to the project (to include on costs).**
- 3) The Committee approved a budget extension in the 2020-21 year of £12,000 to cover the one-off cost of migrating historical images from an archive system to Altair.**

## 224 **Employer Ill-Health Insurance Proposal**

Andy Cunningham, Head of Pension Administration and Relations, introduced the report that summarised the protection arrangements and options available to the Fund's Scheme Employer and proposed a revised approach.

### **Resolved**

**The Committee approved the switch to the new ill-health insurance model from 1 April 2021 subject to no material and wide-spread concerns being raised by employers in the consultation period following conditional approval.**

## 225 **Brunel Pension Partnership Update**

Jennifer Devine, Head of Pension Fund Investments, updated the Committee on the Brunel Pension Partnership governance arrangements.

**Resolved**

**The Committee noted the update and agreed to continue to monitor and progress the situation.**

226 **Key Financial Controls**

Jennifer Devine, Head of Pension Fund Investments, introduced the report that outlined the operational accounting arrangements being undertaken by officers.

**Resolved**

**The Committee noted the issues identified within the report, and the progress made to rectify problems and develop improvements.**

227 **Responsible Investment Update**

Jennifer Devine, Head of Pension Fund Investments, introduced the report which highlighted the recent work done to develop the approach in tackling responsible investment issues; in particular, climate change risk and opportunities.

**Resolved**

- 1) The Committee agreed to amend the Investment Strategy Statement in line with Mercer's recommendations. A revised Investment Strategy Statement will be drafted and brought back to the Committee for approval at the meeting in March 2021.**
- 2) The Committee agreed that the Fund should adopt the recommendations of the TCFD.**
- 3) The Committee agreed that the Fund should aim to sign up to the 2020 Stewardship Code during 2021.**
- 4) The Committee agreed that officers will further explore commissioning Mercer to advise on a road map for the Fund to achieve net zero by 2050.**
- 5) The Committee instructed officers to prepare a paper on the Brunel sustainable equities portfolio, for consideration at the next Investment Sub-Committee and main Pension Fund Committee meeting in March 2021.**
- 6) The Committee noted the remainder of the report.**

*Councillor Christopher Newbury requested that his vote against the motion be recorded.*

228 **Minutes and Key Decisions of the Investment Sub-Committee and Local Pension Board**

The Part 2 (private) minutes, and recommendations arising, from the last meetings of the Investment Sub-Committee and Local Pension Board were considered, and it was:

**Resolved**

**The Committee noted the Part 2 (private) minutes of the last meetings of the Investment Sub-Committee and Local Pension Board held on 2 December 2020 and 15 October 2020 respectively.**

229 **Investment Quarterly Progress Report**

Jennifer Devine, Head of Pension Fund Investments, updated the Committee on the Fund's investment performance to 30 September 2020.

**Resolved**

**The Committee noted the investment reports and the update provided by officers and advisers at the meeting.**

230 **COVID-19 Impact Report**

Jennifer Devine, Head of Pension Fund Investments, introduced a report that summarised the impact of the pandemic on the investment portfolios.

**Resolved**

**The Committee noted the report.**

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

Richard Carter, Infrastructure Manager, and Jenny Hearn, ICT Security Officer, presented a verbal update outlining the arrangements Wiltshire Council's ICT department make on behalf of the Fund in connection with the Fund's compliance with the Pension Regulator's guidance on cyber security resilience.

**Resolved**

**For officers to bring back an update report to the Committee at a later (undetermined) date.**

232 **Minutes**

The Part 2 (private) minutes of the previous meeting held on 24 September 2020 were considered, and it was:



**Resolved**

**The Committee approved the Part 2 (private) minutes of the previous meeting held on 24 September 2020 as a true and correct record.**

(Duration of meeting: 10.30 am - 2.55 pm)

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

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

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## Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	<a href="https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector">https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector</a>  <a href="#">Hymans summary</a>	Updated	<p>The Restrictions on Public Sector Exit Payment Regulations came into force from 4 November 2020 and the Fund remains in a difficult position of operating under conflicting legislation for scenarios whereby the total 'costs' exceed £95k.</p> <p>As at early February 2021, several judicial reviews are underway, challenging the implementation of this legislation which (almost ironically) is actually delaying 'fixing' the contradiction.</p> <p>At the moment, the Fund will continue to stockpile or encourage employers to delay taking action until the situation is clearer. Fortunately, most redundancy cases in the Fund at present are falling under the cap so this is not causing major issues at the moment.</p> <p>Officers are also exploring early adopting the new calculation factors which will likely reduce the numbers exceeding the cap still further.</p>	PEN021
MHCLG	Fair Deal Consultation	<a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection">https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection</a>	No change since the last meeting	<p>No movement for some time on this.</p> <p>Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Due to the Parliamentary backlog, further progress may not be seen until 2021.</p>	PEN040
	<i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i>	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf</a>	No change since the last meeting	<p><b>Scope:</b></p> <ol style="list-style-type: none"> <li>1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle.</li> <li>2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles.</li> <li>3). <b>Proposals for flexibility on exit payments.</b></li> <li>4). <b>Proposals for further policy changes to exit credits</b></li> <li>5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees)</li> </ol> <p><b>Reform progress:</b></p> <p>The Government has introduced legislation in relation to items 3 and 4. The changes resulting from item 4 are already embedded in the Fund's cessation policy and the changes from item 3 were covered in</p>	PEN044

Organisation	Subject	Link	Status	Comments	Risk Ref
				a paper revising the Fund's cessation policy in the December 2020 committee pack.	
	Consultation: Taking action on climate risk	<a href="https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations">https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations</a>	New	<p>MHCLG are shortly expected to release draft regulations and statutory guidance for consultation on how schemes will need to take action on climate risk. The DWP have already issued a consultation for occupational pension schemes – this is the link provided – and the MHCLG consultation will apply to the LGPS and is expected to be virtually identical.</p> <p>The Fund is in a good place here as the Committee has already done significant work to address this risk, via modelling, education (both of Committee members and the wider scheme membership), transparent reporting and meaningful actions.</p>	PEN041
<b>The Department of Work and Pensions (DWP)</b>	Pension dashboard project	<a href="https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/">https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</a>	No change since the last meeting	Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of mid 2020s	PEN038
<b>Financial Reporting Council</b>	Proposed revision to the UK Stewardship Code	<a href="https://www.frc.org.uk/investors/uk-stewardship-code">https://www.frc.org.uk/investors/uk-stewardship-code</a>	No change since the last meeting	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on <b>24<sup>th</sup> October 2019</b> which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>Officers will now review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC, but 31 March 2021.</p>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
Scheme Advisory Board (SAB)	Academies' review	<a href="http://www.lgpsboard.org/index.php/structure-reform/review-of-academies">http://www.lgpsboard.org/index.php/structure-reform/review-of-academies</a>	No change since the last meeting	<p>SAB 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		No change since the last meeting	<p>The McCloud consultation has now closed and officers await to see the final outcome.</p> <p>As part of the i-Connect, officers continue to update part-time hours histories for active staff. For other categories, there is little work officers can do until the final remedy is released and the administration software is updated.</p>	PEN042
	Goodwin Case		<b>No change</b>	<p>In a similar vein to the McCloud case, a new case is now on the horizon called the <b>Goodwin</b> case. It is another discrimination case affecting public service schemes including the LGPS, this time on the grounds of sexual orientation. Again, although the funding costs are small, this will be a further administration and communication burden to address. It is still early stages in terms of the nature of the subsequent reform which will be required so officers are unable to assess the impact at present until further details emerge.</p>	PEN056
	Tier 3 employers review	<a href="http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid">http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid</a>	No change since the last meeting	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification</p>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>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>	
	Good Governance Project (formerly known as the Separation Project)	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No change since the last meeting	<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> <p>Again, due to legislative delays caused by COVID-19, we understand the timeframes for this project have been postponed.</p>	None
	Guidance Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No change since the last meeting	<p>The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p>	PEN039
	Data Project	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	No change since the last meeting	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p>	None

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

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## Fund updates

Area	Description	Business Plan reference/Risk Register (if applicable)
COVID-19 update	<p><b>(Unchanged)</b> It is still largely business as usual from an operational point of view as Fund officers are able to all work from home without major issues. Some employer’s administrative functions have been affected which has caused some delays to making progress with McCloud and i-Connect onboarding, although relatively speaking these are not a major concern.</p> <p>Early concerns regarding the funding level (which dropped sharply in March 2020 and then steadily recovered), the risks related to employer failure or service providers being unable to delivered the contracted services have not materialised so far to any meaningful degree.</p>	<p>N/A on Business Plan</p> <p>Risk PEN052</p>

The other key Fund updates are already covered in items in the February 2021 Board agenda.

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2020

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### Administering Authorities Discretions Policy

#### Purpose of the Report

1. To propose the amendment of a number of the Fund's regulatory discretions.

#### Background

2. In various parts of the LGPS Regulations, the Fund is afforded discretion over how the rules of Scheme operate, allowing a degree of localised decision making.
3. In line with best practice, the Fund summarises its approach to all of these areas of discretion in an Administering Authority Discretions Policy. This full policy was last reviewed and approved by the Committee on 10 December 2015. However, changes were made and approved for some of these discretions in September 2020 to discretions related to the following:
  - a). **Acceptance of certain 'non-club' transfer in (Discretion 39)** (broadly speaking, private sector, defined contribution pensions)
  - b). **Death grants (Discretion 45)**: The Fund has discretion over to whom any death grants are paid.
  - c). **Child pensions (Discretion 47)**: The approach as to whether child pensions are suspended during a break in higher education.
  - d). **Medical certificate requirements for APCs (Discretion 14)**: The Fund has discretion over whether to ask for a medical certificate when someone takes out an APC.
4. Unfortunately, the Local Pension Board did not have the opportunity to review these changes before they occurred due to timing difficulties, however, this paper and its appendix now shows a review of all the discretions.
5. The finalised, full set of changes will go to next Committee on 30 March 2021 for approval (after taking into account any Board recommendations).
6. As with all key policies and strategies, it is good practice to review the contents periodically, normally every 2 to 3 years for documents of this nature and hence officers intend to follow this approach in future.

#### Considerations for the Board

7. The main points to note with this revised policy are as follows:
8. **Payment of AVC on death (Discretion 18)**: The wording for this now matches discretion 45 (this decoupling was an oversight when discretion 45 was changed in September 2020)

9. **Capitilising added years if made redundant (Discretion 27):** This discretion has been altered to not normally allow a extension unless exceptional circumstances apply.
10. Other miscellaneous changes which seek to do one of the following: Make minor wording changes to add clarity, reference an approved, published policy, note as it is now non-applicable or to add some flexibility for exceptional circumstances.
11. Board is asked to note, that whilst it is common place to summarise all discretions into a single document, the discretions themselves are wide-ranging and are mostly independent of one another. Furthermore, some discretions are used and are of significance (for example, making decisions on AVCs) while some are relatively obscure, infrequent and/or insignificant.

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

12. Not applicable.

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

13. There are no specific financial and risk assessments resulting from this report.

### **Legal Implications**

14. There are no material legal implications from this report although the discretions policy in itself seeks to indirectly reduce the risk of legal challenges to Fund decisions by providing transparency and trying to ensure consistency.

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

15. There are no known implications at this time.

### **Reasons for Proposals**

16. To rectify the issues relating to each discretion as outlined in the Appendix.

### **Proposals**

17. The Board is asked to note the proposed amendments to the Administering Authority Discretions Policy and provide any recommendations it has for changes to officers and/or the Committee before the Committee is asked to approved the revised policy on 30 March 2021.

**Andy Cunningham**  
**Head of Pensions, Administration & Relations**

Report Author: Andy Cunningham

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

# Wiltshire Pension Fund's Administering Authority Discretions Policy

**External publication:** Applies from 30 March 2021

Approved by the Wiltshire Pension Fund Committee on the date above.

## **Introduction:**

The following policy outlines Wiltshire Pension Fund's approach to exercising the discretions afforded to it with the LGPS Regulations. In all cases, the discretion outlines the normal approach the Fund will use but the Fund reserves the right to waiver from a discretion stated in extraordinary circumstances where the Fund deems it appropriate and reasonable to do so.

## **Regulatory references**

The discretions held within this policy originate from various versions of the LGPS Regulations as shown in the list below. In the interests of brevity, a one or two letter prefix related to each set of Regulations has been used for each regulatory reference within the discretions policy. The prefix used are shown in square brackets.

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

Policy No	Regulation Reference	Brief Description	Wiltshire Pension Fund's (WPF) Discretion
1	R3(5) & RSch 2, Part 3, para 1	Whether to agree to an admission agreement with a body applying to be an admission body	The Fund's approach to applying to discretion is outlined in its New Employer Policy, as approved by its Committee and updated from time to time.
2	R4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission	WPF will accept the admission of a Care Trust, NHS Scheme employing authority or Care Quality Commission subject to the relevant authority meeting the criteria set out in R3(5) & RSch 2, Part3, para 1. Further details are outlined in the Fund's New Employer Policy.
3	RSch 2, Part 3, para 9(d)	Whether to terminate a transferee admission agreement in the event of: <ul style="list-style-type: none"> <li>- insolvency, winding up or Liquidation of the body</li> <li>- breach by that body of its obligations under the Admission agreement</li> <li>- failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so</li> </ul>	In the first instance, the terms of the relevant Admission Agreement will apply. Where the terms of the relevant Admission Agreement leave the decision open to the Administering Authority, the Administering Authority will cease the admission agreement in the event of insolvency, winding up or liquidation of the body unless there are strong reasons not to do so. If the terms of the Admission Agreement are broken, WPF will try to resolve the matter, where possible, through reasonable means. If WPF is unable to resolve the matter satisfactorily, WPF will terminate the Admission Agreement.
4	RSch 2, Part 3, para 12(a)	Define what is meant by "employed in connection with" in relation to admission agreements.	This applies where an admission agreement states that only those employed in connection with the service have the right to remain in the LGPS. The Fund determines that a member should spend at least 50% of their time on the relevant contract to remain eligible to be an active member in the LGPS unless an individual admission agreement states otherwise in which case the definition outlined in that admission agreement should prevail for that admitted body arrangement.
5	R22(3)(c)	Pension account may be kept in such form as is considered appropriate	WPF will maintain a separate pension account as required by

			legislation within the electronic pension administration system (currently Altair).
6	TP10(9)	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment).	WPF will proceed with what is considered to be the most advantageous decision to the member at the point of time of processing the case.
7	R49(1)(c) & B42(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefits under 2 or more regulations in respect of the same period of Scheme membership.	WPF will proceed with what is considered to be the most advantageous decision to the member at the point of time of processing the case.
8	L12(5)	Frequency of payment of councillor's Contributions	N/A for English LGPS Funds
9	L17(4),(7),( 8), & 89(4) & Sch 1	Whether to extend normal 12-month Period following end of relevant Reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service.	N/A for English LGPS Funds
10	R69(1), L12(5) & L81(1)	Decide frequency of payments to be made over to the Fund by employers and whether to make an admin charge.	This information is outlined in the Fund's charging policy on its website.
11	R69(4) & L81(5)	Decide form and frequency of information to accompany payments to the Fund	Employers must provide the information set out in <a href="#">Regulation 69(3)</a> of the LGPS Regulations 2013. This must be provided on a monthly basis and in appropriate electronic format as determined by WPF and updated from time to time.
12	R70 & TP22(2)	Whether to issue employers with notice to recover additional costs incurred as a result of the employer's level of performance	WPF will consider each case on its individual merits and take in consideration the level of cost incurred by the Fund. WPF sets out the procedure and circumstances where costs might be recoverable in its Administration Strategy.



13	R71(1) & L82(1)	Whether to charge interest on payments by employers overdue by more than 1 month	WPF will follow the procedures outlined in the Fund's Administration Strategy before issuing such a charge. If a charge is issued, then the rate will be 1% above base rate compounded quarterly.
14	R16(10)	Whether to require a satisfactory Medical before agreeing to an application to pay an Additional Pension Contribution (APC) or Shared Cost APC	<p>WPF will require that a medical certificate from a GP, or another appropriate qualified practitioner, is provided to the Fund by any member wishing to take up an APC/SCAPC for extra pension which would buy upon completion at least £500 of annual pension (in one or more APCs, regardless if paid as a lump or in instalments). The certificate must state that as far as a GP or appropriate qualified practitioner are aware, or can reasonably assess, that there is no reason to believe that the member will retire on ill health grounds before the age of 65 or the member's State Pension Age if later. Any costs obtaining the certificate will be paid for the member.</p> <p>For the avoidance of doubt, all APCs for "lost pension" do not require a medical certificate</p>
15	R16(10)	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	WPF will assess each case and a decision will be determined on its individual merits.
16	R16(1)	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment).	Except in exceptional circumstances, WPF will turn down a request to pay an APC/SCAPC for extra pension where the contract results in paying in instalments of less than £20 per month.
17	TP15(1)(d) & A28(2)	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14).	Members may request a quote for free that is valid for three months. In the exceptional case that WPF are asked to do another, we reserve the right to make a charge.

18	R17(12)	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	<p>As per discretion number 45: WPF has absolute discretion when deciding to whom any death grant shall be paid upon the member's death.</p> <p>In exercising this discretion, WPF will endeavour to comply with the member's wishes by taking into consideration the nominee(s) stated on a completed 'expression of wish' form, where one exists. Where WPF reasonably believes any expression of wish to be invalid or inappropriate for any reason, including if it believes the expression of wish may not have reflected the member's final wishes, it reserves the right, in accordance with its absolute discretion, to ignore any such wishes as expressed. Where no expression of wish has been made, WPF will consider the claims of anyone appearing to be a relative or dependant of the member and exercise its absolute discretion accordingly, taking into account the contents of the Will (if one exists). In exceptional circumstances, WPF also reserves the right to pay the death grant to the estate via the personal representatives, if it considers this an appropriate form of action.</p>
19	R55*	<p>Governance Compliance Statement policy must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state</p> <ul style="list-style-type: none"> <li>- the frequency of any committee or sub-committee meetings</li> <li>- the terms of reference, structure and operational procedures appertaining to the delegation</li> <li>- whether representatives of employing authorities or members are included and, if so, whether they have voting rights.</li> </ul> <p>-The policy must also state the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the</p>	WPF has a Governance Compliance Statement on its website.

		reasons for not complying. - The terms, structure and operational procedures appertaining to the local Pensions Board.	
20	R54(1)	Whether to set up a separate Admission agreement fund.	The Fund's approach to applying this discretion is outlined in its New Employer Policy and Funding Strategy Statement, which broadly states that each admitted body will be a standalone employer unless a risk-sharing arrangement is in place which implies or states that the letting body and admitted body should be pooled.  Admitted bodies will not be set up as a separate pool.
21	R58*	Decide on Funding Strategy for inclusion in funding strategy Statement.	WPF's latest Funding Strategy Statement is available for inspection on the WPF's website.
22	R64(2A)	Whether to suspend, for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	WPF's approach to applying this discretion is outlined in its Cessation Policy.
23	R64(4)	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer.	WPF's approach to applying this discretion is outlined in its Funding Strategy Statement (FSS).
24	R65	Decide whether to obtain a new Rates and adjustments certificate if The Secretary of State amends the Benefits Regulations as part of the "cost sharing" under R63.	WPF will consider the likely significance of the impact of any such changes on employer rates and the amount of time remaining before the next triennial valuation before deciding whether the administrative cost of making such a change is justifiable.
25	R68(2) & L80(5)	Whether to require any strain on Fund costs to be paid "up front" by employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement or any actuarial reduction that	WPF will require costs relating to redundancy, flexible retirement and the waiver of any actuarial reduction on flexible retirement to be paid "up front". WPF will invoice for such payments and will require payment to be made within its normal invoice terms.

		would otherwise have been applied to benefits which a member voluntarily draws before normal pension age.	<p>If there is any cost to the fund for deferred benefits being released at the employer's consent before the former member attains age 60 these will be recharged to the former employer of the member concerned.</p> <p>The Head of Pensions Administration and Relations may allow a different approach in exceptional circumstances, after seeking the advice of the Fund actuary if necessary.</p>
26	TPSch 2, para 2(3)	Whether to require any strain on Fund costs to be paid "up front" by employing authority if the employing authority "switches on" the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction under TPSch 2, para 2(1) or releases benefits before age 60 under B30(1) or B30A.	<p>WPF will require costs relating to the employer "switching on" the 85 year rule or waiving an actuarial reduction to be paid "up front". WPF will invoice for such payments and will require payment to be made within its normal invoice terms.</p> <p>The Head of Pensions Administration and Relations may allow a different approach in exceptional circumstances, after seeking the advice of the Fund actuary if necessary.</p>
27	TSch1 & L83(5)	Extend the 3 month time period for the member to due to capitalise (pay off) of their added year's contract upon leaving due to redundancy.	WPF will not normally allow an extension of the period of time to capitalise an added years contract except in exceptional circumstances.
28	A45(3) & L89(3)	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	WPF's preferred approach is for outstanding employee contributions to be deducted through payroll but where this is not possible it may either accept a recovery as a simple debt (potentially as a deduction from any lump) or to deduct any unpaid employee contributions from benefits as appears appropriate given the circumstances (for example by reducing the service to match the contributions period)
29	R82(2), A52(2), L95	Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate/letters of administration	<p>WPF will normally make payments due in respect of deceased persons without the production of probate or letters of administration of estates, where the amounts due are below the amount specified in any order under section 6 of the Administration of Estates (Small Payments) Act 1965. [Currently applies to all death payments under £5,000].</p> <p>Discretion 45 outlines the Fund's full approach to exercising its discretion over death grants.</p>

30	R36(3), A56(2), L97(10)	Approve medical advisors used by employers (for ill health benefits)	Except in exceptional circumstances, WPF will approve the use by employers of any suitably qualified and experienced Independent Registered Medical Practitioner (IRMP) they wish to use for ill health purposes.
31	R76(4), A60(8), L99	Decide procedure to be followed by admin authority when exercising its stage two IDRPs functions and decide the manner in which those functions are to be exercised	Stage 1 IDRPs will be determined by Mr Barry Mack of Muse Advisory, a mutually agreed alternative employee of Muse Advisory or any other replacement future provider.  Stage 2 IDRPs will be determined by the Administering Authority following a review of the case being undertaken by Hymans Robertson or another appropriate adviser if deemed necessary by the Administering Authority.
32	R79(2), A63(2) & L105(1)	Whether Admin. Authority should appeal against employer decision (or lack of a decision)	WPF will only appeal against employer decisions, by approaching the Secretary of State for determination, in exceptional cases where the Fund is adversely affected.  In the first instance, regarding all levels of employer decisions, WPF will attempt to resolve the matter with the employer.
33	R80(1)(b), TP22(1) & A64(1)(b)	Specify information to be supplied by employers to enable admin. authority to discharge its functions	WPF will specify the standard information and actions required by employers, their format, frequency and level of accuracy in an online <a href="#">Employer's Guide</a> and Administration Strategy.
34	R59(1) & (2)	Whether to have a written pensions administration strategy and, if so, the matters it should include	WPF has written pension administration strategy and this can be found on the WPF website.
35	R61*	Communication policy must set out policy on communicating with members, representatives of members, prospective members and employing authorities and format, frequency and method of communications	WPF has written Communication Strategy and this can be found on the WPF website.

36	TP3(13), A70(1)* & A71(4)(c) & T12 & L109* & L110(4)(b)	Decide policy on abatement of pensions following re-employment	WPF will not abate pensions following re-employment.
37	R98(1)(b)	Agree to bulk transfer payment	WPF will agree to bulk transfer payments where, with actuarial advice and where necessary with employer consultation, the Fund believes the amount transferred represents a fair valuation of benefits.
38	R100(6)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	WPF will normally only agree to extend the normal time limit for the acceptance of a transfer value where the employer also agrees to the extension of the normal time limit. However, if a member has expressed an interest within the 12 month period, but there has been a delay in the Fund returning a quote within the 1 period, the Fund may provide a short extension to allow the member to make an election.
39	R100(7)	Allow transfer of pension rights into the Fund	The Fund accepts all non-club transfers in unless it is agreed otherwise in the terms of the employer's admission agreement or in a separate, formal written agreement between the Fund and employer (and its guarantor, if deemed necessary by the Fund).
40	R106(6)	Decide procedures applicable to the Local Pension Board	Wiltshire Council as administering authority has determined the procedures applicable to the Local Pension Board in its full council meeting dated 24 February 2015. Furthermore, the Local Pension Board has a terms of reference in place which is reviewed and updated from time to time and approved by full council.
41	R107(1)	Decide appointment procedures, terms of appointment and membership of local pension board	Wiltshire Council as administering authority has determined the procedures applicable to the local pension board in its full council meeting dated 24 February 2015 and within the Local Pension Board terms of reference.
42	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the Deceased member	Where WPF is aware that member's family would have benefited from such an election and the member did not have the opportunity to make the election themselves, WPF will make the election on the member's behalf which provides the largest benefit to the member's family.

43	L47(1), L47(2), G11(1) & G11(2)	Whether to pay the whole or part of a child's pension to another person for the benefit of that child.	<p>Where there is more than one eligible child WPF will divide a children's pension equally between them.</p> <p>Where a child is under 18, WPF will normally pay the pension to the person who has responsibility for their care with the expectation that the money is used for the benefit of that child (including for day to day expenses). In certain circumstances, WPF may pay the pension to an account in the name of the eligible child, if the carer of the child so wishes.</p> <p>For 'children' aged 18-23 who are still in full-time education, WPF will normally pay the pension into the child's bank account.</p> <p>However, for 'children' aged 18+, who are deemed to have a permanent physical or mental impairment the Fund may pay the pension into a parent's or guardian's account.</p> <p>If the 'child's' incapacity does not prevent them from managing their own affairs, WPF will normally pay the pension into a bank account in the child's name.</p>
44	R83, A52A	Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	<p>If through receipt of a Power of Attorney notice (or an equivalent provision from the court of protection) or through correspondence from a solicitor or GP, the Fund is made aware that a person is unable to manage their own affairs, WPF may pay benefits to a person managing the affairs in accordance with an enduring Power of Attorney or equivalent. WPF will request the 'persons incapable of managing their own affairs' form is completed.</p> <p>Where the individual is a child and under the age of 18, WPF will normally pay their pension to the person who is responsible for the care of that child. The pension is to be applied for the benefit of that child, or paid into a bank account in the name of the child if the carer of the child wishes.</p>
45	TP17(5) to(8) & R40(2), R43(2) & R46(2) & B23(2) & B32(2) & B35(2) & TSch1 & L155(4) & L38(1) & L155(4) & E8	Decide to whom death grant is paid	<p>WPF has absolute discretion when deciding to whom any death grant shall be paid upon the member's death.</p> <p>In exercising this discretion, WPF will endeavour to comply with the member's wishes by taking into consideration the nominee(s) stated on a completed 'expression of wish' form, where one exists. Where WPF</p>

			reasonably believes any expression of wish to be invalid or inappropriate for any reason, including if it believes the expression of wish may not have reflected the member's final wishes, it reserves the right, in accordance with its absolute discretion, to ignore any such wishes as expressed. Where no expression of wish has been made, WPF will consider the claims of anyone appearing to be a relative or dependant of the member and exercise its absolute discretion accordingly, taking into account the contents of the Will (if one exists). In exceptional circumstances, WPF also reserves the right to pay the death grant to the estate via the personal representatives, if it considers this an appropriate form of action.
46	RSch 1, TP17(9)(b) & B25	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	The evidence to determine financial dependence or interdependence will be assessed and agreed on a case by case basis and may include, but not be restricted to evidence such as a joint bank account, shared utility bills, joint mortgage arrangements, insurance policies, joint loans, evidence of regular transfers of money between the partners (or from one to the other) etc.
47	TP17(9)(a), RSch 1,	Decide to treat child as being in continuous education or training despite a break	WPF will treat a child as being in continuous education or training in all cases where the child is under age 18. Where the child is aged between 18 and 23, WPF will ignore all breaks up to 6 months and will ignore longer breaks in exceptional circumstances.
48	R34(1), B39, T14(3), L50 & L157	Decide whether to commute small pension	<p>WPF will offer trivial commutation of benefits where the capital value of their LGPS is such that it is possible to pay out in this way regardless of what benefits are held elsewhere (i.e. If the capital value is under £10k and the member left after 31/03/2008 or if they are a dependant and the capital value is under £10k).</p> <p>In other limited circumstances, where the member can demonstrate that all other schemes/funds do not exceed HMRC's limits and all benefits from these funds are commuted within a period of 12 months, the Fund will permit the trivial commutation of benefits. Members are required to provide information on all their pension rights held in a HMRC tax-approved pension arrangement in order for</p>



			WPF to determine whether the benefits can be commuted. Members are required to declare that all information provided is correct and accurate and that if they are making a false statement they will be liable for any tax charged by HMRC.
49	TP3(6), TP4(6)(c), TP8(4), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & TSch 1 & L23(9)	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/ restrictions occurring pre 1.4.08.)	Where WPF is aware that member's family would have benefited from such an election and the member did not have the opportunity to make the election themselves, WPF will make the election on the member's behalf which provides the largest benefit to the member's family.
50	L147	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08 Pension Sharing Orders for non-councillor members)	WPF will discharge pension credit liabilities by conferring appropriate rights under the scheme on the ex-spouse or ex-civil partner. Alternatively, the ex-spouse or ex-civil partner may request a transfer of those rights to a HMRC tax-approved pension arrangement
51	F7	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98 (rather than easing during any period of remarriage or cohabitation)	WPF will pay a spouses pension for life.
52	R30(8)*, TP3(1), TPSch 2 para 2(1), B30(5) and B30A(5)*	Whether to waive, in whole or in part, actuarial reductions on benefits drawn before Normal Pension Age (Where employer has become defunct)	WPF will refer requests to be considered by the Head of Pensions Administration and Relations and assessed on their merits taking into account such factors as costs and the views of any employer which has inherited responsibility for the liabilities.
53	TPSch 2, para 1(2)*	Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (Where employer has become defunct)	WPF will refer requests to be considered by the Head of Pensions Administration and Relations and assessed on their merits taking into account such factors as costs and the views of any employer which has inherited responsibility for the liabilities.
54	B30(2)* & B30A(3)*	Whether to grant application for early payment of deferred benefits or a suspended tier 3 ill health pension on or after age 55 and before age 60 (Where employer has become defunct)	N/A – legislation has changed.

55	B30(5)* & B30A(5)*	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early (Where employer has become defunct)	WPF will refer requests to be considered by the Head of Pensions Administration and Relations, in consultation with the funding employer if relevant to be decided on a case by case basis
56	R32(7)	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	WPF will extend the time limit that a member must advise the fund of their intention to receive their benefits within reason.

## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2020

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### Death Grant Policy

#### Purpose of the Report

1. To allow the Board the opportunity to consider the key contents of the Fund's internal death grant policy.

#### Background

2. In various parts of the LGPS Regulations, the Fund is afforded discretion over how the rules of Scheme operate, allowing a degree of localised decision making. The Fund's approach to these discretions is outlined in the administering authority discretions policy (as covered earlier in this agenda).
3. One of the most important discretions given to the Fund is to decide upon the recipient(s) of any death grant following the death of Scheme member (potentially of any status).

#### Considerations for the Board

4. Due to the significance and materiality of this discretion, the Fund has in place an internal policy which helps guide decision making, whilst still trying to ensure that each decision is still based on the merits of the case which means the approach remains subjective rather than the policy being deterministic (which would fetter away the discretion).
5. As the death grant policy is intended as an internal policy, and because the policy also covers detailed procedural aspects for staff, some sections of the policy have been redacted in the appendix so that only the key principles are publicly disclosed.
6. Whilst a high level approach outlined in the administering authority discretions policy is approved by the Committee, the detail of this policy is approved at officer level (by the Head of Pensions Administration and Relations).
7. The key aspect of the policy is based around three principles:
  - a). The deceased preference:** Either as stated by them or assumed.
  - b). The reasonability of the deceased preference:** This is only intended to be used in exceptional circumstances and to cover rare situations such as where the needs of a financial dependent (such as a young child of the deceased) appears to be ignored without a reasonable justification, such as other arrangements being in place.
  - c). Acting reasonably and professionally:** Ensure that the decision-making process is clear and robust and the appropriate efforts are made to gather all relevant information (which can be difficult in some cases if some potential beneficiaries can need be found)

#### Environmental Impact of the Proposal

8. Not applicable.

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

9. There are no specific financial and risk assessments resulting from this report.

### **Legal Implications**

10. There are no material legal implications from this report although the discretions policy and death grant policy in itself seeks to indirectly reduce the risk of legal challenges to Fund decisions by providing transparency and trying to ensure consistency.

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

11. There are no known implications at this time.

### **Reasons for Proposals**

12. To rectify the issues relating to each discretion as outlined in the Appendix.

### **Proposals**

13. The Board is asked to note the contents of this policy and to make any recommendations it has for officers for changes.

**Andy Cunningham**  
**Head of Pensions, Administration & Relations**

Report Author: Andy Cunningham

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

## Death Grants Policy – Wiltshire Pension Fund

Full publication status: Internal

### 1. Purpose

1.1. Regulations 40(2), 43(2) and 46(2) of the LGPS Regulations 2013 (“the Regulations”) state:

*“The appropriate **administering authority** may, at its **absolute discretion**, pay the death grant to or for the benefit of the member’s **nominee**, **personal representatives** or any person appearing to the authority to have been a **relative** or **dependent** of the member”*

*(Note: All terms in bold relate to definitions; blue bold is a LGPS Regulations definition, black bold is stated elsewhere and defined in section 3)*

1.2. The Fund’s Administering Authority Discretions Policy briefly outlines out how the Fund exercises the discretion outlined in 1.1, amongst all other admin authority discretions; this is an externally published document approved by Committee. The latest version states the following in relation to death grants:

*“Wiltshire Pension Fund (WPF) has absolute discretion when deciding to whom any death grant shall be paid upon the member’s death.*

*In exercising this discretion, WPF will endeavour to comply with the member’s wishes by taking into consideration the nominee(s) stated on a completed ‘expression of wish’ form, where one exists. Where WPF reasonably believes any expression of wish to be invalid or inappropriate for any reason, including if it believes the expression of wish may not have reflected the member’s final wishes, it reserves the right, in accordance with its absolute discretion, to ignore any such wishes as expressed. Where no expression of wish has been made, WPF will consider the claims of anyone appearing to be a relative or dependant of the member and exercise its absolute discretion, accordingly, taking into account the contents of the Will (if one exists). In exceptional circumstances, WPF also reserves the right to pay the death grant to the estate via the personal representatives, if it considers this an appropriate form of action.”*

1.3. The purpose of this policy is to expand upon the details of the Administering Authority Discretions Policy to provide a more detailed policy to help officer decision-making. However, each case is unique and there will always be an element of professional judgement in making any determination.

### 2. Scope

This policy covers all death grants in relation to active, deferreds and pensioners members as referred to in the Regulations above.

### 3. Definitions

Absolute discretion: The Fund determines the meaning of this expression as the ultimate decision on how to make the payment lies with the Fund, as long as it is consistent with the quoted Regulation, the text within its Admin Authority discretions policy and it can show it has acted reasonably. Whilst the Fund may have 'absolute discretion', its decision still needs to be justifiable to reduce the risk of challenge. This term is not defined with the LGPS Regulations.

Act reasonably and professionally: The Fund has a general legal responsibility to 'act reasonably and professionally' when exercising its discretion. The Fund has determined in this instance that should mean that it can demonstrate:

- It took due time, care and all reasonable and proportionate endeavours to collect all relevant information needed to make a determination on a particular case;
- The decision was made based on reasonable, guiding principles or a policy to ensure a degree of consistency of approach (although still allowing each case to be decided on its own merits);
- A clear, recorded rationale exists outlining the determination made;
- Staff with appropriate knowledge and skills make the determination; and
- Appropriate decision-making controls were in place, proportionate to the size of the death grant and perceived complexity of the case.

Administering Authority: In this instance, Wiltshire Pension Fund, as part of Wiltshire Council is appropriate administering authority as per the Schedules to the Regulations.

Administrator - If there is no Will (or if there is no executor named in the Will, or if the executor is unable or unwilling to act), the Administration of Estates Act 1925 sets out who can apply to court to be the personal representative (usually a close relative of the deceased). The personal representative is in this case known as the Administrator.

Dependant: "*dependent*" in relation to a person means that in the opinion of the administering authority, at the date of the member's death-

- a). the person was financially dependent on the member,*
- b). the person's financial relationship with the member was one of mutual dependence, or*
- c). the person was dependent on the member because of physical or mental impairment;*

This definition is outlined in the LGPS Regulations.

Executor: If there is a Will that names the personal representative, they are known as the Executor.

Grants: Grant of probate (if a Will exists) or Grant of letter of administration (if no Will exists) – these are evidence that the person has authority to act as the Personal Representative or Administrator (respectively).

Next of Kin: There is no legal definition of this term, so the Fund will normally broadly follow the order of intestacy, as follows: widow(er), surviving children, grandchildren, parents, siblings, children of deceased siblings (nieces/nephews). Beyond this list, the Fund should seek to pay to personal representative.

Nominee(s): The deceased nominee is the person(s) nominated on their expression wish form or the expression of wish section of their My Wiltshire Pension (MSS) member portal login.

Any signature on a paper form should be assumed to be that of the member (even if does not match exactly other signatures held) and it should be assumed the member freely completed the form and was sound of mind doing so unless there are any particularly strong reasons to doubt this.

Personal Representative: For the purpose of this policy, a Personal Representative(s) is a person who has been issued with a grant to administer a deceased person's estate.

A minor: A minor is someone under the age of 18 years according to a definition under the Births and Deaths Registration Amendment Act (No 1 of 2002). This is called the age of majority.

Parental responsibility: All mothers and fathers have legal rights and responsibilities as a parent known as 'parental responsibility', the term attempts to focus on the parent's duties rather than the parent's rights over the child. A mother automatically has parental responsibility of her child from birth. A father usually has parental responsibility if he's either: married to the child's mother or listed on the birth certificate

Guardianship: this is governed by the Children Act 1989. Under section 5(3) of the Children Act, a parent who has parental responsibility can appoint another individual to be the child's guardian in the event of his or her death. This is legally binding unless revoked by the court.

#### 4. Principles

All of the following, guiding principles shall apply to decision making process:

Principle 1 – Deceased preference:

The Fund shall endeavour to pay out the death grant based on an assumption of the deceased's wishes, at such a time where they were capable of making a reasonable decision. The Fund will assume that any expression of wish decision was made freely, and the member was sound of mind, unless it receives evidence to the contrary.

In doing so, it will consider the information below in the following order of importance\* (subject to payees being permissible under 1.1):

- a). Expression of Wish: Subject to it appearing to be present, possible (beneficiaries can be found/are alive etc) and still relevant.
- b). The claims of any relatives and dependents and the strength of their relationship to the deceased; and
- c). The details of the Will/estate: If either exists, where necessary using this as guide to determine the proportions of any splits in death grant which may have established in a) and b).
- d). In line with how and any assets are being split outside of a Will/Estate process.

*\*Whilst a priority order is established above, this is **not** strict list. Therefore, for example, even if a valid expression of wish exists, other evidence shall still be taken into account.*

*\*\*For all of the above, relevant evidence is required e.g. a copy of the Will, confirmation of next of kin, family questionnaire, permission to distribute estates, grant of probate etc.*

Principle 2 – Reasonability of the deceased preference: The Fund shall consider the reasonability of the deceased wishes and reserve the right to override it if it deems appropriate. For example, if the deceased nominated a friend over a financial dependent such as their child, the Fund may consider this ‘not reasonable’ and seek to override the decision. This principle is likely to only apply in limited circumstances.

Principle 3 – Acting reasonably and professionally: The Fund shall *Act Reasonably and Professionally* (as defined in section 3), including ensuring it gathers all information it reasonably requires in order to make an informed decision. Wherever possible, the Fund should aim to clearly request all information it needs when it first writes to the next of kin/potential beneficiaries in the interests of efficiencies and sensitivities involved. However, it may need to contact such parties multiple times to ensure it is able to make a reasonable and professional decision; undertaking this process in sufficient detail shall be prioritised over the speed of payment.

When deciding what is a *reasonable* process for information gathering, the perceived complexity of the case and the size of the death grant should be taken into account.

**[The remaining sections have been redacted as they related to internal procedural elements and advice to staff and hence it is inappropriate to make these publicly available]**



## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2021

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### **BUSINESS PLAN ACTIONS**

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

1. The purpose of this report is to provide an update on the Fund's Business Plan actions for 2020-2021 and propose new actions for the 2021-2022.

#### **Background**

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

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

6. The Fund's progress of the desired actions for 2020-2021 are shown in **Appendix 1**. Most actions were complete, or will be completed with the 2020-2021 period, although some were not due the reasons identified in this Appendix which may mean the action has been carried forward.
7. The Fund has identified 36 desired actions (included carried forward actions) for the period 2021-2022 and these are shown in **Appendix 2**. To a certain extent the actions are aspirational as the the ability to achieve these are dependent on business as usual workloads and resourcing levels available, this is significant reduction in the number of actions from the previous year.

#### **Conclusions**

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

#### **Environmental Impact**

9. There is no environmental impact from this report.

### **Financial Considerations**

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

### **Risk Assessment**

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

### **Legal Implications**

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

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

13. There are no implications at this time.

### **Proposals**

14. The Board is requested to **note** the Fund's progress against the actions from 2020-2021 and **recommend** deletions, amendments or additional actions for 2021-2022.

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

Head of Pensions Administration and Relations & Head of Pensions Investments

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

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No	Vision theme	Action	Expected Service Benefits	Resourcing Requirement	Resourcing Level Required	Service Priority	Target timeframe	Progress notes
1	Effective governance, employer and staff training	<b>Employer Training:</b> a). To produce and add a series of pre-recorded webinars, training material to the new employer website. b). To produce and instigate a programme of 1-1 employer liaison based on employer needs and performance.	Improved employer experience, such as improved decision-making and time-saved, better quality and more timely data submissions	Existing staff time/immaterial costs: Communications Manager and Employer Relationship Manager	Medium	Medium	30/11/20	Complete
2	Effective governance, employer and staff training	<b>Review and update staff onboarding process:</b> Align staff training so that there is greater consistency in the approach to training for all new operational staff	Consistent application of processes, new staff being able to add value to the service quicker and increased staff satisfaction/morale.	Existing staff time/immaterial costs: Communications Manager, Benefits Manager and Systems Manager	Low	Medium	31/10/20	Overdue - carried forward
3	Effective governance, employer and staff training	<b>Staff Training Policy:</b> Implement the Staff training policy by adding job-level training plans. Introduce TEC, a new training system for using Altair.	More knowledgeable and skilled staff will perform their roles more effectively.	Existing staff time/immaterial costs: Communications Manager, Benefits Manager and Systems Manager	Medium	Medium	31/10/20	Complete
4	Embracing Technology	<b>i-Connect Rollout:</b> Rollout of i-Connect to cover at least 40% of employers and at least 50% of the active membership	*Improved efficiencies, controls and data quality. *Substantial time-saving on current end of year processes. *Improved KPIs	Existing staff time: Project team & Data and Systems team. Costs include some additional recruitment (see action 11)	High	High	31/03/21	Active membership target - complete Employer target - not met yet
5	Embracing Technology	<b>MSS Phase II enhancements:</b> Introduce new document upload and download facility, consider adding additional calculator and make other presentational improvements.	Improved customer experience, administrative and process time-savings (electronic instead of post) and increased data security.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Medium	Low	31/12/20	Complete
6	Embracing Technology	<b>MSS Sign-up rates:</b> Improve MSS take up to above 25% of active membership (in line with industry norms)	In line with our Communications Strategy on digital communications, less reliance on paper communications which saves time and money and creates simplicity for mass communications.	Existing staff time/immaterial costs: Communications Manager and Projects Team	Low	Medium	31/03/21	Complete

7	Embracing Technology	<b>Rollout online Annual Benefit Statements:</b> Post Annual Benefits Statement on to all members MSS accounts.	*More time is available to produce the statements by the statutory deadline as no allowance for printing time is required.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Low	Medium	31/08/20	Complete
8	Embracing Technology	<b>E-Communication improvements:</b> Remove the production of all paper member annual newsletters (except those who have opted in to paper communications) and move to system of communication by electronic means as and when required	*More frequent and timely communications due to ease of sending and removal of all material costs. *Administrative cost savings. *Significant savings in paper and postage, positive impact on the Fund's carbon footprint.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Low	Medium	31/12/20	Complete
9	Embracing Technology	<b>SQL reporting:</b> Implement access to SQL reporting from the Pension Administration Software and train staff to run reports using SQL	*Much improved reporting capabilities, easier to use and to recruit staff with existing knowledge of a widely-used reporting tool. *Improved access to data, time saved and greater assurance over reporting accuracy.	Potential small training cost plus time commitment from staff being trained.	Medium	Medium	31/08/20	Complete
10	Embracing Technology & Thriving Team and Fluid Governance	<b>Staff realignment:</b> Undertake a staff realignment process so ways of working align with the way i-Connect will operate.	*Streamlining of processes enabled by having staff undertaking all aspects of the process.	Management time	Medium	High	30/09/20	Complete
11	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Recruit additional staff:</b> To deal with a range of historical issues and in reflection of increasing workloads through higher scheme membership (10% increase in 3 years) and changes to legislation.	*Greater adherence to required timeframes. *Reduction in backlogs. *Support to deliver required Fund improvements as outlined in this plan. *Improved customer service	*Management time plus investment in training *Cost of additional salaries will be a net increase although there will be some offset through removal of subscriptions and licenses no longer needed.	Medium	High	31/08/20	Complete

12	Lean processes, high performing and efficient with a culture of continuous improvement	<b>SharePoint:</b> Reorganise content on SharePoint system and archive older material	More efficient working practices and greater consistency with Data Protection Legislation	All of the team to varying degrees.	Medium	Low	31/03/21	De-prioritised due to other work priorities, taken off next set of actions.
13	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Introduce a Performance Dashboard for Fund Management</b>	Improved Management Information to allow managers to make data-driven decisions on workload management and identifying areas for improvement.	Fund Governance and Performance Manager & Data and Systems Team	Medium	Medium	31/03/21	Complete
14	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Review and improve End of Year Process (for remaining non-i-Connect users)</b>	*Save officer time and limit the impact of End of Year processing on other regular work. *Improved level of ABS sent on time.	Data & Systems Team	Low	High	31/07/20	Complete
15	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Automate payment instructions</b> (roll forward of Action 4 from 2019/2020)	*Efficiency improvement and more timely and controlled payments from the time a process is complete.	Projects and Benefits Team	Medium	Low	31/12/20	Complete
16	Lean processes, high performing and efficient with a culture of continuous improvement	<b>End to end process project:</b> Complete reviews of all high volume processes (Leavers, Refunds, Starters & Retirements). Roll forward of action 12 from 2019/2020 actions	*More efficient, lean processes with better controls and improved communications.	Projects Team	High	High	31/03/21	Complete
17	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Introduce automation software:</b> Nova Sail or equivalent Council software.	*Efficiency improvements to automate repetitive, low skilled, time-consuming processes.	Projects Team and Data and Systems Team	Medium	Low	31/03/21	Complete

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

25	Working with other Funds to deliver investment pooling	<b>Property:</b> work with Brunel to define what success will look like for this portfolio, and define reportable metrics for Committee to enable the decision to be made on when to commit to this portfolio	Assurance that investments are being made in line with expectations and are being properly managed	Investment and Accounting Team	Medium	Medium	31/12/20	Postponed as overtaken by governance concerns. This will be revisited in Q2 2021
26	Strong accounting controls	<b>Complete the Fund's account and annual report in line with CIPFA guidance.</b>	Statutory requirement	Investment and Accounting Team	High	High	31/07/20	Complete
27	Outstanding Customer Service and stakeholder relationships	<b>Produce a new website for scheme members</b>	*Improved information for Scheme Members on the website which should lead to a reduction in calls and email queries and a saving in time when responding to queries.	Communications Manager and Projects Manager	High	Low	31/03/21	On target for early March
28	Outstanding Customer Service and stakeholder relationships	<b>Customer Service Policy and KPIs:</b> Produce a customer service policy and produce and monitor customer service based KPIs (e.g. customer satisfaction, time to answer calls/emails, website)	*Ability to align, develop and improve the service after consideration of customer feedback and requirements	Communications Manager	Medium	High	31/12/20	Partially complete
29	Robust and accurate service delivery	<b>Implement Data Retention strategy actions</b> (employers and Fund)	Efficient working practices and compliance with regulatory requirements	Fund Governance and Performance Manager & Data and Systems Team	Medium	High	31/12/20	Complete
30	Robust and accurate service delivery	<b>Second line reviews:</b> Start a programme of internal second line reviews of internal processes to check for compliance with regulations, effective controls and adherence to procedures, policies and strategies.	Raise standards of working practice, assist the development of the procedure manual & address staffing concerns.	Fund Governance and Performance Manager and Technical and Compliance Manager plus support from the rest of the team.	Medium	Medium	30/06/20	Complete
31	Robust and accurate service delivery	<b>Work Management:</b> Make further improvements to the new auto-task allocation system and the management of work to ensure that work is prioritised in line with the Pension Administration Strategy	Optimising prioritisation of tasks in align with Administration Strategy.	Benefits Team and Data and Systems Manager	Medium	Medium	30/06/20	Complete

32	Robust and accurate service delivery	<b>Knowledge Hub and procedures:</b> Complete first six sets of explanatory notes and refined procedures (Roll forward of Action 20 from 2019/2020)	Improved controls and understanding from the team.	All of the team.	Medium	Medium	31/12/20	Partially completed, a revised approach is planned for 2021/2022
33	Robust and accurate service delivery	<b>McCloud case data preparation:</b> Update all part-time percentage histories from 1 April 2014 to date for all relevant active members and obtain and hold for all other members (waiting the outcome of the legislation)	Compliance with pending legislation	Data & Systems Team and Employers Administrators	High	Medium	31/03/2021 (or in line with i-Connect onboarding date if later)	Partially completed, now aligned with i-Connect rollout.
34	Robust and accurate service delivery	<b>Annual Benefit Statements:</b> Improve percentage of active ABSs sent to 99%.	Improved service to customers and greater compliance with regulation.	Data & Systems Team and Employers Administrators	High	High	31/08/20	Not achieved by deadline; 96.9% sent instead.
35	Robust and accurate service delivery	<b>GMP Reconciliation:</b> Finalisation of policy on GMP reconciliation and begin adjustments to payments (Roll forward of Action 18 from 2019/2020)	Compliance with legislation and ensuring the correct pensions are in payment	Projects team and Technical and Compliance Manager	High	High	31/12/20	Partially complete, further actions are planned for 2021-2022
36	Robust and accurate service delivery	<b>Backlog reductions:</b> Improve Fund Disclosure target processing times of deferreds and refunds to >50% (Roll forward of Action 19 from 2019/2020).	Improve KPIs and compliance and better customer service.	Projects Team and Data and Systems Team. Employer administrators	High	High	31/03/21	Complete
37	Robust and accurate service delivery	<b>Cessation Policy enhancements:</b> In response to existing issues concerning McCloud and cessation surpluses	Ensuring the cessation processes produce fair employer outcomes.	Head of Pensions Administration and Relations and Actuary.	Medium	High	31/07/20	Complete
38	Robust and accurate service delivery	<b>Peer-checking policy:</b> a). Extend the use of the current internal peer-checking policy to cover more processes. b). Review the approach to peer-checking and making changes to way it is undertaken.	Efficient work practices.	Benefits Manager and team.	Medium	High	31/10/20	Partially complete
39	Robust and accurate service delivery	<b>Pre-data submission data validation checks:</b> Introduce a range of pre-data submission validation checks to help employers identify areas of inconsistent starter, leaver, end of year return or i-Connect before submission.	Better quality data submitted by employers,	Projects and Data and Systems team.	Medium	High	31/07/20	Complete



40	Thriving team and fluid governance	<b>Appraisal enhancements:</b> Address key staff survey feedback, align staff goals with business plans and customer feedback. Ensure more regular reviews/121s	Staff morale & motivation, service delivery & Fund productivity & performance. Staff understanding their contribution	All managers	Medium	Medium	31/10/20	Limited progress made so far, to carry forward to 2021-2022.
41	Thriving team and fluid governance	<b>SAB Good Governance review:</b> Implement all required reforms.	Improved governance practice and compliance with legislation.	Fund Governance and Performance Manager, Board, Committee and Heads of Service.	Medium	Medium	In line with dates required	N/A - reforms still not implemented
42	Thriving team and fluid governance	<b>Introduce a statement of fund principles</b>	Clearer strategic guidance for managers when making decisions.	Senior Managers, the Committee and Board.	Medium	Medium	31/07/20	Not materially progressed.

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No	Vision theme	Action	Expected Service Benefits	Resourcing Requirement and any identifiable costs (blank = nil)	Resourcing Level Required	Service Priority	Target timeframe
1	Outstanding Customer Service and stakeholder relationships	<b>Implement new employer ill-health insurance model:</b> As agreed by Committee and Board at the end of 2020 and following consultation with employers.	Saves employers money & simpler administration	Data & Finance team	Low	Medium	30/04/21
2	Robust and accurate service delivery	<b>Achieve compliance with Accessibility Regulations:</b> Mainly in relation to the Fund's website but also in relation to other online portals.	Achieves compliance	Communications Manage	Medium	High	30/04/21
3	Effective governance, employer and staff training	<b>(Carried forward from 2020/2021)</b> <b>Review and update staff onboarding process:</b> Align staff training so that there is greater consistency in the approach to training for all new operational staff	Consistent application of processes, new staff being able to add value to the service quicker and increased staff satisfaction/morale.	Existing staff time/immaterial costs: Communications Manager, Benefits Manager and Systems Manager	Low	Medium	30/06/21
4	Thriving team and fluid governance	<b>Improved oversight and performance dashboard:</b> Enhance oversight information through the use of improved reporting or Business Intelligence (BI), additional SQL reporting and improved reports.	To facilitate improved management, oversight and data/evidence-driven decisions.	Costs = TBD for BI software before next budget (if this approach is taken) Existing staff	Medium	Medium	31/08/21
5	Robust and accurate service delivery	<b>Annual Benefit Statements:</b> a). Improve percentage of active ABSs sent to 99% (from 96.9% in 2020). b). Improve the style and design of the ABS, by collaborating with other Funds, and making it online friendly.	Improved service to customers and greater compliance with regulation.	Data & Systems Team and Employers Administrators	High	High	31/08/21

6	Thriving team and fluid governance	<b>(Carried Forward from 2020/2021)</b> <b>Appraisal enhancements:</b> Greater alignment of staff goals with business plan and customer feedback, introduction of part-year reviews of objectives.	Staff morale & motivation, service delivery & Fund productivity & performance. Staff understanding their contribution	All managers	Medium	Medium	31/08/21
7	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Introduction of processed based digital programme:</b> a). As relevant, integrate member based processes with My Wiltshire Pension (MSS) so members can complete their part of the process online (such as uploading documents, forms and make decisions) and they can monitor the progress of their case. b). Introduce an approach where all quote work and estimates are either self-serve or using i-Connect data. As default, all members are treated as paperless.	*More efficient, lean processes with better controls and improved communications.	Project Manager	Medium	Medium	31/12/21
8	Lean processes, high performing and efficient with a culture of continuous improvement	<b>(Carried forward from 2020/2021)</b> <b>Integrate use of automation software such as Nova Sail</b>	*Efficiency improvements to automate repetitive, low skilled, time-consuming processes.	Projects Team and Data and Systems Team	Medium	Low	31/08/21

9	Robust and accurate service delivery	<b>Payroll reconciliation and rectification:</b> Complete rectification on the pension administration and pensioner payroll system as required for all material discrepancies	Compliance with legislation and ensuring the correct pensions are in payment	Project team and temporary staff. Cost: Additional staff at approximate cost of £35k	High	High	30/09/21
10	Outstanding Customer Service and stakeholder relationships	<b>Complete phase 2 implementation of new Fund website:</b> a). Online member forms. b). Enhanced information c). Range of mediums for accessing information (written & recorded webinar)	*Improved information for Scheme Members on the website which should lead to a reduction in calls and email queries and a saving in time when responding to queries.	Communications Manager and Projects Manager	High	Medium	31/10/21
11	Effective governance, employer and staff training	<b>[Partially carried forward from 2020/2021]</b> <b>Employer Training:</b> a). To produce and add a series of pre-recorded webinars, training material to the new employer website. b). To produce and instigate a programme of 1-1 employer liaison based on employer needs and performance (including based on their tiered rating for data quality). c). Create and maintain a dashboard of key employer interactions.	Improved employer experience, such as improved decision-making and time-saved, better quality and more timely data submissions	Existing staff time/immaterial costs: Communications Manager and Employer Relationship Manager	Medium	Medium	30/11/21

12	Embracing Technology	<b>E-Communication improvements:</b> Move to approach of more targetted communications for different member and employer groups using Altair email, improved branding and mass mailing software	*More frequent and timely communications due to ease of sending and removal of all material costs. *Administrative cost savings. *Significant savings in paper and postage, positive impact on the Fund's carbon footprint.	Existing staff time/immaterial costs: Communications Manager and Systems Manager	Low	Medium	31/12/21
13	Robust and accurate service delivery	<b>(Carried Forward from 2020/2021)</b> <b>Benefits Calculation Assurance Strategy:</b> a). Extend the use of the current internal peer-checking policy to cover more processes. b). Review the approach to peer-checking and making changes to way it is undertaken.	Efficient work practices.	Benefits Manager and team.	Medium	High	31/12/21
15	Robust and accurate service delivery	<b>Knowledge Hub and updated procedures:</b> a). Ensure all key procedures have required notes. b). Either write explanatory notes within a Knowledge Hub and/or procure a LGPS system.	Improved controls and understanding from the team.	All of the team. Cost (external system): £5k-£6k	Medium	Medium	31/03/22

16	Embracing Technology	<b>i-Connect Rollout:</b> a). Complete onboarding of all employers onto i-Connect. b). Seek to onboard new employers onto i-Connect within 3 months of joining the Fund.	*Improved efficiencies, controls and data quality. *Substantial time-saving on current end of year processes. *Improved KPIs	Existing staff time: Project team & Data and Systems team. Costs include some additional recruitment (see action 11)	High	High	31/03/22
18	Lean processes, high performing and efficient with a culture of continuous improvement	<b>Continue process improvements:</b> a). Complete end-to-end process review programme. b). Review all workflows so the approach is consistent, check and peer checks are up to date and they allow effective KPIs, supervision and they integrate with auto-task allocation.	*More efficient, lean processes with better controls and improved communications.	Project Manager	High	High	31/03/22
19	Thriving team and fluid governance	<b>(Carried forward from 2020/2021) Introduce a statement of fund principles</b>	Clearer strategic guidance for managers when making decisions.	Senior Managers, the Committee and Board.	Medium	Medium	TBC
20	Outstanding Customer Service and stakeholder relationships	<b>(Carried forward)</b> <b>Customer Service Policy and Customer Service-based KPIs:</b> a). Produce a customer service policy. b). Produce and monitor customer service based KPIs (e.g. customer satisfaction, time to answer calls/emails, website)	*Ability to align, develop and improve the service after consideration of customer feedback and requirements	Communications Manager	Medium	Medium	30/06/21

21	Robust and accurate service delivery	<b>Implement legislative reforms when they become due, such as:</b> a). McCloud (non-actives) b). Good Governance reforms c). Pension Schemes Bill; d). tPR changes; e). Any other reforms	Compliance with pending legislation	Data & Systems Team and Employers Administrators. tPR changes - Revised questionnaire template from external provider (previously used AON): £2,000	High	Medium	Varies - dependent on legislative timeframes
22	Embracing Technology	<b>Introduce Global Pay:</b> Introduce a new digital platform for the oversight of pensioner payment to overseas pensioners with foreign bank accounts.	Provide a digital platform which will service the Fund's overseas pensioners & offer improved data security. Potential for the enablement of functionality to check pensioner continual existence.	Costs if any are expected to be minimal. Governance Manager to coordinate	Low	Low	30/06/21
23	Effective governance, employer and staff training	<b>Governance training/effectiveness review</b>	Aims to underpin the quality of Committee decision making particularly post Local elections. Will align with Good Governance review & refresh the existing approach	Circa £8,000 for external on-line assessment	Low	Medium	31/12/21



24	Effective governance, employer and staff training	<b>Introduce Governance online training modular system</b>	Aims to provide a baseline evidential platform of K&U attainment & maintenance amongst the Fund's decision makers	Circa £10,000 pa for a minimum 2 year contract.	Low	Medium	30/06/21
25	Management of investments	<b>Report in line with the Task Force for Climate-related Financial Disclosures (TCFD) requirements</b>	Pre-empts the expectation that this will become mandatory, and shows that the Fund is forward thinking, and reporting in line with best practice	Investments and accounting team	Low	Medium	30/09/21
26	Management of investments	<b>Adopt the Stewardship Code 2020</b>	Demonstrates that the Fund is taking its responsibilities with regard to stewardship of investments seriously, safeguarding the assets of the Fund	Investments and accounting team	High	Medium	31/03/22
27	Management of investments	<b>Develop Responsible Investment work - incorporate the Committee's views into the Investment Strategy Statement, and work with consultants to develop and refine the Fund's approach</b>	This work will help the Committee to understand and incorporate risks which could have a material financial impact on the	Investments and accounting team, consultancy support (quote not yet obtained but will be included in 2021/22 budget)	High	High	31/03/22

			Fund's future investment returns				
28	Management of investments	<b>Develop an approach to engaging with the scheme membership on responsible investment issues - via a new website, webinars, newsletters, surveys etc.</b>	Transparency will lead to a more engaged scheme membership on these important issues and may help inform the strategy	Investments and accounting team, some support from communications in the admin team	Medium	Medium	31/03/22
29	Strong accounting controls	<b>Develop and implement proper cash flow forecasting and monitoring</b>	More predictable cash requirements, ability to hold lower cash balances, benefitting from investment returns instead	Investments and accounting team	Medium	High	31/03/22
30	Strong accounting controls	<b>Embed new contributions receipts and monitoring processes</b>	Clear audit trail for all contributions received, simpler and easier to analyse information on timeliness, accuracy and completeness of contributions received	Investments and accounting team	Medium	High	30/06/21

31	Strong accounting controls	<b>Full reconciliations review – improve and simplify processes, and develop reporting of management info</b>	Resource saved in the team and diverted to more value-added work, using the findings from the reconciliations to update management on any emerging issues	Investments and accounting team	Medium	High	30/09/21
32	Strong accounting controls	<b>Journal postings – improve evidence trail</b>	Clear audit trail for all journals posted with appropriate checks and authorisation	Investments and accounting team	Low	High	30/09/21
33	Working with other funds to deliver investment pooling	<b>Ensure timely and cost-efficient transition of multi-asset credit and gilts portfolios to the Brunel pool</b>	Safeguarding the assets of the Fund	Investments and accounting team	Low	High	30/06/21
34	Working with other funds to deliver investment pooling	<b>Work on assurance work for the property portfolio with a view to reviewing the possibility to transition to the pool with Committee in Q2 2021</b>	Safeguarding the assets of the Fund	Investments and accounting team	Medium	Medium	31/12/21
35	Working with other funds to deliver investment pooling	<b>Manage and monitor ongoing governance issues</b>	Resolution of the issues identified in the governance review will provide confidence to the Committee about the operations of the pool	Investments and accounting team	High	High	31/03/22

36	Working with other funds to deliver investment pooling	<b>Work with the operations group on improving reporting in line with Wiltshire's requirements</b>	Improved reporting will enable the Committee to better understand the drivers of performance for the pooled portfolios, and to effectively hold Brunel to account	Investments and accounting team	Medium	High	30/06/21
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## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD  
18 February 2021

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### **Local Pension Board Budget**

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

1. The purpose of this report is to present a proposed Local Pension Board Budget for 2021/22 for the Board to consider and recommend to the Pension Fund Committee for its inclusion alongside the full Wiltshire Pension Fund Budget 2021/22.
2. The Wiltshire Pension Fund Committee will consider the Fund's budget at its meeting on 30 March 2021.

#### **Background**

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

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

5. The main financial headings for the Local Pension Board Budget and key financial totals are presented in the table in appendix 1 below.
6. The overall projection is for an underspend in 2020/21 circa £11k. The underspend is due to lower than expected spending on consultancy services and training during the year.
7. The overall proposed budget for 2021/22 is £27,851. This is a continuation of the total budget for 2020/21.

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

8. There are none.

#### **Legal Implications**

9. There are no known implications at this time.

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

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

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

11. There are no known implications at this time.

### **Reason for Proposal**

12. It is considered best practice for the Local Pension Board to recommend that its budget is approved with Pension Committee.

### **Proposal**

13. The Board is asked to agree the draft Local Pension Budget and recommend to the Pension Fund Committee that this is included in the Fund's Administration budget for 2021/22.

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

Jennifer Devine  
Head of Pension Fund Investments

Report Author: Jennifer Devine, Head of Pension Fund Investments

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

## Appendix 1

### Wiltshire Local Pension Board Proposed Budget 2021/22

	2019/20 Actual £	2020/21 Budget £	2020/21 Forecast £	2021/22 Budget £
Independent Chair Remuneration	9,521	10,300	10,300	10,351
Consultancy Services	-	6,500	-	6,500
Training	1,435	3,400	190	3,400
Committee Services	-	3,000	3,000	3,000
Travel & Subsistence costs	145	1,000	54	1,000
Catering	-	400	-	400
Insurance	2,800	2,800	3,192	3,200
	<b>13,901</b>	<b>27,400</b>	<b>16,736</b>	<b>27,851</b>

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2021

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### **ADMINISTRATION KEY PERFORMANCE INDICATORS**

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

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

#### **Background**

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

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

4. The figures in this report cover the period 1 October 2020 to 31 December 2020 unless otherwise indicated.
5. Overall, the focus of officers continues to be very much on making long-term improvements to processes. During 2020/2021, officers are particularly focussed on onboarding as many employers as possible on to the i-Connect platform (see Appendix 4). With time, this will help directly or indirectly improve the measures shown within but in the short-term some decreases in these metrics may be visible.
6. Furthermore, there is a significant focus on improving controls and accuracy, which are not visible within this figures are a key part of improving the robustness of the Fund.
7. In addition to the standard KPI measures, the tPR has recently released the results from its annual survey which has allowed one piece of benchmarking to take place on a key tPR metric:  
Annual Benefit Statements: On average, public service pension schemes send 95% of benefit statements on time, while the LGPS average is 96% and Wiltshire Pension Fund's percentage was 96.9% this year (albeit 95% last year, at the time of the survey). As stated previously, greater onboarding on to i-Connect should increase this figure further.

#### **Conclusions**

##### **General comments**

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

8. The table in appendix 1 shows the Fund continues to perform well against these targets, further improvements are anticipated with greater onboarding on to i-Connect and with the bedding in of other process improvements.

#### tPR Common and Conditional Data percentages (Appendix 2)

9. These figures have now been updated and are shown in appendix 2. Our common data figure is now 98.5% and the conditional/scheme specific figure is 96.4% (both improvements since last year).
10. At the moment, no comparisons on these metrics are available with peers for this year's figures but last year our scores were above average and top quartile in both cases, and with the improvement this year, this should provide a level of assurance.

#### Administration Strategy KPIs – Fund (Appendix 3)

11. Chart 1 shows the Fund is operating below its desired targets for most cases mainly for the same reasons as outlined in paragraph 6, although the percentages are stronger against the recently-added CIPFA metrics.

#### i-Connect and My Wiltshire Pension (MSS) onboarding (Appendix 4)

12. i-Connect take up has not changed materially over the last few months due to some limited employer engagement and some employers having difficulty completing the precursor of providing historical member hours histories for the purpose of McCloud.
13. MSS sign-ups are broadly in line with industry-norms after successful attempts to encourage more members to sign up.

#### Backlog monitoring (Appendix 5)

14. Whilst the current backlogs are not leading to a material number of complaints, they are still an issue which needs further attention to improve overall efficiency and customer service.
15. Officers were the processing of interviewing agency staff at the time of writing (early February) and also working with an external benefits consultancy firm to provide 'on tap' additional resource to attempt to help tackle these issues.

#### Administration Strategy KPIs – Employers (Appendix 6)

16. In the majority of cases, employers provide retirement information before the date the member retires, as the Fund requests. Employers timeliness in relation to leavers and refunds should improve with greater use of i-Connect although officers also need to consider different metrics for i-Connect employers which revolve around make sure they submit their return on time.

#### **Environmental Impact**

17. There is no environmental impact from this report.

#### **Financial Considerations**

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

#### **Risk Assessment**

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

**Legal Implications**

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

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

21. There are no implications at this time.

**Proposals**

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

**Andy Cunningham**

Head of Pensions Administration and Relations

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

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

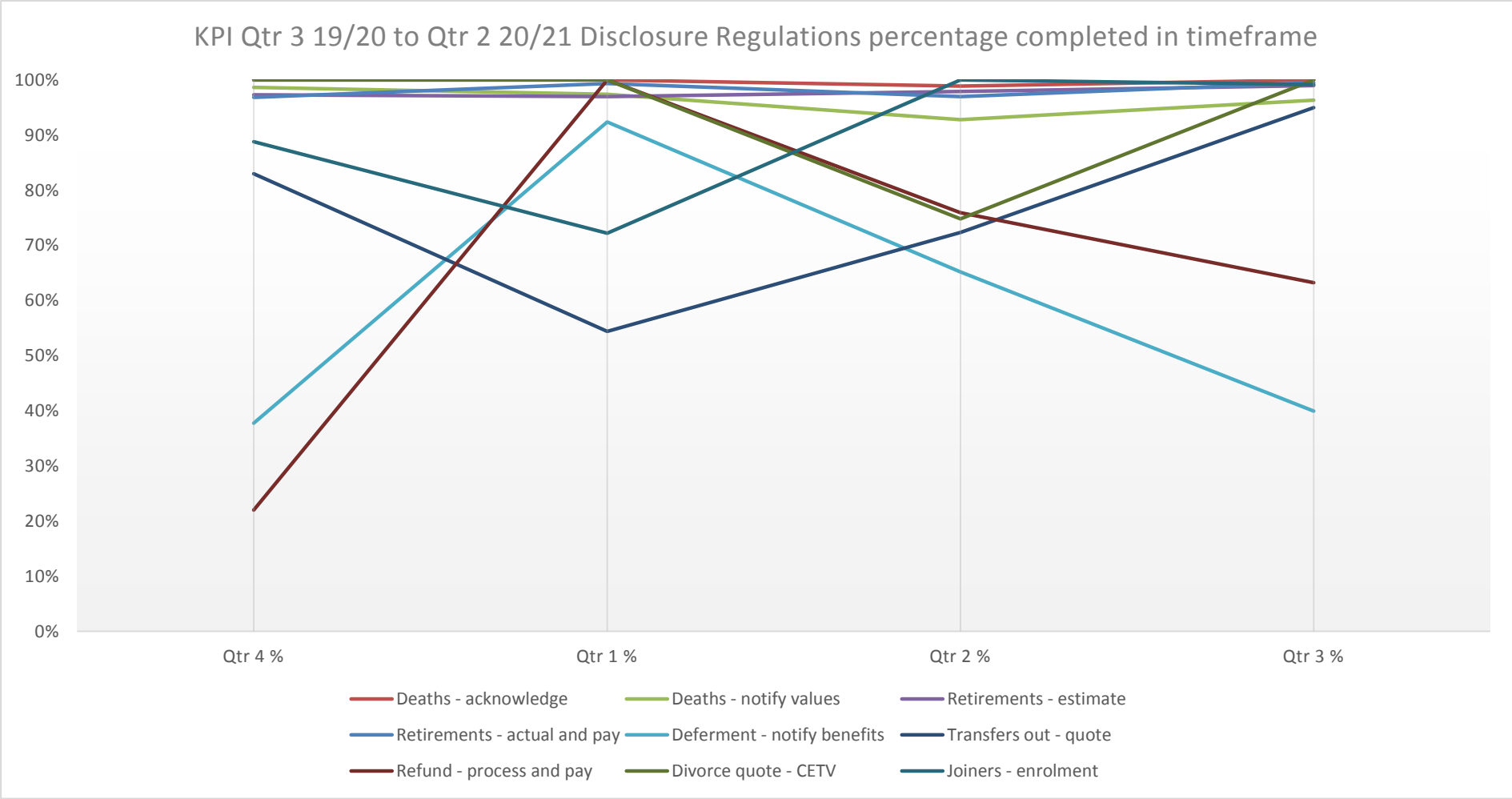
### Benefit Administration Key Performance Indicators

#### Disclosure Regulations

Period 01/10/2020 to 31/12/2020

Process name		Disclosure Requirement	%	No. cases within Legal Timeframe
Deaths - initial letter acknowledging death		2 months	99%	69
Deaths - letter notifying amount of dependants pension		2 months	89%	62
Retirements - letter notifying estimate of retirement benefits	<b>Active</b>	2 months	n/a	n/a
	<b>Deferred</b>		n/a	n/a
	<b>Total</b>		93%	331
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	<b>Active</b>	2 months	90%	138
	<b>Deferred</b>		99%	169
	<b>Total</b>		94%	307
Deferment - calculate and notify deferred benefits		2 months	44%	160
Transfers out - letter detailing transfer quote		2 months	81%	49
Refund - process and pay a refund		2 months	97%	107
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	96%	62
Joiners - notification of date of enrolment		2 months	92%	1136

# APPENDIX 1, Chart 1: Disclosure Requirements



## **APPENDIX 2: tPR Data Quality scores**

The Fund scores against the two the Pension Regulator (tPR) key data scores are as follow:

Both scores are based on data held as at 12 October 2020:

**a). tPR Common Data Percentage Breakdown**

**Total score = 98.5% (+0.6% since 11/10/2019)**

**b). tPR Conditional Data Percentage**

**Total score = 96.4% (+1.0% since 11/10/2019)**

Officers commission Aquila Heywood (our software provider) to re-calculate these percentages annually, in line with our requirement to report these figures to tPR. The target for both figures is 100%.

A comparison graph with other Funds is not current available (as other Funds are still undertaking their calculations) but once it is, this will be shared.

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

### Wiltshire Pension Fund

#### Administration Strategy

#### Benefit Administration Key Performance Indicators

Period 01/10/2020 to 31/12/2020

Type of case	Created cases in period	Open cases at period end	Percentage against membership	Completed cases time to complete						Total	Timescales		
				CIPFA (Admin Strategy)							% on target (CIPFA)	% on target (Admin)	working days
				0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 + days				
<b>Active to Retirement</b>	323	243	1.1%	8	10	18	21	63	33	153	24%	5%	15 (5)
Deferred in to retirement	221	55	0.2%	57	23	30	25	2	34	171	64%	33%	15 (5)
Processing of Death cases	135	164	0.2%	5	8	9	6	31	11	70	19%	7%	10 (5)
Benefit Estimates	523	151	0.7%	46	47	83	39	107	35	357	49%	26%	15 (10)
<b>Leavers to Deferred status</b>	889	3393	15.1%	40	10	11	7	23	235	326	24%	21%	30 (20)
<b>Leavers to Deferred status (i-Connect)</b>	519	511	2.3%	6	6	22	8	28	12	82	68%	51%	30 (20)
<b>Refund of contributions</b>	126	29	0.1%	60	37	11	1	0	1	110	98%	99%	10 (10)
<b>Grand Total</b>	<b>2736</b>	<b>4546</b>		<b>222</b>	<b>141</b>	<b>184</b>	<b>107</b>	<b>254</b>	<b>361</b>	<b>1269</b>			
<b>Percentage</b>				<b>17%</b>	<b>11%</b>	<b>14%</b>	<b>8%</b>	<b>20%</b>	<b>28%</b>				

\*Note: Refunds as now calculated using a revised methodology to reflect improvements in the process used.

## APPENDIX 4: i-Connect and My Wiltshire Pension (Member portal) progress

### i-Connect

The following table shows the progress in onboarding employers on to i-Connect. The long-term target is now to onboard all employers on to i-Connect and to onboard as many as possible by the end of 2021/2022. Data was calculated on 8 February 2021.

	Number onboarded	Number left to onboard	Completion rate
Active members	10,587	12,512 (total = 23,099)	45.83%
Employers	45	129 (total = 174)	23.56%

### MSS (My Wiltshire Pension)

A table summarising the position as at 8 February 2020 is shown below. Note the figures are 'pension record' level figures, rather than member level, as this is easier to report and there is little difference in the percentages. There has been very little change since the last period.

RECORDS	
ACTIVE	8 Feb 2021
Registered	8,677 (+134)
Total	23,122
Percentage	37.53%
DEFERRED	
Registered	9,760
Total	31,220
Percentage	31.3%
TOTAL	
Registered	18,437
Total	54,500
Percentage	33.55%



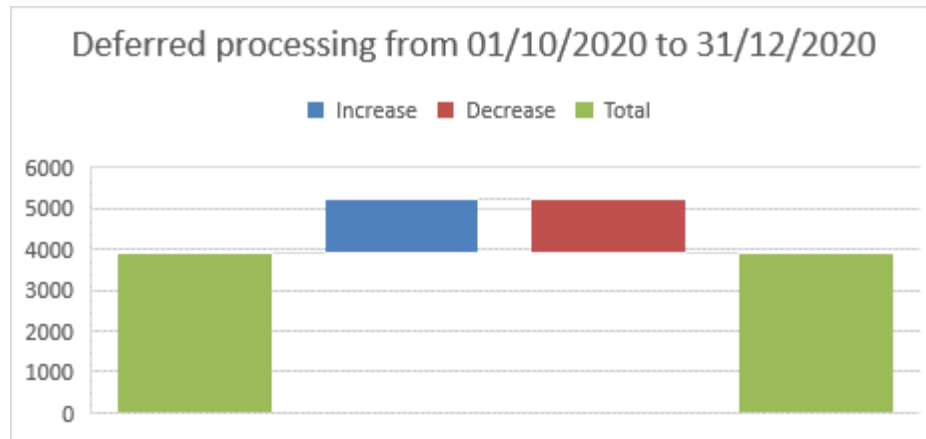
## APPENDIX 5: Backlog monitoring

Prior to making a number of process improvements to the refunds, deferreds and aggregations processes, the Fund accumulated processing backlogs in certain areas. Officers have defined a backlog for a process where there are more than 250 outstanding cases. Where this is the case, officers plan to ring-fence this area of work and manage the backlog area of work separately although this is not in place as at the date of this report.

At present, there are two areas which meet this criteria and current situation in respect of these processes are outlined:

### a). Deferred/Refunds

Cases where the member has left and we need to calculate their pension entitlement, but they are not old enough to be able to start receiving their benefits.



### b). Internal aggregation cases

These cases are where the member has more than one record at Wiltshire Pension Fund which should be combined together. Members are not financially disadvantaged by delays in completing this work.

Cases currently outstanding: 3,444 (+253 since the last quarter)

(Analysis similar to the above will be available in future, once developed)

## APPENDIX 6: Administration Strategy KPIs - Employers (Table 1)

Employer Key Performance Indicators

Administration Strategy

Period **01/10/2020** to **31/12/2020**

Type of case	Time to advise							Total	Timescales	
	To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		% on target	Admin Strategy working days
<i>Retirement</i>	68	20	15	15	18	6	11	153	58%	2
<i>Leavers</i>	83	11	3	9	12	97	193	408	29%	20
<i>Refund of contributions</i>	76	5	4	10	6	75	186	362	28%	20
<b>Grand Total</b>	<b>227</b>	<b>36</b>	<b>22</b>	<b>34</b>	<b>36</b>	<b>178</b>	<b>390</b>	<b>923</b>		
<b>Percentage</b>	<b>25%</b>	<b>4%</b>	<b>2%</b>	<b>4%</b>	<b>4%</b>	<b>19%</b>	<b>42%</b>			

## APPENDIX 6: Administration Strategy KPIs - Employers (Table 2)

### 5 Largest "Managed" Employers

Employer	Managed Records	Time to advise - Retirements							Total	Admin Strategy % on target	Admin Strategy working days
		To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Wiltshire Council	34154	38	6	3	1	7	6	7	68	56%	2
Swindon Borough Council	15721	7	1	2	1	0	2	3	16	44%	2
Police Civilians	2840	3	1	1	0	0	0	1	6	50%	2
White Horse Federation	1922	3	0	0	1	0	0	0	4	75%	2
Wiltshire College	1859	2	1	0	0	0	0	1	4	50%	2
Others	18263	28	2	7	1	9	1	7	55	51%	2
		<b>81</b>	<b>11</b>	<b>13</b>	<b>4</b>	<b>16</b>	<b>9</b>	<b>19</b>	<b>153</b>		
		<b>53%</b>	<b>7%</b>	<b>8%</b>	<b>3%</b>	<b>10%</b>	<b>6%</b>	<b>12%</b>			

Employer	Managed Records	Time to advise - Leavers							Total	Admin Strategy % on target	Admin Strategy working days
		To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Wiltshire Council	34154	21	1	0	0	0	66	62	150	15%	20
Swindon Borough Council	15721	1	1	0	0	1	2	30	35	9%	20
Police Civilians	2840	2	0	0	1	1	0	3	7	57%	20
White Horse Federation	1922	15	3	0	0	2	14	10	44	45%	20
Wiltshire College	1859	0	0	0	0	1	1	4	6	17%	20
Others	18263	44	6	3	8	7	14	84	166	41%	20
		<b>83</b>	<b>11</b>	<b>3</b>	<b>9</b>	<b>12</b>	<b>97</b>	<b>193</b>	<b>408</b>		
		<b>20%</b>	<b>3%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>24%</b>	<b>47%</b>			

Time to advise - Refunds								Admin Strategy % on target	Admin Strategy working days		
To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +	Total				
Wiltshire Council	34154	10	0	1	0	0	53	51	115	10%	20
Swindon Borough Council	15721	8	0	0	1	0	5	28	42	21%	20
Police Civilians	2840	0	0	0	0	0	1	5	6	0%	20
White Horse Federation	1922	19	1	2	0	1	2	10	35	66%	20
Wiltshire College	1859	5	3	0	5	0	1	1	15	87%	20
Others	18263	34	1	1	4	5	13	91	149	30%	20
		<b>76</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>6</b>	<b>75</b>	<b>186</b>	<b>362</b>		
		<b>21%</b>	<b>1%</b>	<b>1%</b>	<b>3%</b>	<b>2%</b>	<b>21%</b>	<b>51%</b>			

**Employer**

Managed Records

Wiltshire Council  
Swindon Borough Council  
Police Civilians  
White Horse Federation  
Wiltshire College  
Others

## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2021

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### **EMPLOYER ILL HEALTH INSURANCE PROPOSAL**

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

1. The purpose of this report is to outline the details of a new approach to providing/facilitating employers with insurance against ill-health retirement strain costs which is planned to apply from 1 April 2021.

#### **Background**

*Note: The contents of this paper largely replicate that of the paper which was taken to Committee in December 2020. Since then, officers have held a consultation with employers and no objections were received.*

2. The LGPS Regulations provide three tiers of ill health retirement cover to Scheme members who are unable to continue working due to long-term issues with their health and where their prospects of being healthy enough to work in 'gainful employment' before their normal pension age are significantly reduced. All potential ill health retirements are subject to an independent assessment by an appropriately qualified and register ill health practitioner (a doctor).
3. The most generous tier allows members to receive a pension early which is then enhanced as they had worked to their retirement date but payable immediately and continues to be paid up until the date of their death. In such circumstances, an ill health retirement can put a significant strain on an employer's funding position (officers have seen costs up to £500,000). The greatest financial impact on an employer is most likely to be the case where the person is younger, they were receiving a relatively high salary and their employer was relatively small.
4. Most ill health retirees on the highest tier will have a reduced life expectancy, but the strain cost can still be significant nonetheless.
5. Whilst the actuary makes an assumption for a certain number of ill-health cases when setting each employer's contribution rate, the issue arises where the total cost to the employer is significantly higher than the amount assumed for an individual. The smaller the employer, the greater the risk that the actual number will differ materially from the expected amount (for example 0.3 cases are assumed and 2 occurs).
6. In order to help reduce the strain cost risk, in 2017 the Fund offered all employers the opportunity to take out ill-health insurance with an external insurer (facilitated by the Fund's actuary). Prior to 2017, no insurance arrangement was in place and all employers took the risk of incurring material ill-health strain costs.
7. At the time, the Fund took the default position of insuring an employer unless it chose otherwise. The Fund's largest employers (Wiltshire Council, Swindon Borough Council, Wiltshire Fire and Wiltshire Police, and related employers), which make up around 77% of the Fund's assets (82% of liabilities), decided they could manage the risk effectively themselves and therefore they decided not to take out the insurance. This continuing rationale is backed up by the information in appendix 1.

8. All remaining employers currently take out the insurance, which make up the remainder the Fund's liabilities.
9. This current insurance approach operates on the basis that the Fund is set a premium each year, which the actuary then proportionalises across all participating employers according to size and deducts from their pots, and in return for each ill-health case an employer experiences, an insurance claim is made for the strain cost which the insurer then pays out and the relevant employer receives the credit.

### **Considerations for the Board**

10. Whilst both premiums and claims will vary from year to year, as the insurer will seek always make a similar profit, so the net cost over time should remain at a similar level, as future premiums set by the insurer will take into account the claims history.  
(Note: Exact figures are not provided in this paper due to commercial sensitivities).
11. Whilst at present, each employer which makes a claim receives money which is equal to the estimated strain cost, the employer still bears the true cost of paying out the member's benefits, which is unknown until the date of death (which could be decades into the future), so whilst their risk is reduced, it is not eliminated.
12. Officers are required to undertake various amounts of administration to enable this insurance model to work effectively, including ensuring employers put in their claims (which has proved difficult despite the obvious benefit to the employer).

### **Conclusions**

13. Through discussions with other Funds and the Fund's actuary, officers have reviewed the current approach and instead agreed to put in place a revised ill-health insurance model which does not use an external insurer.
14. As the fundamental problem for some employers with this risk is their size, it was proposed that solely for ill-health strain cost purposes, all small employers are pooled together so that all strain costs incurred are funded across the pool according to their size and credited to the employer which will own the long-term liability for the member.
15. Collectively the current group of insured employers had around 23% in assets or £600m (as at the 2019 valuation) so slightly less than Swindon Borough Council but significantly more than other self-insurers Wiltshire Police and Dorset and Wiltshire Fire, which based on analysis to date suggests this pool would be sufficiently large to manage this risk through the balance of probabilities.
16. Whilst the risk-profile between the different approaches is different, bearing in mind that current costs are targeted to be around 10% (c£100,000), by collectively pooling to self-insurance, employers can save around £75,000 to £80,000 per year.
17. As the current costs are currently paid for by the insured employers, officers intend to charge the revised administrative costs just to the insured employers too so that the larger employers which are self-insured are unaffected by this change. Therefore, before and after this change there is technically a net zero impact on the Fund's administration budget.

18. Further the administrative burden would be reduced as it would be mostly administered by the actuary, with no need to involve employers or members as there would be no need to put in insurance claims.
19. This approach proposed is already used by a number of LGPS Funds, including other Hymans Robertson clients.
20. Following the Committee's approval, officers have consulted with the affected employers and proposed that all of current insured employers switch to the new approach. It will be assumed that the employers that currently self-insure will continue to do so unless they express a preference to be insured.
21. There were no responses to the proposal and therefore the new approach will apply from 1 April 2021. All new employers joining the Fund will be automatically covered in a similar approach to the current position.

### **Environmental Impact**

22. There is no environmental impact from this report.

### **Financial Considerations**

23. The proposal will save approximately the amount of money outlined above for each year the revised approach is in place.

### **Risk Assessment**

24. Whilst the risk profile for affected employers is different, the level of risk is broadly similar.

### **Legal Implications**

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

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

26. There are no implications at this time.

### **Proposals**

27. The Board is asked to note the new arrangements that will shortly be in place to manage employer risk.

### **Andy Cunningham**

Head of Pensions Administration and Relations

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

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## Appendix 1

Below is a table showing analysis from the last triennial valuation for those employers which did not take part in the ill-health insurance.

Employer/ Pool	Asset Value	% of total fund assets	Liability Value	% of total fund liabilities	Number of expected ill-health retirements (2016-2019)	Number of actual ill-health retirements (2016-2019)	Ill health strain cost*	% of total employer assets
Wiltshire Council Pool	£1,112,734,124	43.0%	£1,220,801,819	47.2%	66	66	-£2,400,141	-0.2%
Swindon Borough Council Pool	£679,497,451	26.3%	£696,634,254	26.9%	34	36	£779,189	0.1%
Wiltshire Police	£159,674,353	6.2%	£147,612,474	5.7%	9	7	£7,000	0.0%
Wiltshire Fire	£52,037,314	2.0%	£56,132,815	2.2%	9	7	-£339,240	-0.7%

\*The cost shown here compares the actual funding strains due to ill-health retirements with the expected cost contained within our liability calculations e.g. for Wiltshire Police, the ill-health retirements observed over the 3 year inter-valuation period (from 2016 to 2019) resulted in a cost of £7,000 over and above what we expected.

As can be seen in the table above, the ill health funding strains associated with the actual ill-health retirements observed for each of the employers/pools shown above reflects a small proportion of the overall assets held (less than 1% in each case) and so, should the actual and observed retirements continue to move in a similar way, the employers/pools shown above should be able to deal with the strain cost risks such that the risk of insolvency, for example, should be minimal.



## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2021

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### **Review of Wiltshire Pension Fund Governance Compliance Statement & Investment Sub-Committee terms of reference**

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

1. The purpose of this report is for Members to review the updated Governance Compliance Statement and Investment sub-Committee terms of reference of the Wiltshire Pension Fund.

#### **Background**

##### **Governance Compliance Statement (Appendix 1)**

2. Under the Regulation 55 of the Local Government Pension Scheme (Administration) Regulations 2013, Local Government Pension Funds are required to set out a written statement outlining the delegations for the administration of the Fund and to keep this under review. The link to the Regulation 55 is below:

<http://www.legislation.gov.uk/ukSI/2013/2356/regulation/55/made>

3. This latest version of the Governance Compliance Statement was approved by the Pension Fund Committee on 21 June 2018.
4. Whilst the Governance Compliance Statement continues to fulfil its requirement under Regulation 55, since its last review in 2018 it has undergone significant changes in order to better reflect the Fund's compliance obligations. In particular, synchronising with;
  - a) The Pension Committee's own terms of reference approved on 21 July 2020;
  - b) The Pension Fund's Administering Authority, Wiltshire Council;
  - c) The Local Pension Board's terms of reference approved on 21 July 2020;
  - d) The Investment sub-Committee's terms of reference; &
  - e) The Brunel Pension Partnership governance arrangements.

##### **Investment sub-Committee terms of reference (Appendix 2)**

5. The Investment sub-Committee's status is that of an advisory panel to the Committee having received no direct delegation from the Administering Authority under its Constitution. Its role is therefore confined to reviewing, monitoring, implementing and providing recommendations to the Committee, the decision making body in respect of the Fund's investment strategy matters.
6. In a similar vein to the Governance Compliance Statement its terms of reference have undergone changes in order to better reflect the Investment sub-Committee's role & synchronisation of tasks with other bodies delegated with responsibilities by the Administering Authority.

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

##### **Governance Compliance Statement**

7. The Governance Compliance Statement sets out whether Wiltshire Council delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee, another body, or an officer of the authority. It further sets out the terms, structure and

operational procedures of the delegation including the frequency of any committee or sub-committee meetings.

8. It also outlines whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.
9. The attached Governance Compliance Statement is largely self-explanatory and is attached for Members' review. It is largely a factual statement, and shows the Fund is compliant with the principles of best practice guidance issued by MHCLG.

#### **Investment sub-Committee terms of reference**

10. The Investment sub-Committee's sets out the functions delegated to it by the Pension's Committee. In particular, changes to its existing terms of reference include;
  - a) It's background & purpose;
  - b) It's composition of member & appointment & removals processes;
  - c) The knowledge & understanding expectations of members; &
  - d) It's relationship with the Brunel Pension Partnership.

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

11. There are no financial implications for either document.
12. The review of the Governance Compliance Statement ensures the Fund is mitigating PEN008: Failure to comply with LGPS and other regulations with stakeholders.
13. The review of the Investment sub-Committee terms of reference ensures the Fund is mitigating PEN019: A lack of effectiveness arising from inadequate maintenance of the way the Local Pension Board & Investment Sub-Committee operate.

#### **Legal Implications and Environmental Impact of the Proposal**

14. There are no material legal or environmental impacts associated with these proposals.

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

15. There are no known implications at this time.

#### **Reasons for Proposals**

16. There is a legal requirement under the Local Government Pension Scheme Regulations for the Fund's Governance Compliance Statement and best practice to be refreshed this on a regular basis. The need for this review being triggered by the updating of the Fund's other strategic constitutional documents & its developing relationship with other significant bodies.
17. Whilst no legal requirement exists in respect of the Investment sub-Committee terms of reference, in a similar vein to the Governance Compliance Statement The need for this review has been triggered by the updating of the Fund's other strategic constitutional documents & its developing relationship with other significant bodies.

#### **Proposals**

18. The Board is asked to recommend to the Pension Committee that it approves the updated Government Compliance Statement & Investment sub-Committee terms of reference.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Author: Richard Bullen, Fund Governance and Performance Manager

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**Appendices:**

Appendix 1 – Governance Compliance Statement

Appendix 2 – Investment sub-Committee terms of reference

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## Wiltshire Pension Fund Governance Compliance Statement

The Fund is required to publish a compliance statement under Regulation 55 of the Local Government Pension Scheme Regulations 2013.

In accordance with this requirement, the table below is the Fund's assessment of its compliance with those standards categorised by nine principles;

- Principle A – Structure
- Principle B – Representation
- Principle C – Selection & role of lay members
- Principle D – Voting
- Principle E – Training
- Principle F – Meetings
- Principle G – Access
- Principle H – Scope
- Principle I – Publicity

In addition to the nine required principles the Wiltshire Pension Fund Committee has included two further principles reflecting the changes to the Fund's structure since 2013 and in the interests of best practice. These are;

- Principle J – Assignments & delegations
- Principle K – Reporting

Under section 101 of the Local Government Act 1972, a local authority can delegate their statutory functions to the Council's committees, sub-committees or to officers. This delegation is laid out in Part 3B of Wiltshire Council's Constitution and the existing governance arrangements\* of the Fund are provided for using the following structure;

- Pensions Committee – the role and responsibilities of which are set out in its own terms of reference within the Council's Constitution under Part 3B paragraph 2.7 and Protocol 2A;
- Investment sub-Committee (ISC) – a secondary committee reporting to the Pensions Committee, created to carry out predetermined activities on behalf of the Pensions Committee and in accordance with its own terms of reference (effective June 2015);
- Local Pension Board – the role and responsibilities of which are set out in the Council's Constitution under Part 3B paragraph 7 and Protocol 2B (effective April 2015);
- Brunel Pension Partnership (BPP)\*\* – an FCA regulated investment pooling company with its own governance structure in which the Fund seeks to integrate its own governance arrangements. The Administering Authority on behalf of the Fund has four distinct areas of relationship with the BPP, the first two of which are outlined within this compliance statement (effective April 2018). These areas of relationship are;
  - 1) Shareholder – The role and responsibilities of which are set out in a Shareholder Agreement dated 13 July 2017;
  - 2) Client – The role and responsibilities of which are set out in the Fund's Client Service Agreement 13 July 2017;
  - 3) Scheme Employer – The role and responsibilities of which are set out its Admission Agreement and the Fund's Pension Administration Strategy document; and
  - 4) Payroll service provider – The Administering Authority provides the BPP with a payroll service the scope of which is laid out within a separate contract 24 November 2017.

This compliance statement primarily seeks to set out the Pension Committee's and Investment sub-Committee's compliance with the Regulations. Details of the terms, structure and operational procedures relating to the Local Pension Board and Brunel Pension Partnership can be found via the following links;

**Wiltshire Pension Fund Local Pension Board** [Terms of Reference](#).

\*The Board is established under Section 5 of the Public Service Pensions Act 2013 and Regulation 106 of the Local Government Pension Scheme Regulations 2013 and is not a committee constituted under Section 101 of the Local Government Act 1972.

**Brunel Pension Partnership**

- 1) Terms of Reference covering the governance of Shareholder & Services Agreements ([Terms of Reference](#))
- 2) Service Agreement [Service Agreement](#)

\*\*BPP is established in accordance with the Companies Act 2006 and under its articles of association as submitted to Companies House. Its status as an investment pooling company are governed by the LGPS Investment Regulations 2016.

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	<b>FULL – The Council's Constitution says that the Committee will "exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto".</b>  <b>The Wiltshire Pension Fund Committee has the power to "...make decisions on matters of significant policy..." (Part 3B, para 4).</b>	<b>(Part 3, para 2.7 and Protocol 2A)</b>
	b) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>FULL – All minutes of meetings and recommendations taken by the ISC are reported back to the next main committee meeting.</b>	<b>ISC Terms of Reference</b>
	c) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	<b>FULL – At least 4 core members of the ISC sit on the main committee.</b>	<b>ISC Terms of Reference</b>
	d) That governance arrangements exist with the Brunel Pension Partnership, the Fund's investment pooling company, in which the Administering Authority	<b>The governance arrangements include a Shareholder Agreement, Service Agreement &amp; Terms of Reference detailing the relationship of each party which will</b>	<b>BPP Shareholder and Service Agreements and BPP's Terms of Reference</b>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
	<p>is both a Shareholder and a client and that the structure ensures effective communication in both capacities</p>	<p>form part of the Brunel Pension Partnership's constitution.</p> <p><b>A separate Administering Authority official will represent it as a shareholder and as a client.</b></p> <p><b>BPP will be responsible for the appointment of external investments managers to implement the Fund's investment policy. All minutes of meetings and decisions taken by the BPP will be reported back to the next main committee meeting.</b></p>	
	<p>e) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</p>	<p><b>FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee.</b></p> <p><b>There is an Investment Sub-Committee (ISC) which operates on behalf of the Committee in accordance with the ISC's Terms of Reference and the prevailing Investment Strategy Statement. This consists of a minimum of 4 core voting members, namely the Chair, Vice-Chair, one Wiltshire Council elected member from the main committee and one co-opted member of the main committee. All members of the main committee may be an observer.</b></p>	<p><b>Protocol 2A</b></p> <p><b>ISC terms of reference</b></p>
<p>B) Representation</p>	<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure.</p>		

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
	<p>These include:</p> <ul style="list-style-type: none"> <li>i. employing authorities (including non-scheme employers, eg, admitted bodies);</li> <li>ii. scheme members (including deferred and pensioner scheme members);</li> <li>iii. independent professional observers; and</li> <li>iv. expert advisors (on an ad-hoc basis).</li> </ul> <p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision-making process, with or without voting rights.</p>	<p><b>FULL – four representatives in total, two from Swindon Borough Council and two from Scheduled bodies such as Academies/Colleges, or Admitted Bodies. The non-elected members will hold their office for a maximum of 4 years before a re-election process needs to take place.</b></p> <p><b>FULL – two non-voting representatives from UNISON, who represent active, deferred and pensioner members</b></p> <p><b>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Heads of Pensions</b></p> <p><b>FULL – Mercers (the Fund’s Investment Consultant) and Hymans Robertson (the Fund’s Actuary) attends all meetings where expert advice relating to their area is required</b></p> <p><b>FULL – All members of the Committee are given equal access to papers, meetings and training and can fully participate in debates.</b></p>	<p><b>Protocol 2A</b></p> <p><b>Protocol 2A</b></p> <p><b>Protocol 2A</b></p>
C) Selection and	a) That committee or panel	<b>FULL – Full Induction</b>	<b>Protocol 2A</b>



AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
Role of Lay Members	members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	<b>Training and Governance is given, and each member is given a Members' Handbook outlining their responsibilities amongst other information.</b>	
	b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	<b>FULL – this is a standard part of committee procedure.</b>	<b>Protocol 2A</b>
	c) That Committee members selection is undertaken in accordance with the Local Government and Housing Act 1989.	<b>FULL – selection will follow consultation between Wiltshire Council and the political groups.</b>	Local Government and Housing Act 1989
	d) That the Secondary Committee member selection is undertaken with reference to this governance statement & its own terms of reference.	<b>FULL – Selection of at least 4 voting members will be made in accordance with its own terms of reference.</b>	
	e) That Brunel Pension Partnership selection for the roles of Administering Authority Shareholder and Client representative will be made in accordance with the Shareholder and Services Agreements.	<b>Unless by other agreement the Chair of the Committee will take the role of Shareholder representative and the Head of Pension Fund Investments will take the role of Client representative</b>	<b>Shareholder and Service Agreements</b>
	f) That substitute member selection will be undertaken in accordance with both Wiltshire and Swindon Borough Council's constitutions	<b>FULL – All substitute members will be subject to the requirements of Committee members in terms of their selection, training and standards</b>	<b>Constitutions of Wiltshire and Swindon Borough Councils</b>
D) Voting	a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	<b>FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme</b>	<b>Protocol 2A</b>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
		<p>members (or their representatives) can influence on the committee that has any direct impact upon them. Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.</p>	
	<p>b) The voting of Secondary Committee appointments and the role of their vote following appointment</p>	<p>The ISC's Terms of Reference will set out the voting process by which it appoints its voting members. The capacity of a voting member's vote will also be determined by its Terms of Reference.</p>	<p>ISC Terms of Reference</p>
	<p>c) The role of the Administering Authority's Shareholder representative on voting on behalf of the interests of the Authority in respect of the Brunel Pension Partnership.</p>	<p>The scope of the Shareholder representative's voting powers will be in accordance with the Agreement. The Shareholder representative will always only vote with the consent of the Administering Authority, who must receive written notification of all matters voted upon and how their vote was cast.</p>	<p>Shareholder Agreement</p>
<p>E) Training/Facility Time/Expenses</p>	<p>a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	<p><b>FULL – There is a Members' Training Plan which is fully implemented and is updated regularly. All members and substitutes (including observers) have full access to all training opportunities and can claim all reasonable expenses.</b></p>	<p>Protocol 2A</p>
	<p>b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p>	<p><b>FULL – see Members Training Plan</b></p>	<p>Protocol 2A</p>
	<p>c) That where a statutory training requirement exists, all members of</p>	<p><b>See Members Training Plan</b></p>	<p>Protocol 2A</p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
	committee, secondary committees, substitutes, advisory panels or any other form of forum will ensure that they remain competent to fulfil their role and responsibilities		
F) Meetings - Frequency	a) That an administering authority's main committee or committees meet at least quarterly.	<b>FULL – The Committee meets four times per year, plus on an ad-hoc basis for special issues (eg. valuation, tenders)</b>	<b>Wiltshire Council Constitution</b>
	b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	<b>FULL – The ISC may meet as often as required, subject to a minimum of two meetings per annum.</b>	<b>ISC Terms of Reference</b>
	c) That a representative of the administering authority will attend each Brunel Oversight Board and Client Group meeting held by the Brunel Pension Partnership.	<p><b>The Brunel Oversight Board will meet as often as required and should be attended by the Shareholder representative</b></p> <p><b>The Brunel Client Group will meet as often as required and should be attended by the Client Group representative</b></p>	<p><b>Shareholder Agreement</b></p> <p><b>Shareholder Agreement</b></p>
	d) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	<b>FULL – From 1 April 2015, Wiltshire Council in its role of Administering Authority has established a Local Pension Board. It consists of 6 voting members (3 employer and 3-member representatives) along with a non-voting independent chair. The purpose of this Board is to review and ensure the Wiltshire Pension Fund secures compliance with the Scheme regulations and all other relevant legislation.</b>	<b>Protocol 2B</b>
G) Access	a) That subject to any rules in the Council's Constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and	<b>FULL – All members of the Committee (including non-voting and substitute members) receive all the papers for every meeting, including the confidential ones</b>	<b>Wiltshire Council Constitution</b>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REFERENCE
	advice that falls to be considered at meetings of the main committee.		
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	<b>FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.</b>	<b>Protcocol 2A</b>
I) Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	<b>FULL – The Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report. This statement is approved by the main committee which is held as a meeting open to public participation</b>	<b>Protocol 2A</b>
J) Assignments & delegations	a) Where the Committee has been delegated a responsibility by the administering authority it cannot delegate that responsibility to a secondary committee	<b>FULL – The ISC will operate purely in an advisory role to the Committee, making recommendations to it, on which the Committee will decide.</b>	<b>Wiltshire Council Constitution ISC Terms of Reference</b>
	b) That the Brunel Pension Partnership authority to make an investment decision has been delegated to it by the administering authority and that the Committee acts as the administering authority's decision-making forum	<b>The BPP will act on the instructions of the Committee as advised to it by the Fund's Client representative (or their designated substitute). BPP will act subject to that instruction and in accordance with its mandates, Terms of Reference or any other recognised document.</b>	<b>Service Agreement</b>
	c) That in the event of an emergency, the administering authority's emergency powers will allow officers to take decisions.	<b>Where a Committee meeting cannot take place, the scheme of sub-delegation to the Director of Finance and Procurement allows that Director to take decisions on behalf of the Council, unless responsibility has not been specifically reserved.</b>  <b>Subject to approval and after consultation with the Chair and Vice-chair</b>	<b>Wiltshire Council Constitution, Part 3, Section D2, Paragraph 1. With reference to the Pension Committee minutes dated 26 March 2020 – Minute 124.</b>

<b>AREA</b>	<b>PRINCIPLE</b>	<b>LEVEL OF COMPLIANCE</b>	<b>REFERENCE</b>
		<b>the Director can make decisions on behalf of the Fund. All decisions must be reported back to the next Committee meeting.</b>	
K) Reporting	a) The Committee will report to the Local Pension Board to the extent that the Board can fulfil its statutory function.	<b>Reporting will include items specified within the Local Pension Board's Terms of Reference</b>	<b>Protocol 2B</b>
	b) The Committee will ensure all external reporting is completed to the extent that it will fulfil its statutory function.	<b>Reporting will include the Scheme Return, GAD Financial reporting and HMRC Event reporting etc</b>	

**November 2020  
Wiltshire Pension Fund Committee**

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## TERMS OF REFERENCE

### **Wiltshire Pension Fund Investment Sub-Committee (ISC)**

#### **Background:**

1. Formed in June 2015 the ISC is a secondary committee to the Wiltshire Pension Fund Committee, the body delegated by the Administering Authority to act on behalf of Wiltshire Council in its role as a scheme manager of the Scheme.

The ISC's status is that of an advisory panel to the Committee having received no direct delegation from the Administering Authority under its Constitution. It should be noted that the Committee as the delegated body under the Council's Constitution has not been granted with the power to sub-delegate to the ISC.

The ISC's role is therefore confined to reviewing, monitoring, implementing and providing recommendations to the Committee on the Fund's investment strategy matters. All responsibility for the Fund's investment strategy is retained by the Committee.

2. The decision of ISC's status to operate as an advisory panel allows it the freedom to consider the Fund's investment matters in a dedicated forum, unconstrained by the Administering Authority's Constitution, with its structure largely determined by its own Terms of Reference.

#### **Purpose and functions of the ISC:**

3. The role of the ISC is to consider, in detail, matters relating to the investment of the assets within the strategic investment framework and performance of investment managers in achieving the Fund's investment objectives.
4. The ISC may occasionally be requested by the Wiltshire Pension Fund Committee, to undertake research and report back on a specific investment area.
5. All recommendations will be reported back to the next available ordinary meeting of the Wiltshire Pension Fund Committee in the form of the minutes of the ISC.

#### **Scope of purpose:**

In summary the scope of purpose will cover all financial, accounting and investment matters, with the exception of the Fund's Additional Voluntary Contribution arrangements.

6. The specific scope of operation assigned to the ISC by the Pension Fund Committee are:
  - a) To review strategic and emerging opportunities outside the strategic asset allocation and make recommendations to the Committee;
  - b) To report regularly to the Committee on the performance of investments and matters of strategic importance;

- c) To monitor investment managers' investment performance and recommend decisions to terminate mandates on performance grounds;
- d) To monitor the performance (in terms of governance, service and investment acumen) of the Brunel Pension Partnership and the Pension Fund's custodian and make recommendations to the Committee as required;
- e) To research and provide a report to the Wiltshire Pension Fund Committee on any specific investment areas requested by the Committee;
- f) To provide the Wiltshire Pension Fund Local Pension Board, on behalf of the Committee, with information relevant to its oversight mandate, namely; and
  - 1) Wiltshire Pension Fund Committee's ESG policy – Regulation 7;
  - 2) Ensuring the Fund's compliance with the Investment Strategy Statement;
  - 3) Guidance on statutory asset pooling;
  - 4) Monitoring of cost savings relevant to investments; and
  - 5) Investment accounting.
- g) To ensure that all Investment Advisers, officers and other relevant staff or organisations are competent to give advice or information about investment products to the Committee (and its secondary committee) as required under the European Securities and Markets Authority's guidance and the Financial Conduct Authority (FCA).
- h) Scope of purpose – The ISC's Terms of Reference will be reviewed by the Wiltshire Pension Fund Committee at least every two years, or as circumstances require. Where required, consideration will be given to guidance provided by the Council's Legal Services team to ensure that as an advisory panel the ISC's approach resonates with the Council's Constitution.

**Assignment of functions:**

- 7. The ISC will be assigned by the Committee the following tasks:
  - i) To monitor the weightings of investment portfolios against the ranges agreed in the strategic asset allocation (i.e. the mix of assets held by the Pension Fund);
  - j) To ensure implementation of investment management arrangements in line with strategic policy, including the preparation of mandate parameters and the recommendation of appointment of managers;
  - k) To recommend amendments to investment mandates (separate portfolios) within the existing return and risk parameters (i.e. recommending changes which do not significantly alter the return or risk expectations of the portfolio);
- 8. To achieve this the ISC will:
  - l) Receive reports from either the Investment Adviser, officers, Independent Governance Adviser and the Brunel Pension Partnership, and where applicable circulate to all Members of the Wiltshire Pension Fund Committee;
  - m) Receive advice from Investment Advisers, Independent Governance Adviser, officers or any other product specialist invited by the ISC to the meeting;
  - n) Receive monitoring reports when appropriate on investments to inform decision making;
  - o) Work within the framework set by the Council's Constitution;
  - p) Report to the Wiltshire Pension Fund Committee and the Wiltshire Pension Fund Local Pension Board, as necessary on its activities; and



- q) Investigate other specific areas of investment when requested by the Wiltshire Pension Fund Committee.

**ISC appointment process:**

9. All four members of the ISC (plus an additional two members as identified in paragraph 18 below) shall be current elected members of the Wiltshire Pension Fund Committee. Ongoing eligibility as a Member of the ISC will be dependent on their continued appointment as a voting Member of the Wiltshire Pension Fund Committee;
10. Appointments to the ISC are not subject to a term of office;
11. Where a vacancy (or vacancies) occurs on the ISC, it will receive a recommendation from the Wiltshire Pension Fund Committee for one or more of its number wishing to be nominated as an ISC Member. The nominee(s) will be recorded in the Committee minutes to ensure that all Committee Members have had an opportunity to comment on the ISC's membership and selection of nominee(s);
12. Final selection of an ISC Member, by the ISC, will be based on the level of competence in financial and investment strategy matters demonstrated by the nominee(s);
13. Existing ISC Members will vote on the nominee(s) received from the Committee for the appointment to the ISC vacancy (or vacancies). Where the number of nominees received outnumbers the vacancies available, the nomination receiving the most votes will be successful. In the event of a tie, the Chair of the ISC will have a deciding vote;
14. Appointments to the ISC will be recorded in the ISC minutes; and
15. A substitute of a Committee and ISC Member may represent that Member at the ISC for no more than two consecutive meetings. Where this arrangement is exceeded the appointed member will be consulted on their future intention to attend the ISC. In the event that regular attendance cannot be confirmed the remaining ISC Members will request a replacement nominee from the Wiltshire Pension Fund Committee.
16. Where a ISC Member has missed three consecutive meetings without providing good reason, or in the unanimous opinion of all the other ISC members is not contributing to the function(s) of the ISC, the remaining ISC members can vote to remove that member and request nominations for a replacement. The vote must be unanimous.

**Composition:**

17. Core Voting Members;
- a) Chairman of the Wiltshire Pension Fund Committee;
- b) Vice-Chairman of the Wiltshire Pension Fund Committee;
- c) An elected Wiltshire Council Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee;
- d) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee; and
- e) Any substitutes will be drawn from the members of the Wiltshire Pension Fund Committee.
18. In addition to the core voting membership of four, a further two voting members may be appointed to the ISC. Whilst these two additional members can be drawn from any existing

voting Committee member, they cannot replace the balance provided by the core voting membership. For example, there must always be at least a core member representative from Swindon Borough Council.

19. Non-Voting Members;

- a) Investment Adviser to the Wiltshire Pension Fund Committee;
- b) Independent Governance Adviser to the Wiltshire Pension Fund Committee;
- c) Director of Finance and Procurement, Wiltshire Council;
- d) Head of Pension Fund Investments, Wiltshire Council; and
- e) Head of Pensions Administration and Relations, Wiltshire Council

**Voting capacity**

- 20. Appointments to the ISC – Nominations made by the Committee will be subject to a motion of existing ISC Members at the next meeting. Where a nomination is not accepted the existing ISC Members should provide a reason to the Committee;
- 21. Scope of purpose and assignment of tasks under the ISC Terms of Reference – All voting will be on the basis of recommendation, or not, to the Committee on an investment matter.
- 22. All voting will be recorded on the basis of a simple majority with the exception of the circumstances detailed in paragraph 16.

**Observers**

- 23. Any member from the Wiltshire Pension Fund Committee is invited to attend in a non-voting capacity, as relevant to the subject matter;
- 24. The s151 Officer, Head of Pension Fund Investments, other members of the Pension Fund Investments team, Head of Pension Administration and Relations and the Fund Governance and Performance Manager are invited to attend, as relevant to the subject matter.

**Knowledge & Understanding**

- 25. ISC Member training will be in accordance with the Members training plan as outlined in the Governance Compliance Statement;
- 26. In accordance with FCA – MiFID II – Directive 2014/65/EU and European Securities and Markets Authority Regulations the Fund is classed as a professional client. All Members including their substitutes will therefore be required to maintain their knowledge and understanding to an appropriate standard. This will be achieved by;
  - a) Undertaking relevant training and development and keeping a record that such training has been undertaken;
  - b) Annually self-certifying their competence in accordance with the European Securities and Markets Authority guidelines section V.IV.

**Quorum:**

- 27. The quorum is three voting members.

**Authority:**

28. To make recommendations and to discharge the functions of the Wiltshire Pension Fund Committee as outlined in this Terms of Reference.

**Frequency of meetings:**

29. The ISC shall meet at least twice a year and shall synchronise these dates with the dates of when the main Committee sits.
30. Additional ad hoc formal meetings will be held as merited to fulfil the assigned tasks in terms of opportunistic investments, with informal meetings as required to discuss background issues and seek clarification prior to any Committee decision.

**Client Group Representation – Brunel Pension Partnership**

31. On behalf of the Wiltshire Pension Fund Committee a representative of the ISC will attend each Brunel Pension Partnership meeting. The representative must be an officer. In the first instance it will be the Head of Pension Fund Investments. In the event of there absence a suitable deputy will be appointed.

**Reporting**

32. The ISC will report all recommendations to the next ordinary meeting of the Wiltshire Pension Fund Committee, in the form of the minutes of the ISC.

Last updated: November 2020

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2021

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### **PENSION FUND – TPR PUBLIC SERVICE SUMMARY 2019**

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

1. The purpose of this report is to identify any additional actions that the Wiltshire Pension Fund's (WPF) Local Pension Board (LPB) could recommend to the Pension Committee following the publication of the Pension Regulator's (tPR) 5<sup>th</sup> Public Service Governance & Administration survey 2019.

#### **Background**

2. The results of the survey looked in depth at how the key features of good governance of a Pension Fund worked in practice (with a 65-page report). Officers also compared the 2019 report against the 2018 results (a 7-page report) which the LPB reviewed at their meeting on 22 August 2019. In officers opinion the WPF continued to fall into the group of 64% of Schemes cited by tPR which fulfilled all six of the key processes expected by it, namely;
  - a) That the LPB has a conflict of interest policy in place;
  - b) That members have access to knowledge, have an understanding of the Scheme & have the skills needed to run the it;
  - c) That the Scheme has its own process for managing its risks;
  - d) That the Scheme has a process for monitoring its record accuracy & completeness;
  - e) That the Scheme has a process for monitoring contribution payment issues ((\* see table in paragraph 5); &
  - f) That it also has a process in place to identify, assess & report on breaches of law.
3. Within tPR's 2018 report it indicated within its "Background" section that the regulatory approach it would take with Pension Funds would be based on its four top concerns of governance, record keeping, cyber security & member communications. However, within its 2019 report it has become less strident in declaring its concerns, preferring to take a more individual approach to each Pension Fund's specific problems, by understanding their barriers to improvement & seeking to engage & work with Funds and other bodies. That said, it is still clear from tPR's commentary that it remains concerned with at least the first three of its key stated areas in 2018.

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

4. Whilst the WPF is satisfied that it is one of the 64% of Funds that has all six of tPR key processes in place (a fall from the 74% of Funds quoted in 2018), Fund officers have elected to undertake a review of the Fund against the 2019 survey in order to identify any areas in which the WPF may still improve upon.
5. The table below sets out the key areas cited by respondents as their top governance and administration risks for their Funds & officers have reviewed those risks against the WPF's compliance to determine whether the WPF could further improve its working practices. Brief comments of officer assessment are also set out below.

<b>Top governance and administration risks highlighted (Page 27 – Table 4.2.3)</b>			
<b>Risk</b>	<b>tPR's LGPS %</b>	<b>WPF View</b>	<b>WPF comment</b>
Funding or investment	63%	Not an issue	As at 30/11/20 the Fund was 99% funded.
Record-keeping (i.e. receipt and management of correct data)	40%	Not an issue	tPR data quality scores as at 16/10/20 – Common 98.5%, Conditional 96.4%
Recruitment and retention of staff or knowledge	32%	Not an issue	In the last 12 months 4 staff have left, 4 have joined and the Fund has 1 key appointment outstanding. Staff turnover is at a natural level, with legitimate reasons offered for leaving. New WPF appointments relate increasingly to strategic operational changes.
Securing compliance with changes in scheme regulations	22%	Partial concern	Officers are confident that capacity is either in place, or can be resourced to support change, however concern exists in relation to the timeliness and quality of guidance from central government, or their organisational delegates e.g. implementation requirements relating to the Exit Cap.
Cyber risk	19%	Partial concern	2020 saw significant progress by the WPF in establishing its cyber risk arrangements, however work remains outstanding with actions cited in the December 2020 Committee minutes, particularly in relation to the Council's engagement with the Fund's requirements.
Lack of resources/time	16%	Not an issue	Apart from one key appointment in the Accounting & Investment team this is not seen as a significant concern.
Systems failures (IT, payroll, administration systems, etc)	16%	Not an issue	The capability of all Fund officers & other stakeholders to work remotely during 2020 demonstrated the WPF's system arrangements were robust.
Administrator issues (expense, performance, etc) <b>(Recommendation (a))</b>	13%	Area of concern	Despite the Fund's technological investment, to date improvements in administrative output has not seen the increases anticipated. The impact of Covid-19 may have had a bearing on this, but to assist output greater staff performance & support will be focused upon during 2021/22.
Receiving contributions from the employer(s)	10%	Partial concern	(*) The receipt of contributions is satisfactory, particularly in light of

			the i-Connect rollout, however following an October 2020 audit it was recommended that contribution reconciliations against the payments received required improvement.
Lack of knowledge, effectiveness or leadership among key personnel <b>(Recommendation (b))</b>	8%	Partial concern	Committee & Board members have a training strategy which is regularly reviewed. Officers have a separate training strategy, which as at April 2020 highlighted that approx. 70% of officers had a relevant professional qualification. However, maintaining engagement with training by stakeholders at all levels remains a challenge.
Production of annual benefit statements	6%	Not an issue	As at 31/08/20 96.9% of active & 99.9% of deferred members received a statement. An average of 98.4%. An improving yearly score.
Guaranteed Minimum Pension (GMP) reconciliation	6%	Area of concern	The Pension Payroll reconciliation project, including GMP rectification is currently in progress with updates reported to Committee. Further HMRC guidance is anticipated to assist this huge project.
McCloud judgement	6%	Partial concern	Whilst an assessment has been made concerning affected members & considerable guidance received, benefit resolution consistent with the judgement has been impacted by the completion of other benefit related work.
Failure of internal controls	4%	Not an issue	Annual independent internal audits continue to demonstrate that robust internal controls exist, with only minor observations for improvement

6. Hymans Robertson also undertook an assessment of the tPR's survey, in which they highlighted the following key themes;
- a) That to many LGPS funds were relying on their local authority's risk management processes;
  - b) That LGPS funds focused on getting their data right which was encouraging;
  - c) That as a result of the high issuance rate of annual benefits statements, breach reporting on this subject was low & that timely issuance was no longer seen as a material issue; &
  - d) That the complexity of LGPS funds was seen as the biggest barrier to addressing governance and administrative issues, with changes in legislation being the second biggest reason & the McCloud judgement and resource issues being cited in third and fourth place respectively.

In respect of all the themes cited, officers consider the WPF to be in a strong position, primarily due to the strength of its governance framework which allows effective decision making and an ability to respond to changing requirements as they arise.

## **Conclusions**

7. After a review of the top governance and administration risks highlighted in paragraph 5 & where an appropriate measure hadn't already been taken by the WPF, only two areas of concern were identified. Recommended measures for consideration by the Board, associated with these concerns are set out in paragraph 9.
8. In self assessing itself against the findings of tPR's 2019 survey, the WPF considers itself to be operating above average within the public sector Fund environment. Addressing the areas of concern will ensure the Fund's continued compliance and will aim to place the Fund in an upper quartile position against its peers.

## **Recommendations**

9. Based on the findings, officers have made the following recommendations;
  - a) That the Committee supports officers by providing guidance on which of the Fund's Business Plan objectives it sees as a priority; &
  - b) That the Board should receive regular reporting of all members training & self-development progress.

## **Environmental Impact**

10. There is no environmental impact from this report.

## **Financial Considerations**

11. There are no immediate financial considerations.

## **Risk Assessment**

12. There are no risks identified at this time other than those considered within this report.

## **Legal Implications**

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

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

14. There are no implications at this time.

## **Proposals**

15. To review the findings of the Pension Regulator's report against the risks identified by officers and consider the recommendations for implementation to the Committee in paragraph 9.

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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## Public service governance and administration survey 2019

### Research report

Prepared for The Pensions Regulator (TPR)

By OMB Research (OMB)

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## 1. Executive summary

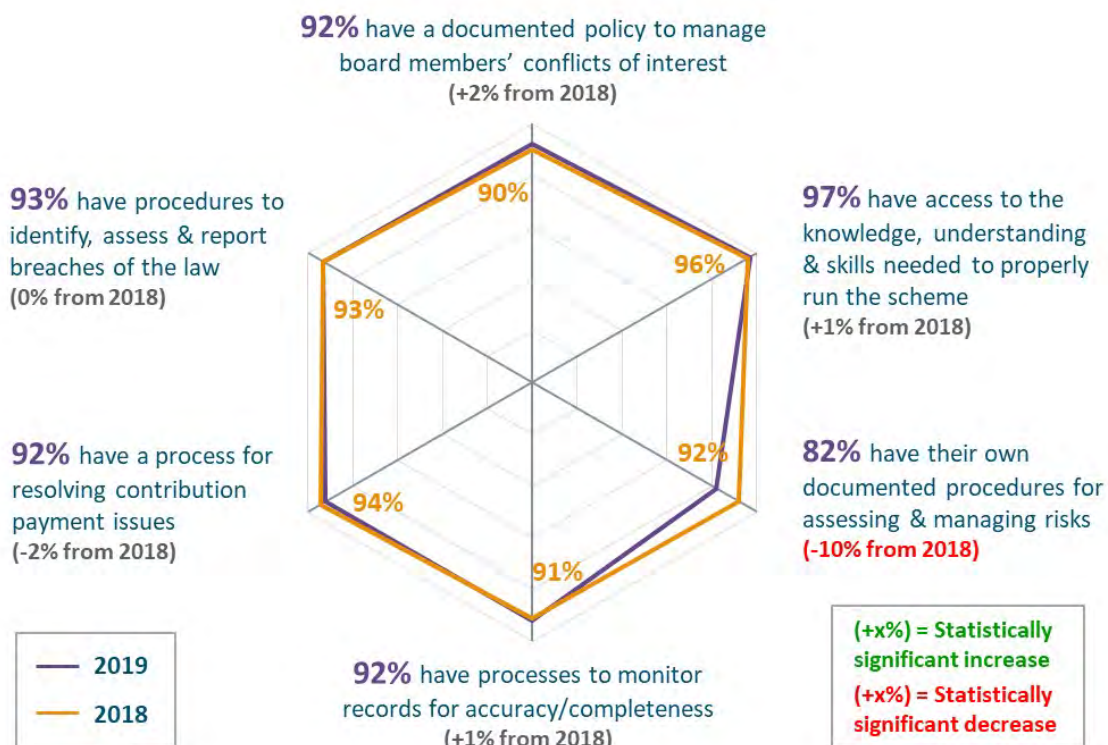
### 1.1 Key processes

Results for the key processes that TPR monitors as indicators of public service scheme performance were unchanged since 2018, aside from a decrease for risk management which was probably due to a change in the question. Approaching two-thirds (64%) of schemes had all six processes in place.

Results were consistent with the 2018 survey for five of the six key processes, with between 92% and 97% of schemes having these in place.

While the proportion of schemes with documented procedures for assessing and managing risks fell from 92% in 2018 to 82% in 2019, this was likely due to a questionnaire change in 2019. In previous years schemes were simply asked whether they had documented procedures for assessing and managing risk, whereas in 2019 they were asked if they had their 'own' documented procedures and were instructed to answer 'no' if they instead relied on their local authority's procedures.

**Figure 1.1.1 Schemes' performance on key processes**



Approaching two-thirds (64%) of schemes had all six of these key processes in place, together representing 71% of all memberships. This represents a decrease from 2018 (when 74% of schemes had all six), but this is again probably due to the change in the risk management question in 2019.

Approaching three-quarters (73%) of ‘Other’<sup>1</sup> schemes and around two-thirds of Local Government (68%) and Police (64%) schemes had all six processes in place. This proportion was lowest for Firefighters’ schemes (55%).

## 1.2 The pension board

**Over half of schemes held four or more pension board meetings in the previous 12 months<sup>2</sup>, an increase from 2018. The mean number of current board members at the time they completed the survey was 6.9.**

Schemes held an average of 3.5 board meetings in the previous 12 months, with 57% reporting that they held four or more (+7 percentage points on 2018) and 17% that they met twice or less. ‘Other’ schemes were most likely to have held at least four board meetings in the previous 12 months (82% had) and Firefighters’ schemes least likely (31% had).

On average 95% of board meetings were attended by the scheme manager or their representative, similar to 2018.

Two-thirds (67%) of schemes had more than five current board members at the time they completed the survey, and the mean number was 6.9. Just over a quarter (27%) of schemes had at least one vacant position on the board. Eight schemes (4%) reported that they had fewer current board members at the time they completed the survey than specified by their respective regulations<sup>3</sup>.

Over half (54%) of schemes had a succession plan for members of the pension board, rising to 80% of Police schemes.

In approaching two-thirds (61%) of schemes, the scheme manager had delegated responsibility for day-to-day decision making to another person. This was least likely to be the case for Local Government schemes (43%).

The majority of schemes (89%) felt that, over the previous 12 months, their pension board had been able to access all the information about the operation of the scheme that it needed to fulfil its functions. The vast majority also believed the board was able to obtain sufficient specialist advice on administration (99%) and legal matters (98%), but there was slightly less consensus on cyber-security (87%).

Three-quarters (76%) of schemes evaluated the board’s knowledge, understanding and skills at least annually, a decline from the 82% seen in

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<sup>1</sup> Centrally administered unfunded schemes, ie excluding relevant Local Government, Firefighters’ and Police schemes.

<sup>2</sup> TPR sets an expectation that the governing boards of pension schemes should meet often enough to maintain effective oversight and control, which in most cases will be at least quarterly.

<sup>3</sup> Six of these eight schemes reported that they had vacant positions on their board at the time they completed the survey. If these vacant positions were filled, then each of these six schemes would have met the minimum requirement for the number of pension board members for their type of scheme. The remaining two schemes that had fewer current board members at the time they completed the survey than required by their regulations were both Police schemes that did not report any vacant positions.

2018. This fall was driven by Police schemes, 60% of which evaluated the board at least annually (down from 82% in 2018). On average, pension board members received 11 hours of training per year in relation to their role on the board.

### 1.3 Managing risk

**While the use of risk registers was consistent with the 2018 findings, the proportion with procedures for assessing and managing risks fell, probably due to a change to the question. A third of schemes had reviewed their exposure to new and existing risks at four or more board meetings in the previous 12 months.**

Although most schemes (82%) said they had documented procedures for assessing and managing risks, this was lower than the 92% in 2018. This is probably due to a change in the survey question: in previous years schemes were simply asked whether they had documented procedures for assessing and managing risk, whereas this time they were asked if they had their 'own' documented procedures and were instructed to answer 'no' if they relied on their local authority's procedures. This is seen by the fall being primarily driven by Local Government schemes, where 80% said they had their own documented procedures compared with 96% in 2018 saying they had documented procedures.

Overall, 93% of schemes had their own risk register, consistent with the 94% seen in 2018. On average, schemes' exposure to new and existing risks had been reviewed at three-quarters (77%) of the pension board meetings held in the previous 12 months. Just over a third (35%) of schemes reported that risk exposure had been reviewed at four or more board meetings over this period.

Firefighters' schemes were less likely to have comprehensive risk management processes than the other types of public service scheme; 76% had their own documented procedures for assessing and managing risks, 86% had their own risk register and 20% had reviewed risk exposure at four or more board meetings in the previous 12 months.

### 1.4 Administration and record-keeping

**Three-quarters of schemes had an administration strategy and, as in 2018, administration was included on the agenda at the majority of board meetings. Schemes typically used a range of approaches to measure administrator performance.**

Most schemes (76%) had an administration strategy in place, although this was less widespread among Firefighters' schemes (57%). On average, administration was included on the agenda at 89% of the board meetings held in the previous 12 months (+3 percentage points on 2018), rising to 100% for 'Other' schemes.

The most common method used to measure administrator performance was comparing this against service level agreements or service schedules (85%).

The majority of schemes also assessed complaints volumes and trends (70%) and audited administration functions and systems (66%). 'Other' schemes used the widest range of measures, whereas Firefighters' schemes primarily relied on performance against service level agreements or service schedules and were less likely to also use other methods.

**Most key administration processes were automated to at least some extent. The main barriers to further automation related to integration with existing systems, lack of technology and costs.**

Full automation of key administration processes was relatively uncommon, but some degree of automation was more widespread. The production of benefit statements was most likely to be automated, with no schemes doing this entirely manually.

However, the reporting of complaints and issues was typically a manual process (73% of schemes did this entirely or mainly manually). In addition, two-fifths (40%) of schemes indicated that reconciliation of contributions was primarily done manually, and around a fifth said that verification and input of employer data (22%) and monitoring workload and resourcing (21%) were also primarily manual processes.

When asked what barriers they faced to automating more of the scheme's processes, the most common responses were difficulty in integrating it with their existing systems (39%), a lack of suitable technology (36%), the initial set-up costs (28%) and the poor quality of their data (20%).

**Four in ten schemes (40%) said all their employers always provided timely data and a similar proportion (37%) said they always provided accurate and complete data, consistent with the 2018 results.**

These proportions were lower for multi-employer schemes than single employer schemes. Less than one in ten (6%) multi-employer schemes said all their employers always provided timely data compared with nine in ten (89%) single employer schemes. Similarly, 3% of multi-employer schemes said all their employers always provided accurate and complete data compared with 84% of single employer schemes.

**As in 2018, comparatively higher proportions reported that all their employers submitted data monthly (56%) and electronically (69%).**

There were similar differences between multi-employer and single employer schemes, although to a lesser extent. Four in ten (39%) multi-employer schemes said all their employers submitted data monthly compared with eight in ten (80%) single employer schemes. Just over half (54%) of multi-employer schemes said all their employers submitted data electronically compared with nine in ten (92%) single employer schemes.

## 1.5 Cyber security

### **Schemes had a greater range of cyber risk controls in place than in 2018.**

Schemes were asked about 14 specific cyber controls and four-fifths (82%) had at least half of these in place, up from three-quarters (74%) in 2018.

For 11 of the 14 cyber controls, the overall proportion of schemes with these in place was higher than in 2018. The greatest increases were seen for the pension board receiving regular updates (+23 percentage points), cyber risk being included on the risk register and regularly reviewed (+17 percentage points) and the scheme manager receiving regular updates (+13 percentage points).

Around four in ten schemes (42%) reported that they had experienced some kind of cyber breach or attack in the previous 12 months (compared with 49% in 2018). These incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (33%).

Most schemes that experienced any cyber breaches or attacks said that these had no impact, but 15% reported a negative impact (equating to 6% of all public service schemes). This was consistent with the 2018 survey.

Where negative impacts were reported, this tended to be loss of access to third-party services (10%) or the scheme's website or online services being taken down or made slower (5%).

## 1.6 Data reviews

### **The majority of schemes had completed a data review in the previous 12 months, had identified issues and were taking action to address them.**

Nine in ten schemes (92%) had completed a data review in the previous 12 months (up from 83% in 2018). 'Other' and Local Government schemes were most likely to have completed a data review in this period (100% and 97% respectively), compared with 88% of Firefighters' and 82% of Police schemes.

Overall, 77% of schemes found issues during their most recently completed data review, most commonly with postcode (64%), first line of address (63%) or National Insurance (NI) number (56%).

Where schemes identified issues with postcode, first line of address or anticipated income at retirement these typically affected between 1-9% of memberships. Issues with other data items generally affected less than 1% of memberships.

A minority of schemes (4%) had put a data improvement plan in place and completed the rectification work. Most of the remainder had either put a data improvement plan in place but not yet completed rectification work (48%), were in the process of developing an improvement plan (15%) or had not identified any issues in their latest review (23%).

## 1.7 Annual benefit statements

**Over nine in ten active members received their annual benefit statement by the statutory deadline in 2019, unchanged from 2018. However, fewer schemes achieved this for all their active members than in 2018.**

Just over half (53%) of schemes reported that they met the statutory deadline for all their active members in 2019 (down from 66% in 2018). This proportion was highest for Firefighters' and Police schemes (67% and 60% respectively) but lower for 'Other' (45%) and Local Government (44%) schemes (both of which are primarily multi-employer schemes and typically have a greater number of members than Firefighters' and Police schemes).

Most schemes that missed the deadline for any active members did not report this to TPR (55%), while a third (33%) made a breach of law report. Both these results were consistent with those in 2018. Those schemes which did not report the missed deadline typically said this was because it was not seen as material because few statements were affected.

As in 2018, the vast majority of schemes (92%) reported that all of the statements they sent out contained all the data required by regulations.

## 1.8 Resolving issues

**Around 12,000 complaints were estimated to have been made to public service schemes in the last year. This equated to 0.7 complaints per 1,000 members, the same ratio as in 2018.**

On average, 54% of all complaints entered the Internal Dispute Resolution (IDR) process and 28% of these were upheld.

The types of complaints entering the IDR process varied by scheme type, but overall the most common complaints related to eligibility for ill health benefit (54%), disputes or queries about the amount of benefit paid (33%), and inaccuracies or disputes around pension value or definitions (27%).

## 1.9 Reporting breaches

**As in 2018, over nine in ten schemes had procedures to identify breaches of the law (94%) and to assess the breaches and report them to TPR if required (96%).**

A third of schemes (33%) identified breaches of the law in the previous 12 months (excluding those relating to annual benefit statements). Around a quarter of this group reported the breaches to TPR, equating to 8% of all schemes (down from 11% in 2018).

'Other' and Local Government schemes (which are typically larger and have a greater number of participating employers) were most likely to have identified breaches of the law (36% and 45%). In comparison, 13% of Police schemes identified any breaches, and none of these were reported to TPR.



## 1.10 Addressing governance and administration issues

**Scheme complexity and the volume of changes required to comply with legislation were seen as the top barriers to improving scheme governance and administration in the next 12 months. The McCloud judgement was also a major (and new) concern.**

The complexity of the scheme was identified as a main barrier to improving governance and administration by 63% of schemes. This was followed by the volume of changes required to comply with legislation (49%), the McCloud judgement (42%), lack of resources or time (39%) and the recruitment, training and retention of staff and knowledge (36%).

Almost all 'Other' schemes (91%) identified the McCloud judgement as one of their top barriers. This was also seen as a barrier by over half of Police (60%) and Firefighters' (51%) schemes, but fewer Local Government schemes (24%).

**Improved governance and administration was primarily attributed to a better understanding of the risks facing the scheme and of the underlying legislation and standards expected by TPR.**

Over half of schemes felt that the improvements they made to scheme governance and administration over the previous 12 months were down to an improved understanding of the risks facing the scheme (59%) and better understanding of the underlying legislation and the standards expected by TPR (57%).

## 1.11 Perceptions of TPR

**More schemes agreed that TPR was 'decisive', 'respected' and 'evidence-based' than in 2018.**

Schemes were most likely to agree that TPR was 'visible' and 'respected' (both 84%), and least likely to see it as 'decisive' and 'tough' (61% and 56% respectively).

**As in 2018, TPR was widely felt to be effective at improving standards of governance and administration. It was also perceived to be effective at bringing about the right changes in behaviour among its regulated audiences and proactive at reducing serious risks to member benefits.**

Overall, 87% of schemes judged TPR to be very or fairly effective at improving standards of governance and administration in public service pension schemes (consistent with the 88% seen in 2018). Around three-quarters agreed that it was effective at bringing about the right changes in behaviour among its regulated audiences (77%) and proactive at reducing serious risks to members' benefits (74%).

'Other' and Police schemes were more positive than Firefighters' and Local Government schemes for all of the above areas.

## 2. Introduction

### 2.1 Background

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the Public Service Acts) introduced new requirements for the governance and administration of public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The Public Service Acts also gave TPR an expanded role to regulate the governance and administration of these schemes from 1 April 2015. TPR's code of practice for the governance and administration of public service pension schemes (the PSPS code) sets out the standards of conduct and practice it expects of those responsible, as well as practical guidance about how to comply with the legal requirements.

As part of its role, TPR is responsible for 206 public service schemes in respect of eight public service workforces, covering around 16.6 million memberships.

A survey was first undertaken in 2015 to assess how schemes were meeting the new requirements, and the standards to which they were being run. Further surveys have been run annually to provide a regular assessment of performance, understand barriers to improvement, and delve deeper into the top risks facing public service schemes.

### 2.2 Communications activities

TPR continues to engage with those acting in the public service pension scheme landscape. In 2019 this activity included:

- hosting and presenting at conferences, workshops and training events, and;
- regular pro-active engagement with scheme managers and scheme advisory boards.

The focus of this engagement is tailored to the audience and situation and ranges from overviews and summaries of scheme manager and pension board responsibilities and duties to focused presentations on key issues of importance such as cyber security, data improvement and governance.

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### 3. Methodology

As with the previous surveys, an online self-completion approach was adopted for the following reasons:

- The large amount of data to collect would have made a telephone interview very long and burdensome for respondents.
- It was anticipated that many schemes would need to do some checking/verification to answer the questions accurately.
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute.

Owing to the nature and the amount of information required, a carefully structured research approach was necessary, giving respondents early warning of the kinds of information that we were seeking to collect and allowing them to devote an appropriate amount of time and effort to providing accurate and reliable information, liaising with colleagues if needed. Therefore, a multi-stage approach was adopted:

- **Stage 1:** Pre-notification emails were sent by TPR to the pension board chairs and scheme managers to explain the nature of the research, introduce OMB, alert schemes that their participation would be requested and ask them to let OMB know whether the scheme manager or their representative would be completing the survey and, if necessary, provide their contact details.
- **Stage 2:** OMB sent a tailored invitation email to each scheme manager or their chosen representative. This contained a unique survey URL and a link to a 'hard copy' of the questionnaire (for reference when compiling information prior to completion).
  - In the case of referrals, sample details were updated so that the most appropriate person was contacted going forward.
- **Stage 3:** OMB sent a further two tailored reminder emails to schemes that had either not started the survey or had only partially completed it.
- **Stage 4:** OMB executives undertook a phase of telephone chasing with non-responders. These calls ensured that the invitation email had been received, confirmed the identity of the most appropriate individual to complete the survey and encouraged schemes to take part.

The approach was supported by other TPR communications and engagement (including promotion by key stakeholders such as scheme advisory boards).

### 3.1 Sampling

The sample for this research was extracted from TPR's scheme registry database. The target audience was scheme managers of open public service schemes or their representatives.

For the purpose of the survey, each locally-administered section of relevant Firefighters', Police and Local Government schemes was treated as a separate scheme, forming a total universe of 206 schemes.

Scheme managers or their representatives were asked to work with the pension board chair to complete the survey and, where necessary, seek input from others with specialist knowledge (eg the scheme administrator).

### 3.2 Fieldwork

All surveys were completed between 6 November 2019 and 9 January 2020. In total, 202 of the 206 public service pension schemes completed the survey. This equates to a 98.1% response rate, covering 99.8% of all memberships.

**Table 3.2.1 Interview numbers and universe**

Scheme type	Interviews	Schemes		Memberships	
		Universe	Survey coverage	Universe	Survey coverage
Other	11	11	100.0%	9,528,824	100.0%
Firefighters	49	50	98.0%	119,356	97.5%
Local Government	97	99	98.0%	6,614,407	99.7%
Police	45	46	97.8%	374,136	98.7%
<b>Total</b>	<b>202</b>	<b>206</b>	<b>98.1%</b>	<b>16,636,723</b>	<b>99.8%</b>

Approaching three-quarters (70%) of the completed surveys were submitted in response to the initial email and reminders, with the remainder submitted during the telephone chasing phase.

### 3.3 Respondent profile

Scheme managers or their representatives contributed to 85% of submitted surveys, and directly completed it in 70% of cases. Over half (54%) of the surveys were completed with input from the pension board chair, with other board members involved in 26%. Two-thirds (66%) involved consultation with the scheme administrator.

Table 3.3.1 Respondent role

Respondent role	Completed	Consulted	Total
Scheme manager	28%	17%	45%
Representative of the scheme manager <sup>4</sup>	42%	30%	60%
Pension board chair	4%	50%	54%
Pension board member <sup>4</sup>	5%	22%	26%
Administrator	13%	53%	66%
Other	8%	14%	21%
<b>Net: Scheme manager/representative</b>	<b>70%</b>	<b>43%</b>	<b>85%</b>
<b>Net: Pension board chair/member</b>	<b>9%</b>	<b>55%</b>	<b>60%</b>

### 3.4 Analysis and reporting conventions

Throughout this report, results are reported at an aggregate level for all respondents and by cohort: Local Government, Firefighters', Police and 'Other'<sup>5</sup> schemes. The cohorts are grouped in this way to reflect the different governance structures, funding methods and employer profiles.

To ensure that results are representative of all public service pension schemes, the data throughout this report is shown weighted. **Scheme** data has been weighted based on the number of public service schemes of each type. **Membership** data has been weighted based on the total number of memberships in each scheme type. It should be noted that the membership-weighted results are heavily influenced by the 'Other' schemes, which account for 57% of all memberships. The narrative commentary in this report therefore typically focuses on the scheme-weighted findings.

Where available and comparable, the results from previous PSPS governance and administration surveys have been included<sup>6</sup>.

When interpreting the data presented in this report, please note that results may not sum to 100% due to rounding and/or due to respondents being able to select more than one answer to a question.

<sup>4</sup> For 'representative of the scheme manager' and 'pension board member', the **total** percentage is lower than the sum of the **completed by** and **consulted with** percentages. This is because there can be more than one person at the scheme in these roles, and in some cases, one completed the survey, and another consulted on it, so they appear in both these columns (but only count once in the total column).

<sup>5</sup> Centrally administered unfunded schemes, ie excluding relevant Local Government, Firefighters' and Police schemes.

<sup>6</sup> Although data was reported unweighted in the published 2015 report, weights have been retrospectively applied to this data to ensure direct comparability with the results from subsequent surveys. For this reason, the 2015 figures do not always exactly match those in the published 2015 report.

Data presented in this report are from a sample of public service schemes rather than the total population. This means the results are subject to sampling error.

Differences between cohorts and different years of the research have been tested for statistical significance, using finite population correction (ie reflecting that 98% of the total public service scheme universe completed the survey).

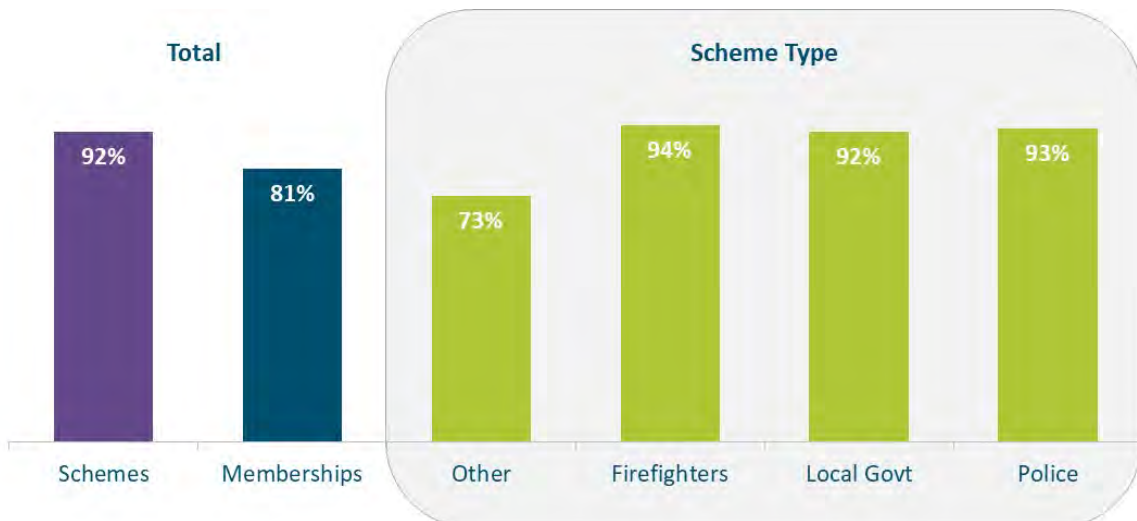
Differences are commented on in the text only if they are statistically significant at the 95% confidence level. This means there is no more than a 5% chance that any reported differences are not real but a consequence of sampling error.

## 4. Research findings

### 4.1 Scheme governance

Overall, 92% of schemes had a documented policy to manage board members' conflicts of interest, representing 81% of memberships. 'Other' schemes were least likely to have a conflicts of interest policy in place (73%).

**Figure 4.1.1 Proportion of schemes with a documented policy to manage pension board members' conflicts of interest**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%, 1%), Memberships (202, 0%, 6%), Other (11, 0%, 9%), Firefighters (49, 0%, 0%), Local Government (97, 0%, 1%), Police (45, 2%, 2%)

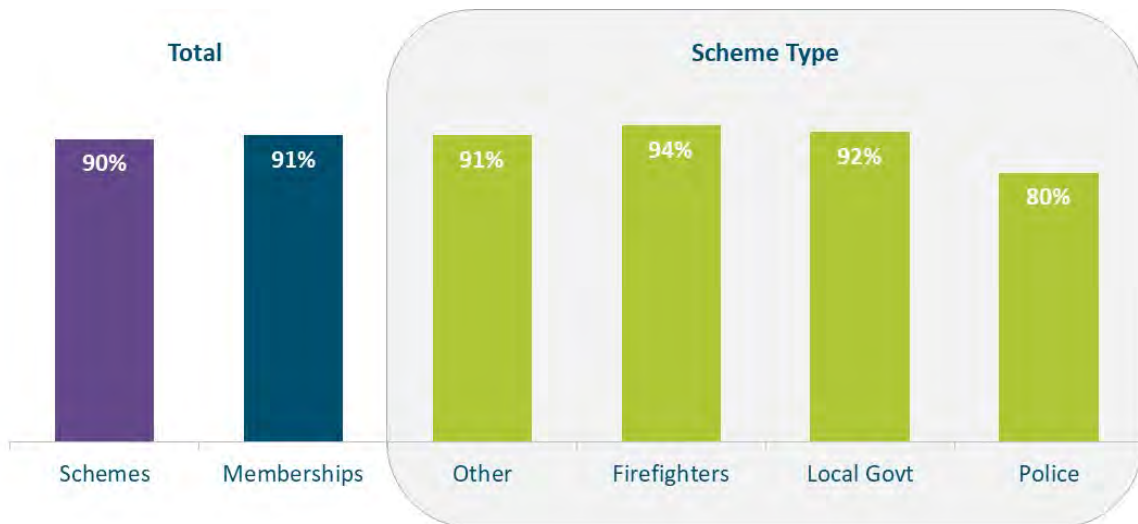
The overall proportion of schemes with a documented policy to manage conflicts of interest was unchanged compared with 2018 (92% in 2019 and 90% in 2018). There was an increase for Firefighters' schemes over this period (+9 percentage points) and a decrease for 'Other' schemes (-9 percentage points). However, the latter change related to just one of the 11 'Other' schemes.

**Table 4.1.1 Proportion of schemes with a documented policy to manage pension board members' conflicts of interest – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	92%	73%	94%	92%	93%
PSPS Survey 2018	90%	82%	85%	93%	91%
PSPS Survey 2017	92%	91%	94%	92%	91%
PSPS Survey 2016	81%	100%	80%	85%	71%
PSPS Survey 2015	85%	100%	79%	87%	86%

As detailed below, 90% of schemes maintained a register of pension board members' interests. This was lowest among Police schemes (80%).

**Figure 4.1.2 Proportion of schemes that maintained a register of pension board members' interests**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 2%, 2%), Memberships (202, 0%, 6%), Other (11, 0%, 9%), Firefighters (49, 0%, 2%), Local Government (97, 0%, 1%), Police (45, 11%, 2%)

The proportion of schemes with a register of interests was the same as in the 2018 survey (90% in each case). There was a decrease among 'Other' schemes (-9 percentage points) but this related to just one scheme that indicated they had a register of interests in 2018 but did not answer the question in 2019.

**Table 4.1.2 Proportion of schemes that maintained a register of pension board members' interests – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
<b>PSPS Survey 2019</b>	<b>90%</b>	<b>91%</b>	<b>94%</b>	<b>92%</b>	<b>80%</b>
PSPS Survey 2018	90%	100%	93%	89%	86%
PSPS Survey 2017	84%	91%	92%	86%	70%
PSPS Survey 2016	85%	100%	86%	87%	74%
PSPS Survey 2015	75%	92%	57%	77%	86%

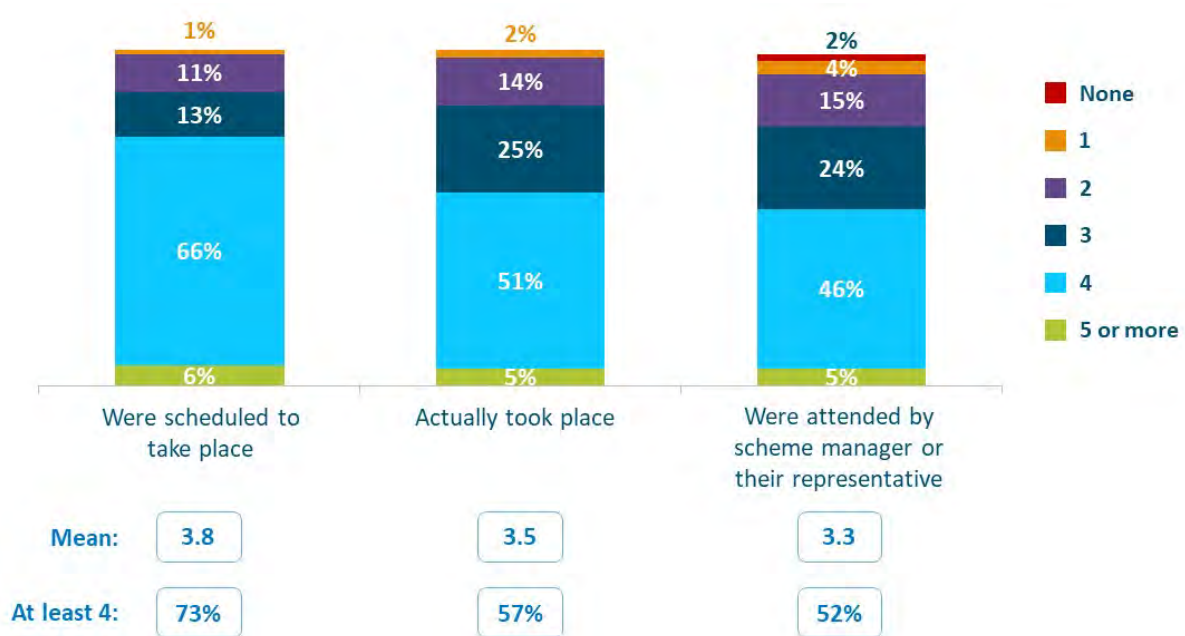
On average, schemes had scheduled 3.8 pension board meetings in the previous 12 months, with three-quarters (73%) of schemes scheduling four or more board meetings over that period.



However, not all the scheduled meetings went ahead; schemes reported that they held an average of 3.5 board meetings in the previous 12 months, with 57% holding four or more. A minority of schemes (17%) reported that their pension boards had met twice or less in the previous 12 months.

Most pension board meetings were attended by the scheme manager or their representative. On average they had attended 3.3 meetings in the previous 12 months. Just over half (52%) of schemes indicated that the scheme manager or their representative had attended at least four board meetings during that period.

**Figure 4.1.3 Number of pension board meetings in last 12 months**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%-1%, 1%)

Across all schemes, the mean proportion of scheduled pension board meetings that actually took place was 94%. On average, 95% of the meetings that took place were attended by the scheme manager or their representative.

**Table 4.1.3 Proportion of pension board meetings that went ahead and were attended by scheme manager/representative**

	Total schemes
Base: All respondents	202
% of scheduled meetings that took place (mean)	94%
% of meetings taking place attended by scheme manager/representative (mean)	95%

Every 'Other' scheme (100%) had scheduled at least four board meetings in the previous 12 months, and they were most likely to have held at least four meetings over this period (82%). The pension boards of Firefighters' schemes met least frequently, with 31% holding four or more meetings in the previous 12 months (and a mean of 2.9 meetings).

**Table 4.1.4 Number of pension board meetings in last 12 months - by scheme type**

		Scheme Type			
		Other	Firefighters	Local Govt	Police
<i>Base: All respondents</i>		11	49	97	45
Scheduled to take place	Mean	4.0	3.2	3.9	4.1
	At least 4	100%	49%	74%	89%
Actually took place	Mean	3.7	2.9	3.7	3.6
	At least 4	82%	31%	67%	58%
Attended by scheme manager/representative	Mean	3.7	2.7	3.7	3.3
	At least 4	82%	24%	65%	47%
<b>% of scheduled meetings that took place (mean)</b>		<b>93%</b>	<b>91%</b>	<b>97%</b>	<b>90%</b>
<b>% of meetings taking place attended by scheme manager/representative (mean)</b>		<b>100%</b>	<b>93%</b>	<b>98%</b>	<b>92%</b>

Larger schemes typically held a greater number of board meetings; 74% of schemes with over 30,000 memberships had at least four meetings in the previous 12 months, compared with 58% of those with 5,001-30,000 memberships, 47% of those with 2,001-5,000 memberships and 31% of those with 2,000 or fewer memberships.

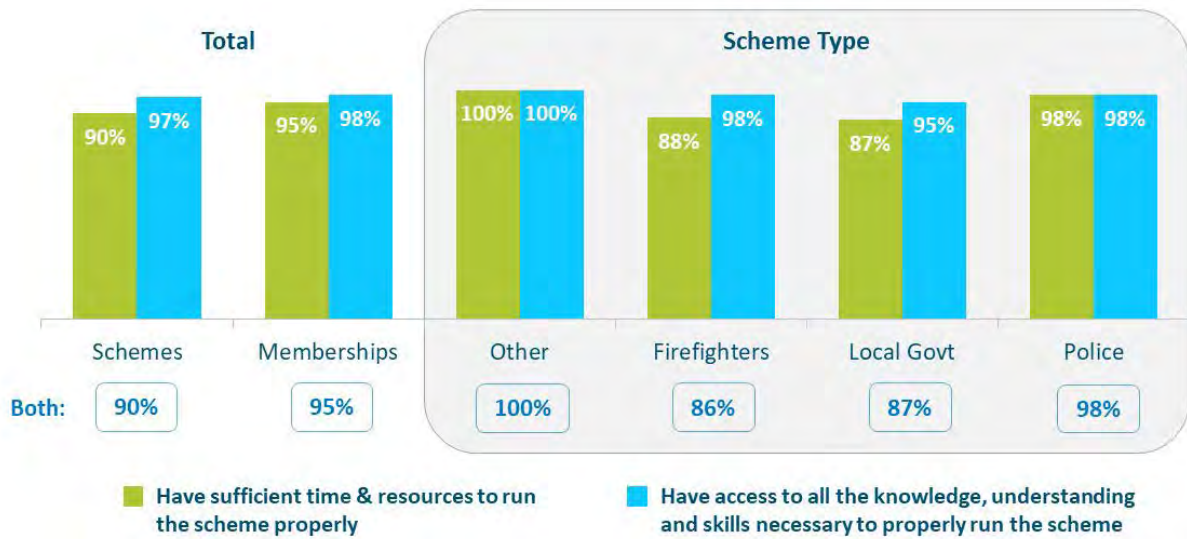
The smallest single employer schemes (with 2,000 or fewer memberships) held board meetings least frequently; 28% had four or more in the previous 12 months.

Schemes were asked whether the scheme manager and pension board had sufficient time and resources to run the scheme properly, and whether they had access to all the necessary knowledge, understanding and skills.

Figure 4.1.4 shows that 97% believed the scheme manager and pension board had access to all the knowledge and skills necessary to properly run the scheme. Schemes were comparatively less likely to report that they had sufficient time and resources, but 90% still agreed this was the case.

Every 'Other' scheme felt they had sufficient knowledge, understanding and skills, and sufficient time and resources.

**Figure 4.1.4 Scheme manager and pension board resources and knowledge**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 1-2%, 1%), Memberships (202, 1%, 0%), Other (11, 0%, 0%), Firefighters (49, 2%, 0%), Local Government (97, 2-3%, 1%), Police (45, 0%, 2%)

The proportion of schemes reporting that their scheme manager and pension board had sufficient time and resources increased between 2017 and 2018 (for all types of scheme), but there was no change between 2018 and 2019.

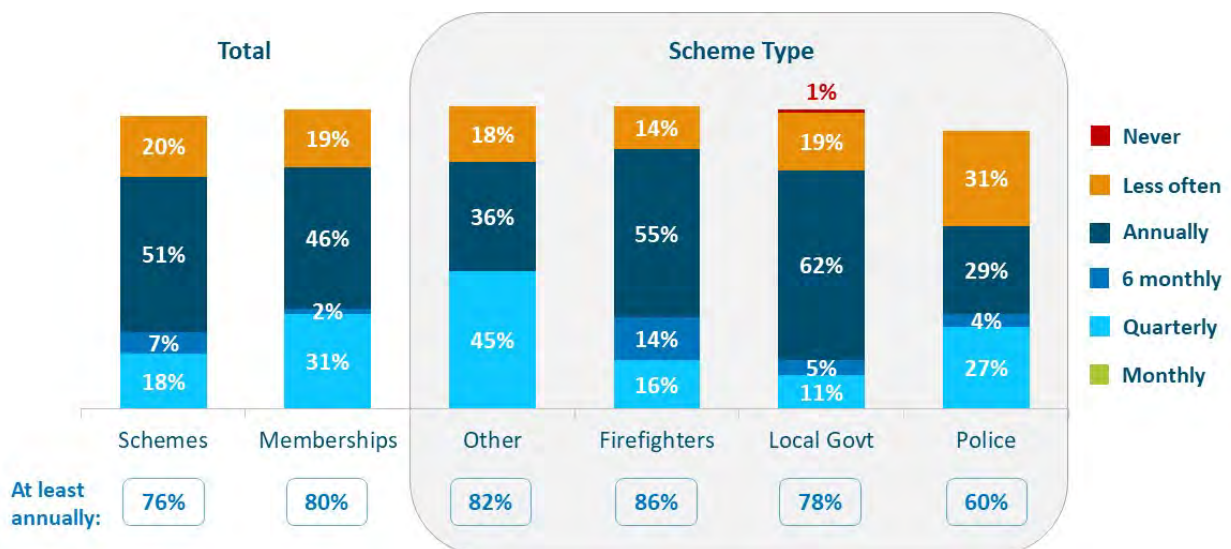
Similarly, there was no change since 2018 in the overall proportion indicating that their scheme manager and pension board had access to all the necessary knowledge, understanding and skills. However, there was an increase for Police schemes (+5 percentage points), returning to the levels seen in 2017.

**Table 4.1.5 Scheme manager and pension board resources and knowledge – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
<b>Sufficient time and resources to run the scheme properly<sup>7</sup></b>					
PSPS Survey 2019	90%	100%	88%	87%	98%
PSPS Survey 2018	91%	100%	87%	89%	95%
PSPS Survey 2017	81%	82%	82%	84%	74%
<b>Access to all the knowledge, understanding and skills necessary to properly run the scheme</b>					
PSPS Survey 2019	97%	100%	98%	95%	98%
PSPS Survey 2018	96%	100%	98%	96%	93%
PSPS Survey 2017	95%	91%	92%	97%	98%
PSPS Survey 2016	93%	100%	94%	93%	89%
PSPS Survey 2015	73%	92%	36%	85%	82%

In the majority of cases (76%) the scheme manager or pension board carried out an evaluation of the board’s knowledge, understanding and skills at least annually. This proportion was lowest for Police schemes, where almost a third (31%) did not evaluate their board at least annually.

**Figure 4.1.5 Frequency of scheme manager or pension board carrying out an evaluation of the knowledge, understanding and skills of the board in relation to running the scheme**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 2%, 1%), Memberships (202, 1%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 1%, 1%), Police (45, 7%, 2%)

<sup>7</sup> This question was not asked in 2015 or 2016 so no comparable data is available.

There was a decline since 2018 in the proportion of schemes that evaluated their board at least annually, from 82% to 76%. This was driven by a fall for Local Government and Police schemes (-8 and -22 percentage points respectively). In comparison, there was an increase for both 'Other' and Firefighters' schemes (+18 and +10 percentage points respectively).

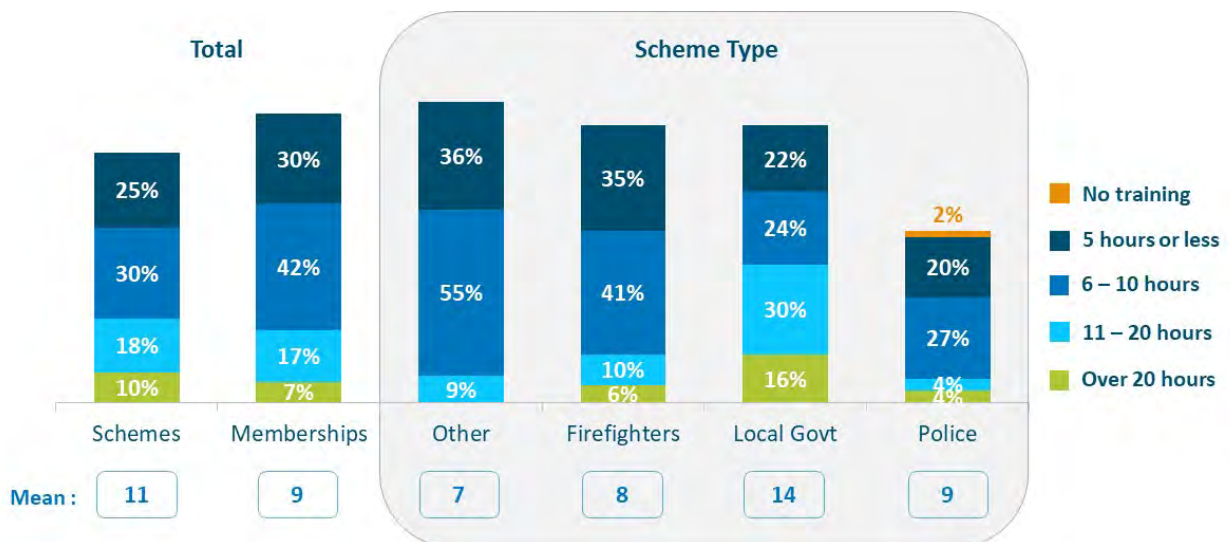
**Table 4.1.6 Proportion of schemes that carried out an evaluation of the knowledge, understanding and skills of the board at least annually – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	76%	82%	86%	78%	60%
PSPS Survey 2018	82%	64%	76%	86%	82%

As shown in Figure 4.1.6, pension board members received an average of 11 hours training per year in relation to their role on the board. Training levels varied widely, with 10% of schemes reporting that board members received over 20 hours per year but 25% indicating that it was five hours or less.

Local Government schemes had the highest number of hours of training, with an average of 14 hours per board member. While the mean for Police schemes was nine hours, a large proportion (40%) of this cohort did not know how many hours of training their board members received.

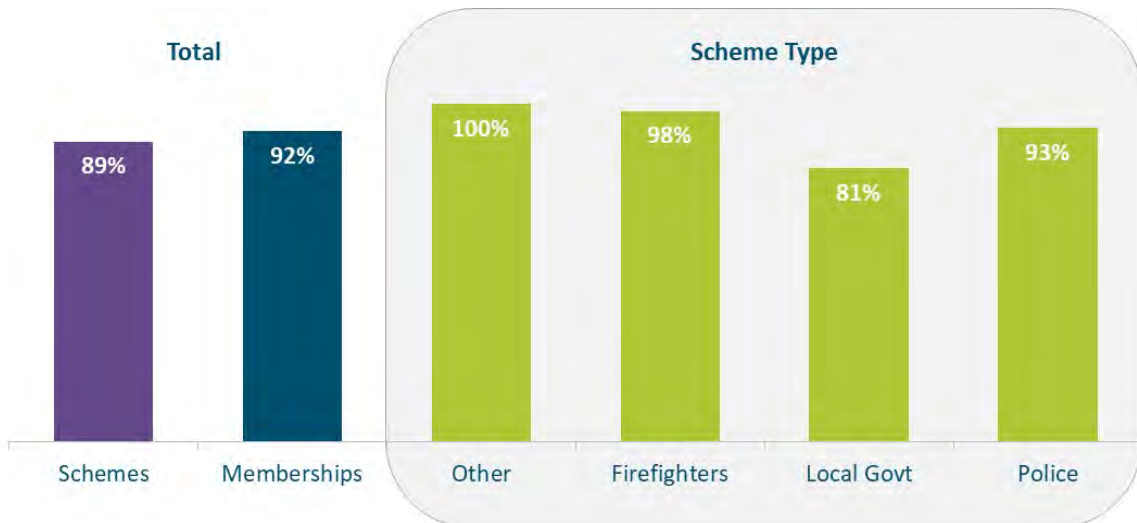
**Figure 4.1.6 Hours of training per year for each pension board member in relation to their role on the board**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 13%, 2%), Memberships (202, 3%, 1%), Other (11, 0%, 0%), Firefighters (49, 8%, 0%), Local Government (97, 5%, 3%), Police (45, 40%, 2%)

Most schemes (89%) believed that their pension board had access to all the information about the operation of the scheme it had needed to fulfil its functions in the previous 12 months. While Local Government schemes were least likely to report this (81%), 13% of this group either did not know if the board had access to all the information needed or did not answer the question.

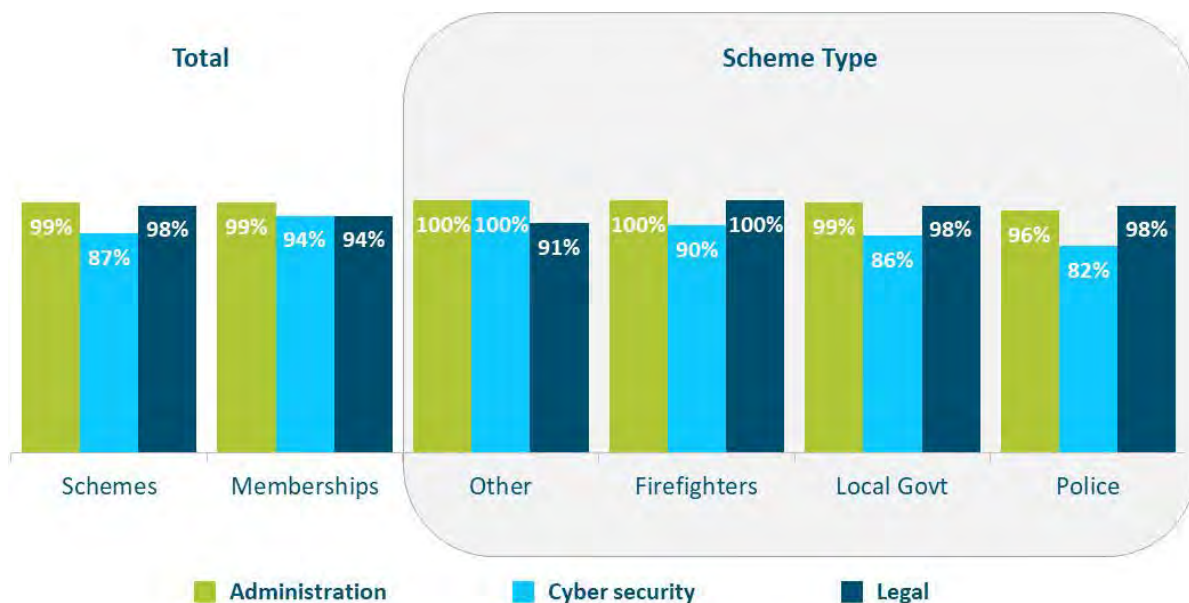
**Figure 4.1.7 Proportion of schemes where pension board had access to all the information about the operation of the scheme it needed to fulfil its functions in last 12 months**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 7%, 1%), Memberships (202, 5%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 12%, 1%), Police (45, 4%, 2%)

Almost all schemes felt that, when needed, their pension board was able to obtain sufficient specialist advice on administration (99%) and legal matters (98%). While most also felt the board could access the necessary specialist advice on cyber security, this proportion was comparatively lower (87%).

**Figure 4.1.8 Proportion of schemes where pension board was able to obtain sufficient specialist advice on administration, cyber security and legal matters when needed**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 1%-7%, 0%), Memberships (202, 0%-5%, 0%), Other (11, 0%-9%, 0%), Firefighters (49, 0%-4%, 0%), Local Government (97, 0%-8%, 1%), Police (45, 2%-11%, 0%)

As shown in Table 4.1.7, two-thirds (67%) of schemes had more than five current members on their pension board at the time they completed the survey. The mean number of current board members was 6.9 (compared with 6.8 in the 2018 survey).

**Table 4.1.7 Number of current pension board members**

	Total schemes
<i>Base: All respondents</i>	202
2-3 current board members	2%
4-5 current board members	30%
6-7 current board members	29%
8-9 current board members	21%
10+ current board members	17%
<b>Mean number of current board members</b>	<b>6.9</b>
Don't know	0%
Did not answer question	0%

Eight schemes (4%) reported that they had fewer current board members at the time they completed the survey than specified by their respective regulations. Of these, four were Local Government and four were Police schemes.

Schemes were also asked to provide details of the number of vacant positions on their board, the number of board members that had left in the previous 12 months and the number of members appointed in this period.

While the majority of schemes (75%) reported that one or more board members had left in the previous 12 months, 74% indicated that at least some of these had been replaced with new appointments. Just over a quarter (27%) of schemes had any vacant positions on the board at the time they completed the survey.

**Table 4.1.8 Turnover of pension board members**

	Vacant positions	Members that left in last 12 months	Members appointed in last 12 months
<i>Base: All respondents</i>	202	202	202
0	71%	22%	24%
1	19%	38%	30%
2	5%	21%	29%
3	2%	11%	8%
4+	0%	5%	6%
<b>Net: 1+</b>	<b>27%</b>	<b>75%</b>	<b>74%</b>
<b>Mean</b>	<b>0.4</b>	<b>1.4</b>	<b>1.5</b>
Don't know	1%	1%	1%
Did not answer question	1%	1%	1%

Further analysis was conducted to assess the total number of board positions in each scheme. The number of 'total positions' on the board was calculated by combining the number of current board members and number of vacant positions.

As shown in Table 4.1.9, the mean number of total positions was 7.2. On average, schemes reported that 20% of the total positions on their board had left in the previous 12 months and 21% had been appointed in the previous 12 months. The mean proportion of total board positions that were vacant at the time the schemes completed the survey was 5%.

**Table 4.1.9 Number of total pension board positions (current members plus vacant positions)**

	Total schemes
<i>Base: All respondents</i>	202
Mean number of total positions on board (current + vacant)	7.2
Mean % of total positions that are vacant	5%
Mean % of total positions that left in last 12 months	20%
Mean % of total positions appointed in last 12 months	21%



'Other' schemes tended to have the greatest number of current board members (a mean of 11.1) and Firefighters' schemes had the fewest (a mean of 5.4). Police schemes had the fewest vacant board positions (a mean of 0.1).

**Table 4.1.10 Number and turnover of pension board members – by scheme type**

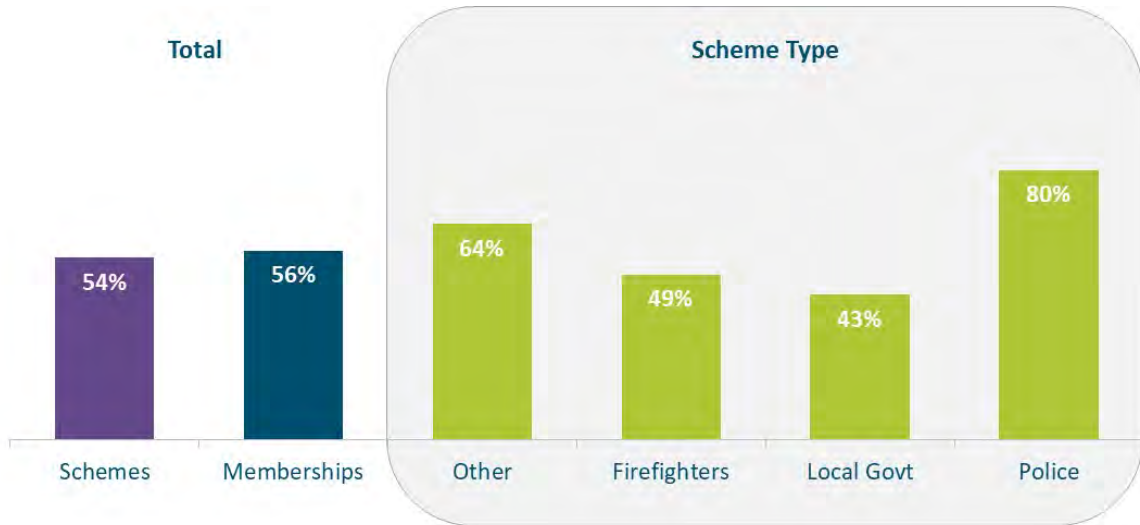
	Scheme Type			
	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	11	49	97	45
Mean no. of current board members	11.1	5.4	6.4	8.7
Mean no. of vacant positions	0.6	0.3	0.5	0.1
Mean no. of board members that left in last 12 months	1.9	1.1	1.3	1.7
Mean no. of board members appointed in last 12 months	1.8	1.3	1.3	2.0
<b>Mean % of total positions that are vacant</b>	<b>6%</b>	<b>5%</b>	<b>7%</b>	<b>1%</b>
<b>Mean % of total positions that left in last 12 months</b>	<b>18%</b>	<b>20%</b>	<b>19%</b>	<b>21%</b>
<b>Mean % of total positions appointed in last 12 months</b>	<b>17%</b>	<b>22%</b>	<b>19%</b>	<b>23%</b>

As mentioned previously, eight schemes had fewer current board members at the time they completed the survey than specified by their respective regulations. Six of these schemes had vacant positions on their board. If these vacant positions were filled, each of these six schemes would have met the minimum requirement for the number of pension board members for their type of scheme.

The remaining two schemes that had fewer current board members than required by their regulations were Police schemes that did not report any vacant positions.

Over half (54%) of schemes had a succession plan in place for members of the pension board. This differed widely by scheme type, ranging from 80% of Police schemes to 43% of Local Government.

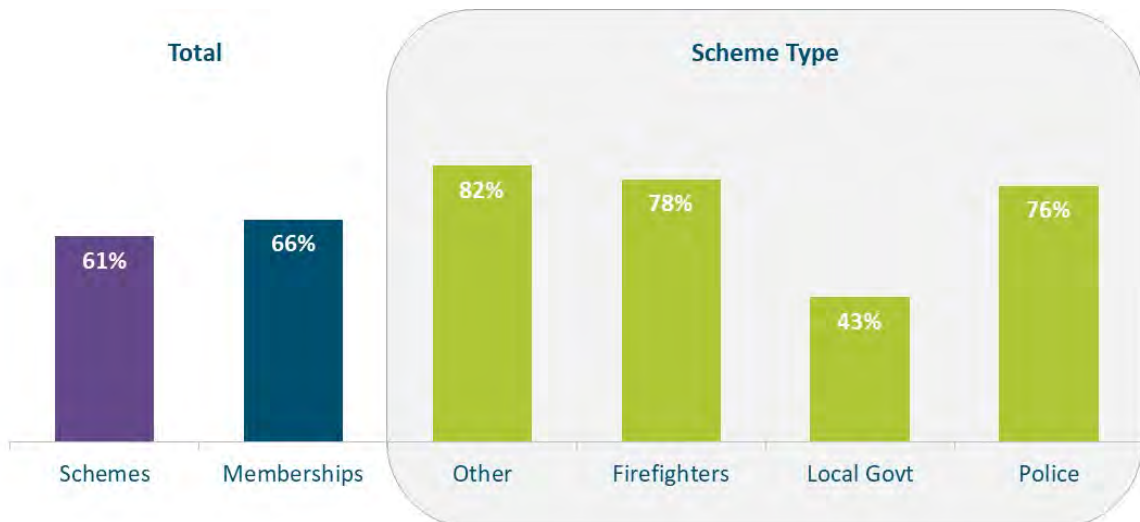
**Figure 4.1.9 Proportion of schemes with a succession plan in place for pension board members**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 4%, 1%), Memberships (202, 1%, 0%), Other (11, 0%, 0%), Firefighters (49, 4%, 0%), Local Government (97, 2%, 1%), Police (45, 9%, 2%)

Overall, 61% of schemes reported that the scheme manager had delegated responsibility for making the day-to-day decisions needed to run the scheme to another person. This was least likely to be the case among Local Government schemes (43%).

**Figure 4.1.10 Proportion of schemes where scheme manager delegated responsibility for making day-to-day decisions to another person**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%, 0%), Memberships (202, 0%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 0%, 1%), Police (45, 2%, 0%)

## 4.2 Managing risk

Around eight in ten schemes (82%) had documented procedures for assessing and managing risk. Every 'Other' scheme had these in place (100%), but Firefighters' schemes were least likely to do so (76%).

**Figure 4.2.1 Proportion of schemes with their own documented procedures for assessing and managing risk**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%, 0%), Memberships (202, 0%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 0%, 1%), Police (45, 0%, 0%)

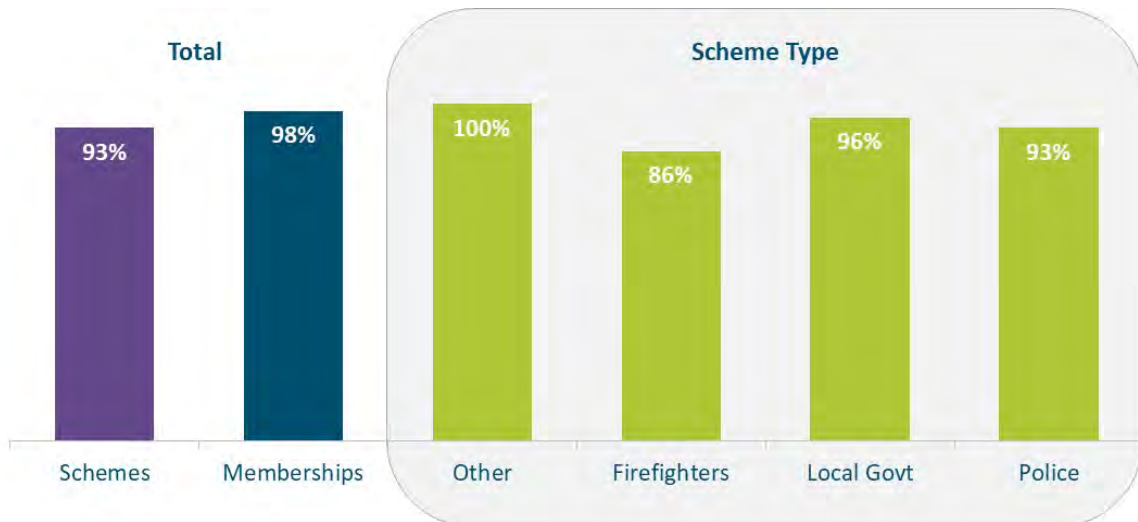
Following a pattern of improved risk management between 2015 and 2018, there was a decline on this measure in 2019 (from 92% to 82%). However, this is likely to be due to a change made to the questionnaire in 2019. Previously schemes were just asked if they had documented procedures for assessing and managing risk, but in 2019 they were asked if they had their 'own' procedures for this and were specifically instructed to answer 'no' if they relied on their local authority's risk procedures. The fall in the proportion of schemes meeting this criteria was most evident for Local Government schemes (-16 percentage points).

**Table 4.2.1 Proportion of schemes with documented procedures for assessing and managing risk – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	82%	100%	76%	80%	87%
PSPS Survey 2018	92%	100%	80%	96%	93%
PSPS Survey 2017	83%	82%	63%	93%	84%
PSPS Survey 2016	72%	91%	44%	92%	51%
PSPS Survey 2015	70%	100%	36%	79%	82%

The vast majority (93%) of schemes had a risk register, although this was least likely to be the case for Firefighters' schemes (86%).

**Figure 4.2.2 Proportion of schemes with their own risk register**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%, 0%), Memberships (202, 0%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 0%, 1%), Police (45, 0%, 0%)

As with procedures for assessing and managing risk, this survey question was also changed in 2019 to ask whether schemes had their 'own' risk register and instruct them to answer 'no' if they relied on their local authority's register. However, for this measure the questionnaire change had no impact on the results, which were consistent with those seen in 2018.

**Table 4.2.2 Proportion of schemes with a risk register – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
<b>PSPS Survey 2019</b>	<b>93%</b>	<b>100%</b>	<b>86%</b>	<b>96%</b>	<b>93%</b>
PSPS Survey 2018	94%	100%	87%	98%	93%
PSPS Survey 2017	88%	91%	69%	97%	88%
PSPS Survey 2016	70%	91%	38%	91%	51%
PSPS Survey 2015	76%	100%	36%	91%	82%

All schemes were asked to identify the top three governance and administration risks on their register (or facing the scheme if they did not have a risk register). As detailed in Table 4.2.3, a wide range of risks were reported. The most prevalent was record-keeping (50%), followed by funding or investment (33%), regulatory compliance (28%) and cyber risk (25%).

The key risks differed by scheme type. For 'Other' schemes the top risk was systems failures (64%), for Firefighters' it was record-keeping and securing

compliance with regulatory changes (both 53%), for Local Government it was funding or investment (63%)<sup>8</sup>, and for Police it was record-keeping (73%).

**Table 4.2.3 Top governance and administration risks**

Top Mentions (5%+)	Total			Scheme Type		
	Schemes	Memberships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	202	11	49	97	45
Record-keeping (ie receipt and management of correct data)	50%	34%	27%	53%	40%	73%
Funding or investment	33%	25%	0%	8%	63%	2%
Securing compliance with changes in scheme regulations	28%	15%	9%	53%	22%	20%
Cyber risk	25%	14%	9%	20%	19%	47%
Recruitment and retention of staff or knowledge	23%	18%	9%	24%	32%	4%
Systems failures (IT, payroll, administration systems, etc)	20%	44%	64%	22%	16%	16%
Administrator issues (expense, performance, etc)	16%	27%	36%	18%	13%	13%
Lack of resources/time	14%	22%	27%	14%	16%	7%
Production of annual benefit statements	12%	24%	36%	16%	6%	13%
Failure of internal controls	11%	18%	27%	10%	4%	22%
Guaranteed Minimum Pension (GMP) reconciliation	10%	8%	9%	2%	6%	27%
Lack of knowledge, effectiveness or leadership among key personnel	9%	4%	0%	12%	8%	9%
McCloud judgement	7%	8%	9%	2%	6%	16%
Receiving contributions from the employer(s)	5%	4%	0%	0%	10%	0%
Don't know	2%	0%	0%	6%	0%	2%
Did not answer question	1%	1%	0%	0%	2%	0%

<sup>8</sup> Only Local Government schemes are funded so this risk is not relevant to the other scheme types.

As detailed in table 4.2.4, around a third of schemes (35%) had reviewed their exposure to new and existing risks in at least 4 board meetings over the previous 12 months. Most of the remainder had reviewed their risk exposure in 2-3 meetings (42%) but 16% had done so on only one occasion and 5% had not reviewed their risk exposure at any board meetings in the previous 12 months.

On average, schemes reviewed their risk exposure at 2.7 board meetings in the previous 12 months. This equated to 77% of all board meetings held.

**Table 4.2.4 Number of pension board meetings held in last 12 months that reviewed the scheme's risk exposure**

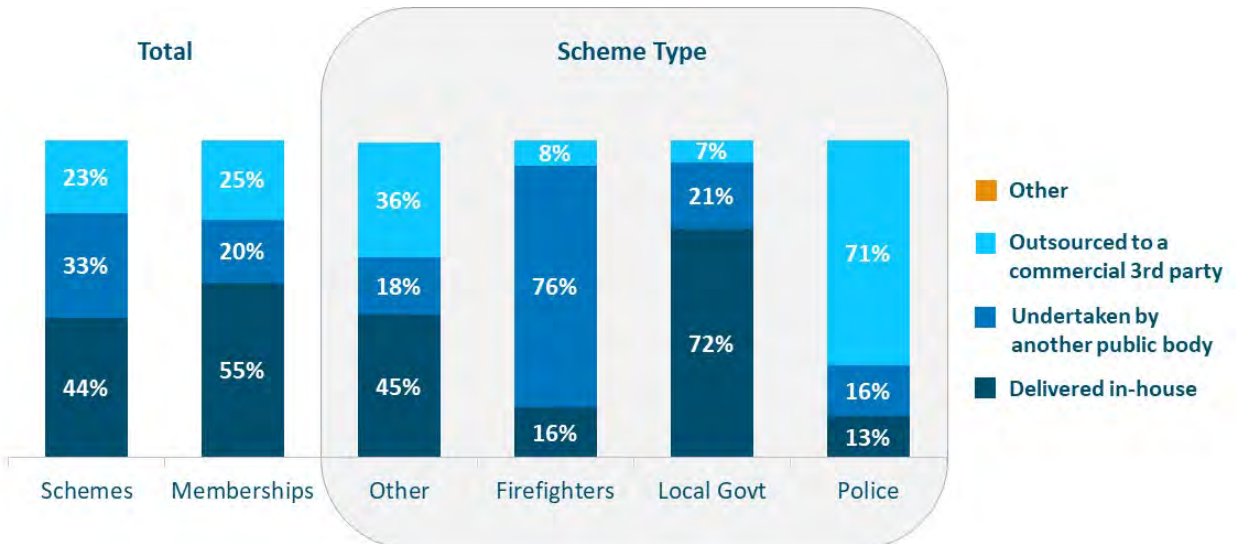
	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	11	49	97	45
None	5%	0%	6%	6%	4%
1	16%	0%	18%	23%	2%
2	21%	9%	37%	24%	2%
3	20%	18%	18%	13%	38%
4	34%	73%	20%	30%	47%
5+	1%	0%	0%	2%	0%
<b>Net: 4 or more</b>	<b>35%</b>	<b>73%</b>	<b>20%</b>	<b>32%</b>	<b>47%</b>
<b>Mean number of board meetings that reviewed risk exposure</b>	<b>2.7</b>	<b>3.6</b>	<b>2.3</b>	<b>2.5</b>	<b>3.3</b>
<b>Mean % of board meetings that reviewed risk exposure</b>	<b>77%</b>	<b>98%</b>	<b>78%</b>	<b>68%</b>	<b>92%</b>

Firefighters' schemes were least likely to have reviewed their risk exposure on a regular basis; 20% had done so in at least four board meetings in the previous 12 months. In comparison, 73% of 'Other' schemes had reviewed their risk exposure in four or more board meetings (and it was covered at 98% of all board meetings).

### 4.3 Administration and record-keeping

The majority of schemes (56%) used an external administrator. This included 33% where the administration was undertaken by another public body under a shared service agreement or outsource contract and 23% where the administration was outsourced to a commercial third party. The remaining 44% were administered in-house.

**Figure 4.3.1 Scheme administration arrangements**

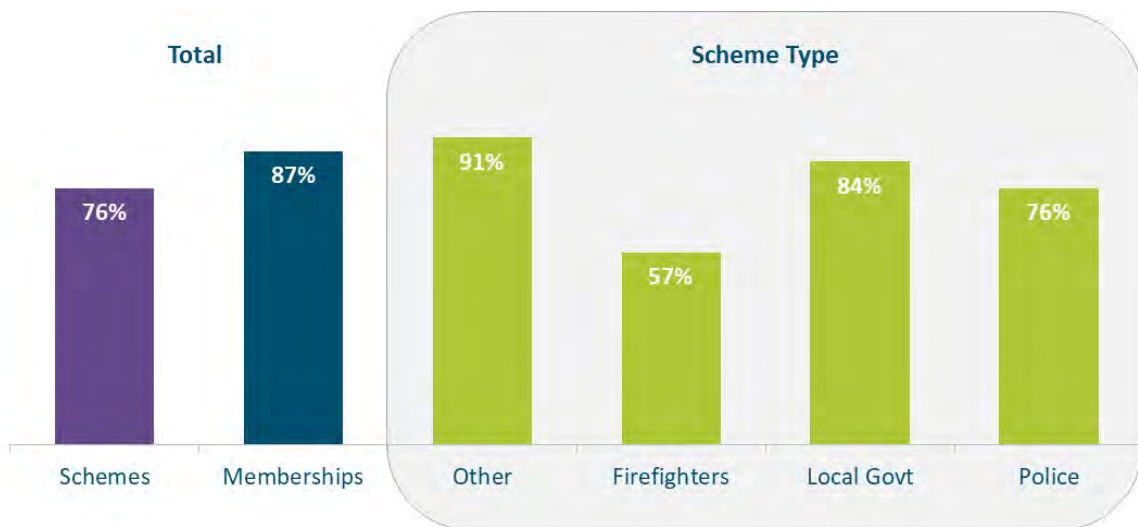


All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%, 0%), Memberships (202, 0%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 0%, 0%), Police (45, 0%, 0%)

There was some variation by scheme type in terms of the administration arrangements. Just under three-quarters (72%) of Local Government schemes undertook scheme administration in-house, whereas 'Other', Firefighters' and Police schemes were more likely to outsource it (55%, 84% and 87% respectively). Of the latter groups, Firefighters' schemes tended to outsource administration to another public body whereas Police and 'Other' schemes were more likely to use a commercial third party.

As shown in Figure 4.3.2, three-quarters (76%) of schemes had an administration strategy. This ranged from 91% of 'Other' schemes down to 57% of Firefighters'. Overall, 87% of all memberships were in a scheme which had an administration strategy.

Figure 4.3.2 Proportion of schemes with an administration strategy



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 5%, 0%), Memberships (202, 5%, 0%), Other (11, 9%, 0%), Firefighters (49, 12%, 0%), Local Government (97, 0%, 0%), Police (45, 9%, 0%)

There was no difference in this respect between schemes that were administered in-house and those that outsourced administration to either a commercial third party or another public body (Table 4.3.1).

**Table 4.3.1 Whether had an administration strategy – by administration arrangement**

	Administration arrangement		
	In-house	Another public body	Commercial 3 <sup>rd</sup> party
<i>Base: All respondents</i>	89	66	47
Administration strategy	79%	71%	77%
No administration strategy	20%	21%	13%
Don't know	1%	8%	11%
Did not answer question	0%	0%	0%

Schemes measured the performance of their administrators in a variety of ways (Table 4.3.2). The most common method was checking performance against service level agreements or service schedules (85%). The majority of schemes also used complaints volumes and trends (70%) and auditing administration functions and systems (66%).

The approaches employed to monitor and manage their administrators differed by scheme type. 'Other' schemes used the widest range of measures, whereas Firefighters' schemes primarily relied on performance against service level agreements or service schedules and were generally less likely to use other methods.



**Table 4.3.2 Methods used to measure administrator performance**

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	202	11	49	97	45
Performance against a service level agreement or service schedule	85%	93%	100%	84%	82%	89%
Complaints volumes and trends	70%	84%	91%	57%	74%	71%
Auditing administration functions and systems	66%	84%	91%	55%	76%	51%
Testing the accuracy of calculations	45%	58%	64%	20%	49%	56%
Benchmarking against the market	37%	41%	36%	16%	49%	33%
Assessing project delivery against initially agreed time and cost	32%	39%	45%	18%	31%	44%
Member satisfaction ratings	31%	54%	64%	18%	44%	9%
Analysis of errors	31%	43%	45%	22%	41%	16%
Volumes of rework required	14%	34%	45%	6%	21%	2%
'Right first time' statistics	8%	25%	36%	2%	9%	4%
None of these	1%	0%	0%	2%	1%	2%
Don't know	0%	0%	0%	0%	0%	2%
Did not answer question	0%	0%	0%	0%	1%	0%

Table 4.3.3 shows that there were some differences in the methods used to measure administrator performance between schemes that were administered in-house and those where this was conducted externally.

The use of service level agreements or service schedules was less prevalent where schemes were administered in-house (72%, compared with 92% of those administered by another public body and 100% of those administered by a commercial third party). The former were instead most likely to measure performance by auditing administration functions and systems (82%, compared with 52% of those administered by another public body and 57% of those administered by a commercial third party).

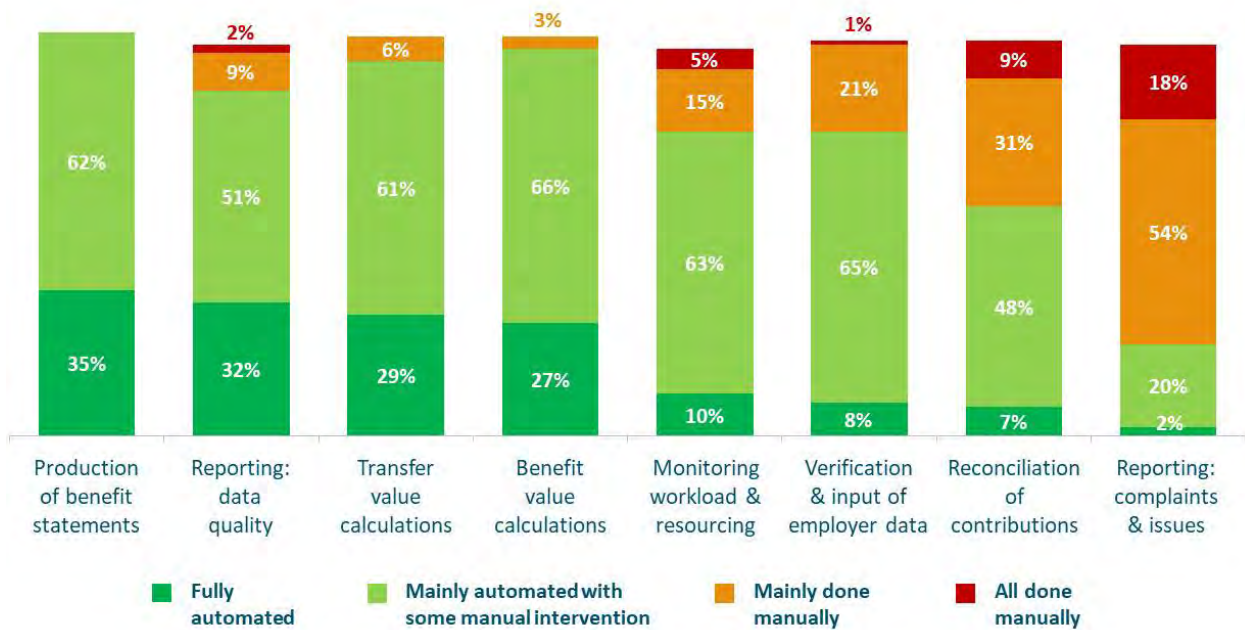
**Table 4.3.3 Methods used to measure administrator performance – by administration arrangement**

	Administration arrangement		
	In-house	Another public body	Commercial 3 <sup>rd</sup> party
<i>Base: All respondents</i>	89	66	47
Performance against a service level agreement or service schedule	72%	92%	100%
Complaints volumes and trends	71%	61%	83%
Auditing administration functions and systems	82%	52%	57%
Testing the accuracy of calculations	54%	20%	62%
Benchmarking against the market	49%	21%	36%
Assessing project delivery against initially agreed time and cost	27%	23%	53%
Member satisfaction ratings	38%	30%	19%
Analysis of errors	43%	29%	13%
Volumes of rework required	21%	8%	11%
'Right first time' statistics	11%	5%	6%
None of these	2%	2%	0%
Don't know	1%	0%	0%
Did not answer question	0%	2%	0%

The 2019 survey included several questions around automation. In this context, a process was defined as automated if it was completed through the use of technology (e.g. a software platform) with minimal human intervention.

As set out in Figure 4.3.3, full automation of key administration processes was relatively uncommon, but some degree of automation was more widespread. The production of benefit statements was most likely to be automated to at least some extent, with no schemes doing this entirely or mainly manually. However, the reporting of complaints and issues was typically a manual process (73% of schemes did this entirely or mainly manually).

Figure 4.3.3 Automation of key processes



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0%-4%, 1%-3%)

Table 4.3.4 shows that schemes administered in-house were comparatively more likely to carry out several of these processes manually: reporting – data quality (17%), monitoring workload and resourcing (34%), and reconciliation of contributions (53%).

**Table 4.3.4 Proportion completing each process all/mainly manually – by administration arrangement**

Proportion reporting process is 'all done manually' or 'mainly done manually'	Administration arrangement		
	In-house	Another public body	Commercial 3 <sup>rd</sup> party
<i>Base: All respondents</i>	89	66	47
Production of benefit statements	1%	0%	2%
Reporting – data quality	17%	8%	6%
Transfer value calculations	6%	8%	6%
Benefit value calculations	4%	2%	4%
Monitoring workload and resourcing	34%	12%	9%
Verification and input of employer data	26%	14%	28%
Reconciliation of contributions	53%	32%	28%
Reporting – complaints and issues	75%	68%	75%

As set out in Table 4.3.5, when asked what barriers they faced to automating more of the scheme's processes the most common responses were difficulty in integrating it with their existing systems (39%), a lack of suitable technology (36%), the initial set-up costs (28%) and the poor quality of the data (20%).

**Table 4.3.5 Barriers to automating the scheme's processes**

Top Mentions (5%+)	Total			Scheme Type		
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	202	11	49	97	45
Difficulty in integrating it with the scheme's existing systems	39%	55%	64%	35%	44%	27%
Lack of suitable technology	36%	38%	36%	33%	42%	24%
The initial set-up costs involved	28%	39%	45%	24%	30%	22%
Poor quality of the data	20%	31%	36%	12%	26%	13%
Lack of knowledge/expertise about how to implement this	11%	7%	0%	4%	16%	9%
Resource issues	9%	4%	0%	16%	10%	0%
Time issues	7%	1%	0%	22%	3%	0%
Securing the necessary internal approval	6%	8%	9%	2%	5%	11%
Complexity of scheme/scheme rules	5%	18%	27%	2%	6%	0%
Issues working with/coordinating with other parties	5%	3%	0%	6%	7%	0%
No barriers to automating more of the schemes processes	18%	10%	9%	14%	10%	40%
Don't know	4%	1%	0%	6%	1%	9%
Did not answer question	0%	0%	0%	0%	1%	0%

For each type of scheme, the most widely mentioned barrier to automation was difficulty integrating it with the scheme's existing systems. This was a particular issue for 'Other' schemes (64%).

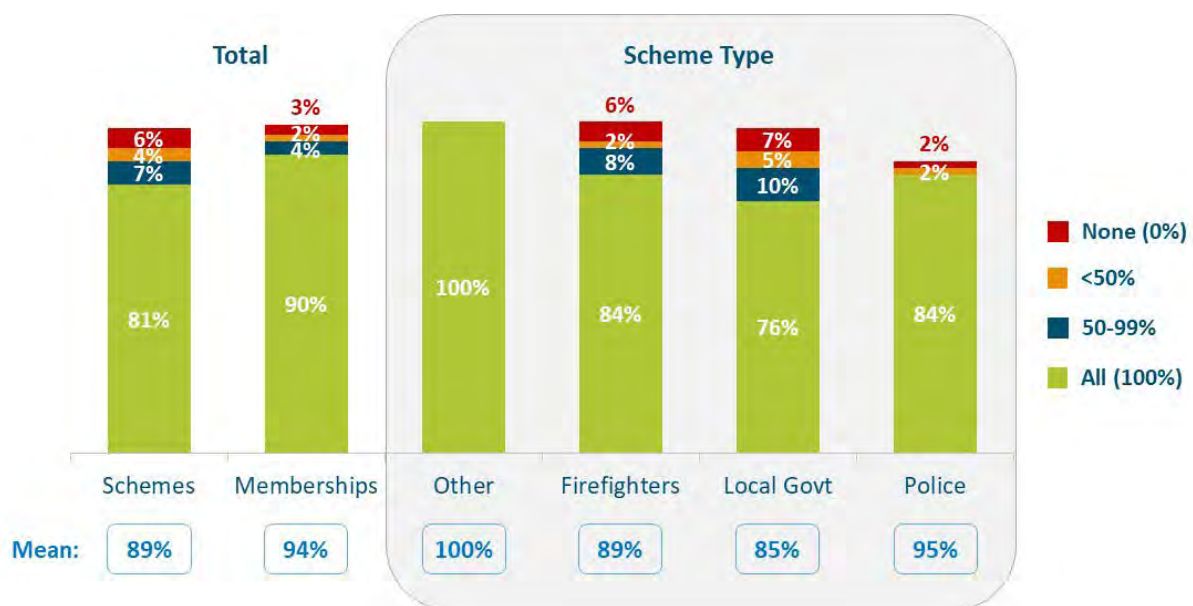
'Other' schemes were also comparatively more likely to identify set-up costs (45%), poor data quality (36%) and scheme complexity (27%) as barriers. Firefighters' schemes were more likely than other scheme types to highlight

time issues (22%) and resource issues (16%), Local Government schemes were more likely to mention lack of suitable technology (42%) and Police schemes were more likely to feel that there were no barriers to further automation of their processes (40%).

As shown in Figure 4.3.4, most schemes (81%) included administration as a dedicated item on the agenda at every pension board meeting. A further 7% covered it in at least half of their board meetings, but 4% did so at fewer than half of their meetings and 6% never included it on the agenda.

All the 'Other' schemes formally covered administration every time the board met. Local Government schemes were the least likely to report this (76%).

**Figure 4.3.4 Proportion of pension board meetings held in last 12 months that had administration as a dedicated item on the agenda**



Base: All that held any board meetings in the last 12 months (Base, Don't know, Did not answer question) - Schemes (200, 3%, 1%), Memberships (200, 0%, 0%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (96, 0%, 1%), Police (44, 11%, 0%)

As shown in table 4.3.6, there was an increase since 2018 in the proportion of schemes that included administration on the agenda at every board meeting (+5 percentage points). This was most evident among Police schemes (+9 percentage points).

**Table 4.3.6 Proportion of schemes that had administration on the agenda at every board meeting in last 12 months - Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	81%	100%	84%	76%	84%
PSPS Survey 2018	76%	100%	80%	71%	75%

As set out in Table 4.3.7, the vast majority of schemes had processes in place to monitor administration and record-keeping. Overall, 96% had a process for monitoring the payment of contributions, 92% had a process for resolving contribution payment issues, 92% had a process to monitor records on an ongoing basis to ensure they are accurate and complete, and 91% had a process with the scheme's employer(s) to receive, check and review data.

'Other' schemes were most likely to have these processes in place (100% in each case). Police schemes were least likely to have a process to monitor records for accuracy and completeness (82%) and to receive, check and review data (82%). Firefighters' schemes were least likely to have a process for resolving contribution payment issues (82%).

**Table 4.3.7 Administration and record-keeping processes - Time series**

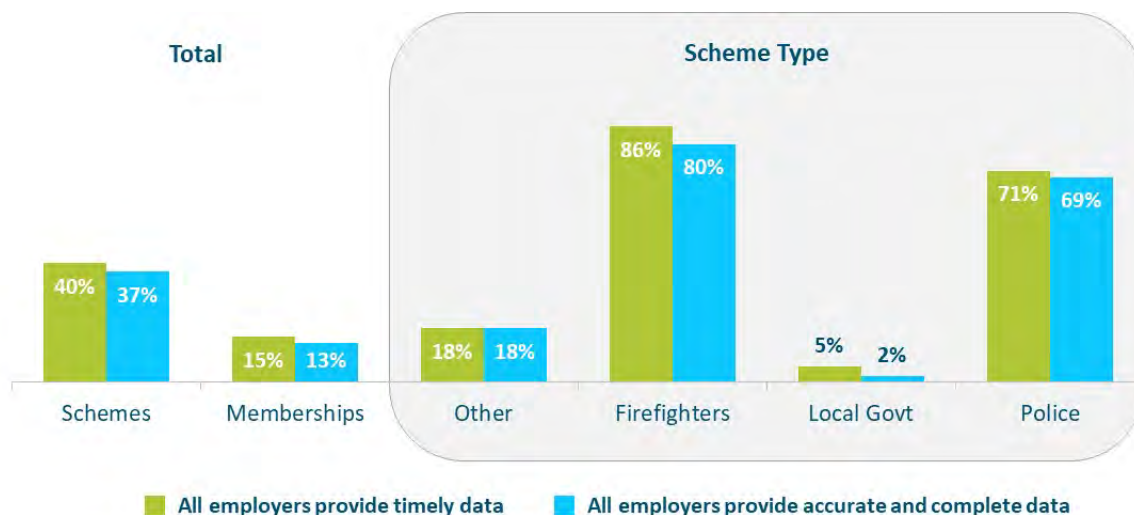
Proportion with a process...	Total		Scheme Type				
	Schemes	Memberships	Other	Fire-fighters	Local Govt	Police	
To monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	<b>2019</b>	<b>92%</b>	<b>97%</b>	<b>100%</b>	<b>94%</b>	<b>94%</b>	<b>82%</b>
	2018	91%	92%	91%	85%	95%	89%
	2017	85%	95%	100%	80%	88%	81%
	2016	89%	91%	91%	88%	90%	86%
With the employer(s) to receive, check and review data	<b>2019</b>	<b>91%</b>	<b>96%</b>	<b>100%</b>	<b>94%</b>	<b>92%</b>	<b>82%</b>
	2018	92%	93%	91%	87%	98%	86%
	2017	86%	96%	100%	78%	92%	77%
	2016	90%	98%	100%	76%	96%	89%
For monitoring the payment of contributions	<b>2019</b>	<b>96%</b>	<b>100%</b>	<b>100%</b>	<b>90%</b>	<b>100%</b>	<b>93%</b>
	2018	98%	100%	100%	96%	100%	95%
	2017	97%	94%	91%	94%	100%	95%
	2016	95%	94%	91%	88%	100%	94%
For resolving contribution payment issues	<b>2019</b>	<b>92%</b>	<b>99%</b>	<b>100%</b>	<b>82%</b>	<b>98%</b>	<b>89%</b>
	2018	94%	99%	100%	85%	98%	95%
	2017	90%	92%	91%	84%	94%	86%
	2016	88%	93%	91%	68%	97%	91%

The proportion of schemes with these processes in place was very similar to that seen in 2018. However, there were some changes by scheme type, including increases in the proportion of 'Other' and Firefighters' schemes that had a process to monitor scheme records for accuracy and completeness and a process with the employer(s) to receive, check and review data.

Schemes were asked the extent to which the employer(s) provided timely, accurate and complete data. Single employer schemes were asked whether their participating employer always provided timely, accurate and complete data, whereas multi-employer schemes were asked to give the proportion of their employers that always did this. The analysis in Figure 4.3.5 combines the results from both questions.

Four in ten (40%) schemes reported that all their employers always provided timely data. A slightly lower proportion (37%) reported that all their employers always provided accurate and complete data. However, this differed by scheme type and was lower among 'Other' (18% for each) and Local Government (5% and 2%) schemes, which are typically multi-employer.

**Figure 4.3.5 Proportion of schemes where all employers always provided timely, accurate and complete data**



All respondents (Base, Don't know timely, Did not answer timely, Don't know accurate/complete, Did not answer accurate/complete) - Schemes (202, 3%, 2%, 4%, 2%), Memberships (202, 1%, 2%, 1%, 2%), Other (11, 0%, 0%, 0%, 0%), Firefighters (49, 0%, 0%, 2%, 0%), Local Government (97, 1%, 4%, 2%, 4%), Police (45, 11%, 2%, 13%, 2%)

As shown in Table 4.3.8, on average 88% of scheme employers always provided timely data, and 84% always provided accurate and complete data. The mean proportions of employers that always provided timely and accurate/complete data were highest for Police schemes (96% for each).

**Table 4.3.8 Mean proportion of employers that always provided timely, accurate and complete data**

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	202	11	49	97	45
Mean % of employers that always provide timely data	88%	86%	87%	87%	85%	96%
Mean % of employers that always provide accurate and complete data	84%	82%	83%	82%	80%	96%

Table 4.3.9 shows that the proportion of schemes reporting that all their employers always provided timely, accurate and complete data was very similar to that seen in 2018. The only change was for Police schemes, where there was a fall on both of these measures (-11 percentage points for timely data and -13 percentage points for accurate and complete data).

At the total level, there was also no change since 2018 in the mean proportion of employers that always provided timely or accurate and complete data. However, the mean fell for Firefighters' schemes on both these measures (-8 and -7 percentage points respectively). For Police schemes the mean proportion of employers providing accurate and complete data increased since 2018 (+6 percentage points).



**Table 4.3.9 Provision of timely, accurate and complete data by employers – Time series**

		Total		Scheme Type			
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
All employers (100%) always provide timely data	2019	40%	15%	18%	86%	5%	71%
	2018	42%	16%	18%	80%	6%	82%
	2017	37%	23%	27%	57%	11%	72%
Mean % of employers that always provide timely data	2019	88%	86%	87%	87%	85%	96%
	2018	87%	85%	86%	95%	81%	92%
	2017	89%	87%	88%	94%	84%	96%
All employers (100%) always provide accurate and complete data	2019	37%	13%	18%	80%	2%	69%
	2018	39%	15%	18%	72%	4%	82%
	2017	30%	15%	18%	49%	7%	60%
Mean % of employers that always provide accurate and complete data	2019	84%	82%	83%	82%	80%	96%
	2018	84%	82%	84%	89%	79%	90%
	2017	86%	81%	80%	93%	80%	95%

As shown in Table 4.3.10, the proportions of employers that always provided timely, accurate and complete data were much lower for multi-employer schemes than single employer ones. Among multi-employer schemes, 6% said their employers always provided timely data and 3% said they always provided accurate and complete data (compared with 89% and 84% respectively for single employer schemes).

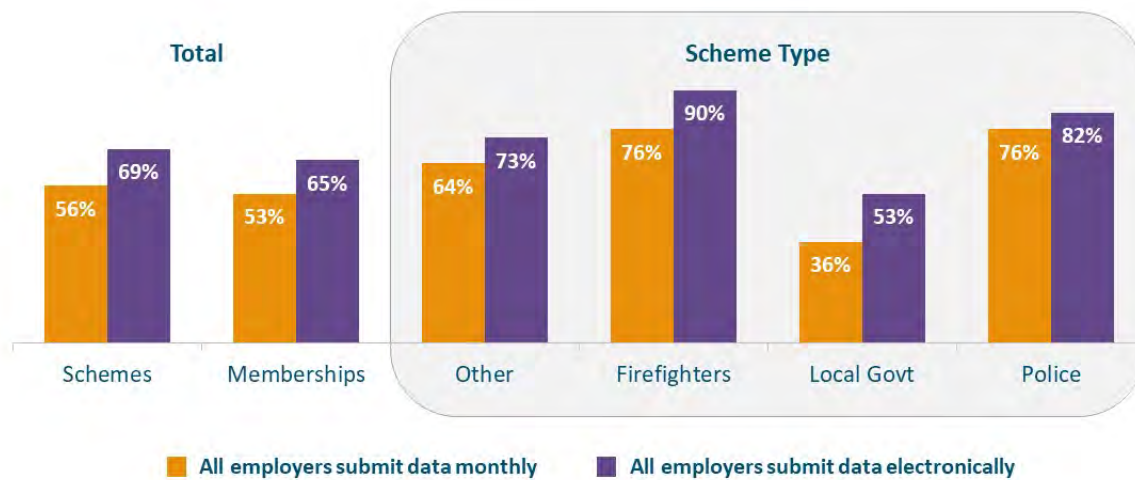
**Table 4.3.10 Provision of timely, accurate and complete data by employers – analysis by single and multi-employer schemes**

	Single employer schemes	Multi-employer schemes
<i>Base: All respondents</i>	83	119
All employers (100%) always provide timely data	89%	6%
All employers (100%) always provide accurate and complete data	84%	3%

Schemes were also asked the extent to which the employer(s) submitted data monthly and electronically. Single employer schemes were asked whether their participating employer submitted data monthly and electronically, and multi-employer schemes were asked to give the proportion of their employers that did this. The analysis in Figure 4.3.6 combines the results from both questions.

Over half (56%) of schemes reported that all their employers submitted data monthly and just over two-thirds (69%) reported that all their employers submitted data electronically. These proportions were lowest for Local Government schemes (36% and 53% respectively).

**Figure 4.3.6 Proportion of schemes where all employers submitted data monthly and electronically**



All respondents (Base, Don't know monthly, Did not answer monthly, Don't know electronically, Did not answer electronically) - Schemes (202, 4%, 2%, 3%, 2%), Memberships (202, 2%, 2%, 1%, 2%), Other (11, 0%, 0%, 0%, 0%), Firefighters (49, 0%, 0%, 0%, 0%), Local Government (97, 4%, 4%, 1%, 4%), Police (45, 11%, 0%, 11%, 0%)

Table 4.3.11 shows that, on average, 80% of scheme employers submitted data monthly and 90% submitted data electronically. For monthly data, the mean was lower for Firefighters' (76%) and Local Government (78%) schemes.

**Table 4.3.11 Mean proportion of employers that submitted data monthly and electronically**

	Total		Scheme Type			
	Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	202	11	49	97	45
Mean % of employers that submit data monthly	80%	89%	96%	76%	78%	87%
Mean % of employers that submit data electronically	90%	90%	93%	90%	86%	100%

There was no change since 2018 in the overall proportions of schemes reporting that all employers submitted data monthly and submitted data electronically, or in the mean proportions of employers doing so.

However, there were some changes for different types of scheme. The proportions of Firefighters' schemes reporting that all their employers submitted data monthly and submitted it electronically increased since 2018 (+15 and +14 percentage points respectively). The latter also increased for 'Other' schemes (+18 percentage points). In contrast, Police schemes were less likely to report that all employers provided data monthly and submitted it electronically (-13 and -9 percentage points respectively).

**Table 4.3.12 Submission of data monthly and electronically by employers – Time series**

		Total		Scheme Type			
		Schemes	Member-ships	Other	Fire-fighters	Local Govt	Police
All employers (100%) submitted data monthly	<b>2019</b>	<b>56%</b>	<b>53%</b>	<b>64%</b>	<b>76%</b>	<b>36%</b>	<b>76%</b>
	2018	56%	55%	64%	61%	38%	89%
Mean % of employers that submitted data monthly	<b>2019</b>	<b>80%</b>	<b>89%</b>	<b>96%</b>	<b>76%</b>	<b>78%</b>	<b>87%</b>
	2018	77%	81%	86%	70%	72%	93%
All employers (100%) submitted data electronically	<b>2019</b>	<b>69%</b>	<b>65%</b>	<b>73%</b>	<b>90%</b>	<b>53%</b>	<b>82%</b>
	2018	66%	54%	55%	76%	51%	91%
Mean % of employers that submitted data electronically	<b>2019</b>	<b>90%</b>	<b>90%</b>	<b>93%</b>	<b>90%</b>	<b>86%</b>	<b>100%</b>
	2018	88%	91%	95%	88%	83%	99%

As with timeliness of data and its accuracy and completeness, these proportions were lower for multi-employer schemes than single employer schemes. Overall, 80% single employer schemes said all their employers submitted data monthly compared with 39% of multi-employer schemes. Similarly, 92% of single employer schemes said all their employers submitted data electronically compared with 54% of multi-employer schemes.

**Table 4.3.13 Submission of data monthly and electronically by employers – analysis by single and multi-employer schemes**

	Single employer schemes	Multi-employer schemes
<i>Base: All respondents</i>	83	119
All employers (100%) submit data monthly	80%	39%
All employers (100%) submit data electronically	92%	54%

## 4.4 Cyber security

Schemes were asked about 14 specific cyber controls and four-fifths (82%) had at least half of them in place, up from three-quarters (74%) in 2018.

No schemes stated that they had none of these cyber controls in place, although 5% either answered “don’t know” or did not provide a response.

**Table 4.4.1 Proportion of schemes with controls to protect their data and assets from ‘cyber risk’ – Time series**

	Total schemes	
	2019	2018
<i>Base: All respondents</i>	<b>202</b>	<b>195</b>
System controls (e.g. firewalls, anti-virus/malware, software updates)	<b>90%</b>	82%
Controls restricting access to systems and data	<b>89%</b>	83%
Critical systems and data regularly backed up	<b>88%</b>	80%
Policies on data access, protection, use and transmission in line with data protection legislation and guidance	<b>87%</b>	81%
Policies on the acceptable use of devices, passwords/other authentication and on home/mobile working	<b>87%</b>	80%
Cyber risk is on the risk register and regularly reviewed	<b>84%</b>	67%
Scheme manager assured themselves of 3rd party providers’ controls	<b>71%</b>	66%
Incident response plan to deal with any incidents which occur	<b>71%</b>	67%
Access to specialist skills and expertise to understand and manage risk	<b>68%</b>	66%
Roles and responsibilities on cyber resilience clearly defined and documented	<b>65%</b>	62%
Assessment of vulnerability to a cyber incident of key functions, systems, assets and parties involved in running the scheme	<b>63%</b>	57%
Assessment of likelihood of different types of breaches occurring	<b>53%</b>	49%
Scheme manager receives regular updates on cyber risks, incidents and controls	<b>52%</b>	39%
Pension board receives regular updates on cyber risks, incidents and controls	<b>49%</b>	26%
None of these	<b>0%</b>	0%
<b>Net: At least half of these cyber controls in place (7+)</b>	<b>82%</b>	<b>74%</b>
<b>Mean number of cyber controls in place</b>	<b>10</b>	<b>9</b>
Don’t know	4%	6%
Did not answer question	1%	1%

The most common types of cyber protection were system controls such as firewalls, anti-virus products and regular software updates (90%), controls restricting access to systems and data (89%), regular back-ups of critical systems and data (88%), policies on data access, protection, use and transmission in line with data protection legislation and guidance (87%), policies on acceptable use of devices, passwords, other authentication and

home and mobile working (87%), and cyber risk being included on the scheme's risk register and regularly reviewed (84%).

In comparison, around half of schemes indicated that the scheme manager or pension board received regular updates on cyber risks, incidents and controls (52% and 49% respectively) or assessed the likelihood of different types of breaches occurring (53%).

For 11 of the 14 cyber controls, the proportion of schemes with these in place was higher than in 2018<sup>9</sup>. The greatest increases were seen for the pension board receiving regular updates (+23 percentage points), cyber risk being included on the risk register and regularly reviewed (+17 percentage points) and the scheme manager receiving regular updates (+13 percentage points).

Table 4.4.2 shows 42% of schemes had experienced some kind of cyber breach or attack in the previous 12 months (down from 49% in 2018).

**Table 4.4.2 Proportion of schemes experiencing any cyber security breaches or attacks in last 12 months (including at their administration provider) – Time series**

	Total schemes	
	2019	2018
<i>Base: All respondents</i>	<b>202</b>	<b>195</b>
Staff receiving fraudulent emails or being directed to fraudulent websites	<b>33%</b>	42%
Attacks that try to take down website or online services	<b>10%</b>	10%
People impersonating scheme in emails or online	<b>8%</b>	9%
Unauthorised use or hacking of computers, networks or servers by people outside scheme	<b>3%</b>	0%
Unauthorised use of computers, networks or servers by staff, even if accidental	<b>1%</b>	1%
Computers becoming infected with other viruses, spyware or malware	<b>1%</b>	5%
Computers becoming infected with ransomware	<b>0%</b>	2%
Hacking or attempted hacking of online bank accounts	<b>0%</b>	1%
Any other types of cyber security breaches or attacks	<b>4%</b>	2%
None of these	<b>49%</b>	41%
<b>Net: Any cyber incidents reported in last 12 months</b>	<b>42%</b>	<b>49%</b>
Don't know	<b>8%</b>	9%
Did not answer question	<b>1%</b>	1%

<sup>9</sup> The increases shown in Table 4.4.1 were statistically significant for all controls except 'Access to specialist skills and expertise to understand and manage risk', 'Roles and responsibilities on cyber resilience clearly defined and documented' and 'Assessment of likelihood of different types of breaches occurring'.

As was the case in 2018, these incidents typically involved staff receiving fraudulent emails or being directed to fraudulent websites (33%).

Those schemes that had experienced any cyber breaches or attacks in the previous 12 months were asked what, if anything, had happened as a result. Most (81%) said that there had been no impact but 15% reported a negative impact. This equates to 6% of all public service schemes (ie including those that did not experience any cyber incidents or breaches), similar to the 7% seen in the 2018 survey.

The negative impacts reported tended to be either the loss of access to any third-party services relied on (10%) or the scheme's website or online services being taken down or made slower (5%).

**Table 4.4.3 Impact of cyber security breaches or attacks experienced in last 12 months**

	Total schemes	
	2019	2018
<i>Base: All experiencing cyber security breaches or attacks</i>	<b>84</b>	95
Lost access to any third-party services relied on	<b>10%</b>	1%
Website or online services taken down or made slower	<b>5%</b>	9%
Temporary loss of access to files or networks	<b>2%</b>	7%
Personal data altered, destroyed or taken	<b>1%</b>	1%
Money stolen	<b>1%</b>	0%
Software or systems corrupted or damaged	<b>0%</b>	0%
Permanent loss of files (other than personal data)	<b>0%</b>	0%
Lost or stolen assets, trade secrets or intellectual property	<b>0%</b>	0%
None of these	<b>81%</b>	85%
<b>Net: Any impact reported in last 12 months</b>	<b>15%</b>	14%
Don't know	<b>1%</b>	0%
Did not answer question	<b>2%</b>	1%

Table 4.4.4 provides a summary based on memberships, showing the proportion of all members in a scheme with at least half of the cyber risk controls in place, in a scheme experiencing any cyber breaches or attacks in the previous 12 months, and in a scheme reporting a negative impact of any such incidents.

**Table 4.4.4 Summary of cyber controls and breaches/attacks by memberships – Time series**

	Total memberships	
Proportion with at least half of the cyber risk controls in place (ie 7 or more) <i>(All schemes)</i>	2019	92%
	2018	92%
Proportion experiencing any cyber breaches/attacks in last 12 months <i>(All schemes)</i>	2019	40%
	2018	42%
Proportion reporting any impact of cyber breaches/attacks in last 12 months <i>(All experiencing breaches/attacks)</i>	2019	21%
	2018	5%

Overall, 92% of memberships were in a scheme that had at least half of the cyber controls in place, unchanged from 2018. There was also no change in the proportion of memberships in a scheme that had experienced any cyber breaches or attacks in the previous 12 months (40%, compared with 42% in 2018).

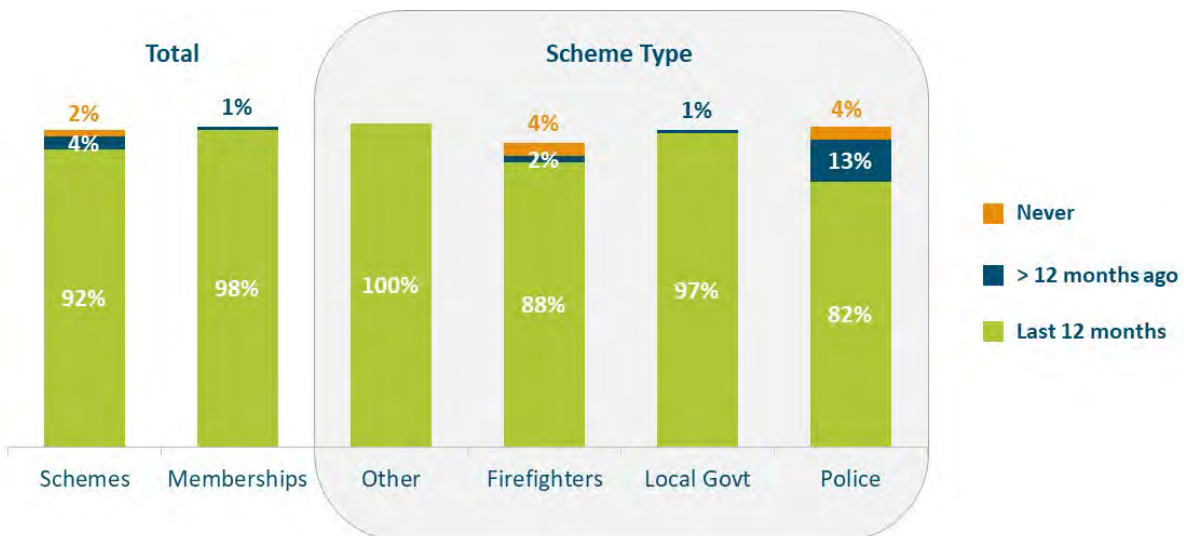
However, there was an increase in the proportion of memberships in a scheme which reported a negative impact of any cyber incidents (21% of those in a scheme that had experienced breaches or attacks, compared with 5% in 2018). As detailed in Table 4.4.3, the negative impacts typically involved the loss of access to third-party services relied on or the scheme's website or online services being taken down or made slower.

#### 4.5 Data reviews

Most schemes (92%) had completed a data review within the previous 12 months, a further 4% had done so more than 12 months previously and 2% reported that they had never completed a data review.

'Other' and Local Government schemes were most likely to have completed a data review in the previous 12 months (100% and 97% respectively), but this fell to 88% of Firefighters' and 82% of Police schemes.

Figure 4.5.1 Timing of last completed data review



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 1%, 1%), Memberships (202, 0%, 1%), Other (11, 0%, 0%), Firefighters (49, 6%, 0%), Local Government (97, 0%, 2%), Police (45, 0%, 0%)

The proportion of schemes that had completed a data review in the previous 12 months was higher than in 2018. This increase was evident for all scheme types.

Table 4.5.1 Proportion of schemes that completed a data review in last 12 months – Time series

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	92%	100%	88%	97%	82%
PSPS Survey 2018	83%	82%	78%	93%	68%
PSPS Survey 2017	75%	100%	71%	74%	74%
PSPS Survey 2016	79%	100%	68%	83%	77%
PSPS Survey 2015	70%	58%	50%	77%	77%

Schemes were asked whether their most recently completed data review exercise had identified any issues or problems with various data items. As set out in Table 4.5.2, the most common issues related to postcode (64%), first line of address (63%) and NI number (56%).

The proportions reporting problems with the other data items were lower (ranging from 32% for membership start date down to 13% for anticipated income at retirement). However, it is not possible to ascertain whether this is because schemes did not find issues in these areas or because they did not include them in their data review. To illustrate, 26% of schemes did not answer or said "Don't know" when asked if they had identified issues with anticipated income at retirement, which might suggest they did not cover this in their most recent review.



Almost a quarter (23%) of schemes reported that they had found no issues at all in their most recently completed data review.

**Table 4.5.2 Proportion of schemes identifying issues or problems in most recently completed data review**

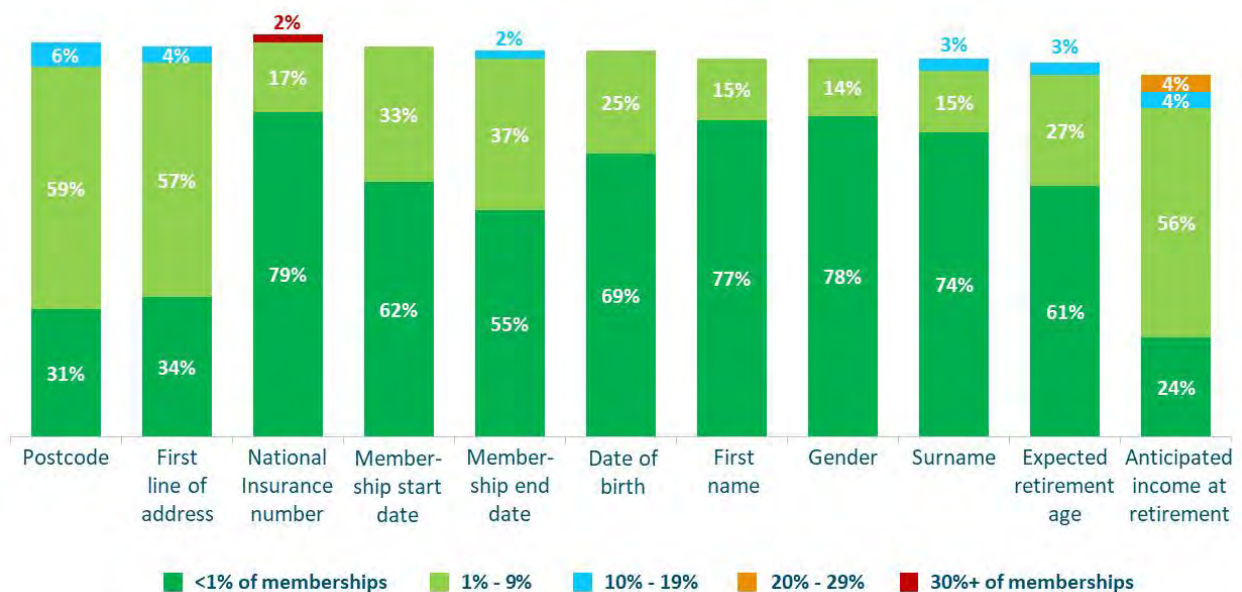
	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All ever completing a data review</i>	193	11	44	95	43
Postcode	64%	45%	61%	79%	37%
First line of address	63%	45%	55%	78%	42%
NI number	56%	55%	48%	68%	40%
Membership start date	32%	64%	30%	36%	16%
Membership end date	26%	55%	14%	34%	16%
Date of birth	25%	27%	7%	31%	30%
First name	20%	27%	9%	22%	26%
Gender	19%	18%	9%	24%	16%
Surname	18%	18%	9%	18%	26%
Expected retirement age	17%	36%	5%	22%	14%
Anticipated income at retirement	13%	27%	7%	19%	2%
Other data items	37%	36%	39%	51%	7%
No issues identified	23%	18%	20%	14%	49%

Postcode, first line of address and NI number were the three most widely identified data issues for Firefighters', Local Government and Police schemes. For 'Other' schemes it was membership start date, membership end date and NI number.

Almost half (49%) of Police schemes did not identify any issues or problems in their most recent data review.

For each data issue identified, schemes were asked the proportion of memberships that were affected. As shown in Figure 4.5.2, in most cases these issues applied to less than 1% of the scheme's memberships. However, where schemes identified problems with postcode, first line of address and anticipated income at retirement these typically affected 1-9% of memberships.

**Figure 4.5.2 Proportion of memberships affected by data issues identified in latest review**



All identifying issues with each item (Base, Don't know, Did not answer question) - Postcode (123, 2%, 2%), First line of address (121, 2%, 2%), NI number (109, 1%, 2%), Membership start date (61, 3%, 2%), Membership end date (51, 4%, 2%), Date of birth (48, 2%, 4%), First name (39, 3%, 5%), Gender (36, 3%, 6%), Surname (34, 3%, 6%), Expected retirement date (33, 3%, 6%), Anticipated income at retirement (25, 8%, 4%)

This question was only asked to those schemes that had identified issues with each data item, which limits the scope for robust comparisons across different types of scheme. However, the following highlights all cases where over 10% of a scheme's memberships were affected by issues with a data item.

Other:

- No schemes reported that any of the data issues affected 10%+ memberships

Firefighters:

- 5% said issues with NI number affected 10%+ memberships

Local Government:

- 11% said issues with anticipated income at retirement affected 10%+ memberships
- 9% said issues with postcode affected 10%+ memberships
- 7% said issues with first line of address affected 10%+ memberships
- 5% said issues with expected retirement date affected 10%+ memberships
- 3% said issues with membership end date affected 10%+ memberships

Police

- 9% said issues with surname affected 10%+ memberships
- 6% said issues with NI number affected 10%+ memberships

As shown in Table 4.5.3, a minority of schemes (4%) had put a data improvement plan in place and completed the rectification work. Most of the remainder reported that work was underway or planned, although 2% had not developed an improvement plan or undertaken any work (and a further 23% had not identified any data issues).

**Table 4.5.3 Action taken to address issues or problems with data**

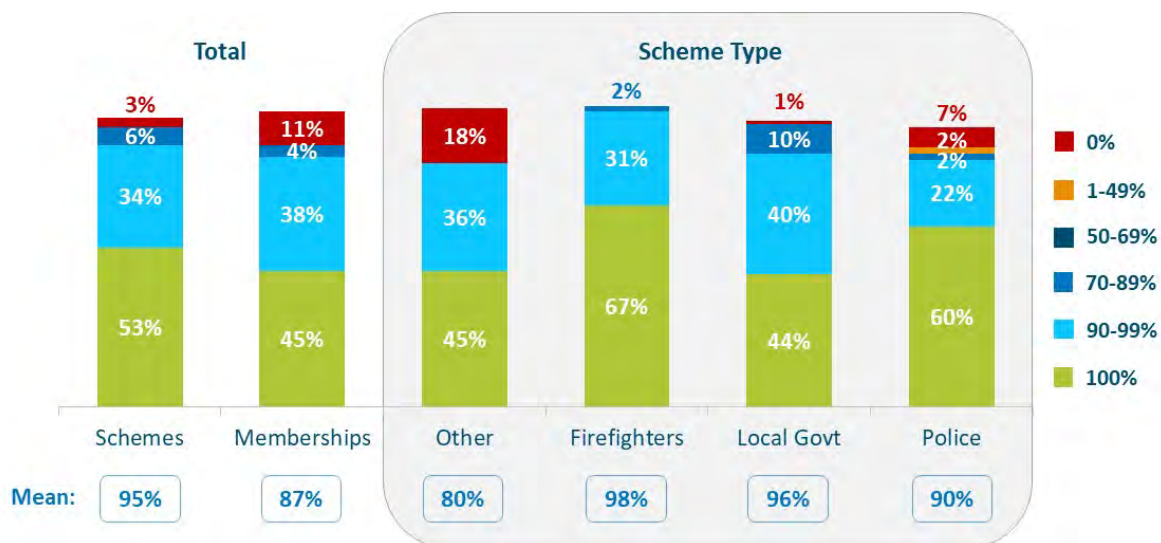
	Total			Scheme Type		
	Schemes	Memberships	Other	Fire-fighters	Local Govt	Police
<i>Base: All ever reviewing data</i>	193	193	11	44	95	43
<b>Identified issues with data</b>	<b>77%</b>	<b>83%</b>	<b>82%</b>	<b>80%</b>	<b>86%</b>	<b>51%</b>
An improvement plan has been put in place and rectification work has been <b>completed</b>	4%	2%	0%	5%	5%	2%
An improvement plan is in place, but rectification work is <b>not yet complete</b>	48%	60%	64%	50%	56%	26%
An improvement plan is <b>in development</b>	15%	17%	18%	14%	17%	9%
Rectification work has been <b>undertaken without an improvement plan</b>	6%	3%	0%	9%	6%	2%
<b>No improvement plan</b> has been developed and no work has been undertaken	2%	0%	0%	2%	1%	2%
<b>Did not identify issues with data</b>	<b>23%</b>	<b>17%</b>	<b>18%</b>	<b>20%</b>	<b>14%</b>	<b>49%</b>
Don't know action taken	2%	0%	0%	0%	0%	9%
Did not answer action taken	1%	0%	0%	0%	1%	0%

## 4.6 Annual benefit statements

On average, 95% of each scheme's active members received their annual benefit statement (ABS) by the statutory deadline in 2019. When the data is weighted to reflect the number of memberships in each scheme, this shows that 87% of all active members received their ABS by the deadline.

Just over half (53%) of schemes reported that they had met this deadline for all their active members.

**Figure 4.6.1 Proportion of active members receiving ABS by statutory deadline in 2019**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 2%, 1%), Memberships (202, 1%, 1%), Other (11, 0%, 0%), Firefighters (49, 0%, 0%), Local Government (97, 1%, 3%), Police (45, 7%, 0%)

The mean proportion of active members that received their ABS by the deadline was highest for Firefighters' (98%) and Local Government (96%) schemes.

Firefighters' were also most likely to have met the ABS deadline for all their active members in 2019 (67%), followed by Police schemes (60%). This proportion was lower for 'Other' (45%) and Local Government (44%) schemes, both of which are primarily multi-employer schemes and typically have a greater number of memberships.

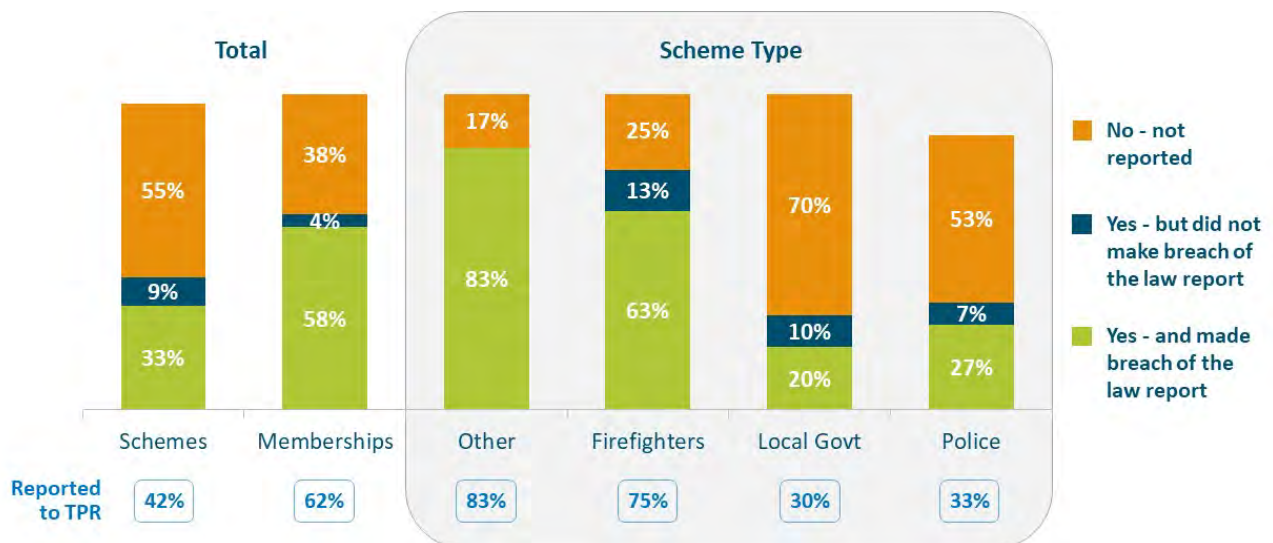
As shown in Table 4.6.1, there was no change since 2018 in the overall mean percentage of active members who received their ABS by the deadline (95% in both cases). However, this fell for 'Other' and Police schemes (-16 and -5 percentage points respectively) but increased for Local Government schemes (+3 percentage points).

There was also a decrease in the proportion of schemes reporting that they met the ABS deadline for all their active members, from 66% in 2018 to 53% in 2019. This pattern was evident for all types of scheme.

**Table 4.6.1 Proportion of active members receiving annual benefit statement by statutory deadline – Time series**

		Total schemes	Scheme Type			
			Other	Firefighters	Local Govt	Police
Mean	2019	95%	80%	98%	96%	90%
	2018	95%	96%	97%	93%	95%
	2017	93%	91%	93%	92%	97%
	2016	75%	75%	46%	87%	82%
100% received by deadline	2019	53%	45%	67%	44%	60%
	2018	66%	55%	78%	56%	75%
	2017	60%	45%	73%	45%	79%
	2016	43%	36%	32%	45%	54%

The schemes that missed the ABS deadline for any of their active members were asked whether they reported this to TPR. Just over two-fifths (42%) had done so, with most of these making a breach of the law report (33%).

**Figure 4.6.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements**

All where deadline was missed for any active members (Base, Don't know, Did not answer question) - Schemes (87, 2%, 0%), Memberships (87, 0%, 0%), Other (6, 0%, 0%), Firefighters (16, 0%, 0%), Local Government (50, 0%, 0%), Police (15, 13%, 0%) – **Caution: Low base sizes for individual scheme types**

Most 'Other' (83%) and Firefighters' (75%) schemes reported the missed deadline, and every 'Other' scheme made a breach of the law report. However, the majority of Local Government (70%) and Police (53%) schemes that missed the deadline did not report it to TPR.

As detailed in Table 4.6.2, Firefighters’ schemes who missed the ABS deadline were notably more likely to report this to TPR than in 2018 (75%, compared with 11% in 2018). However, it should be noted that the 2018 figure was based on just 9 Firefighters’ schemes that missed the deadline for any of their active members.

**Table 4.6.2 Proportion of schemes reporting to TPR that they missed the deadline for issuing active member statements – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	42%	83%	75%	30%	33%
PSPS Survey 2018	34%	80%	11%	33%	40%
PSPS Survey 2017	41%	67%	67%	29%	57%

The majority (71%) of the schemes that did not report the missed ABS deadline to TPR indicated that this was because it was not considered material as few statements were affected. A further 13% stated that it was not material as there was a very short delay.

As detailed in Figure 4.6.3, 92% of schemes reported that all the annual benefit statements they sent out to members in 2019 contained all the data required by regulations. The mean was 100%<sup>10</sup>.

**Figure 4.6.3 Proportion of annual benefit statements sent out in 2019 that contained all data required by regulations**



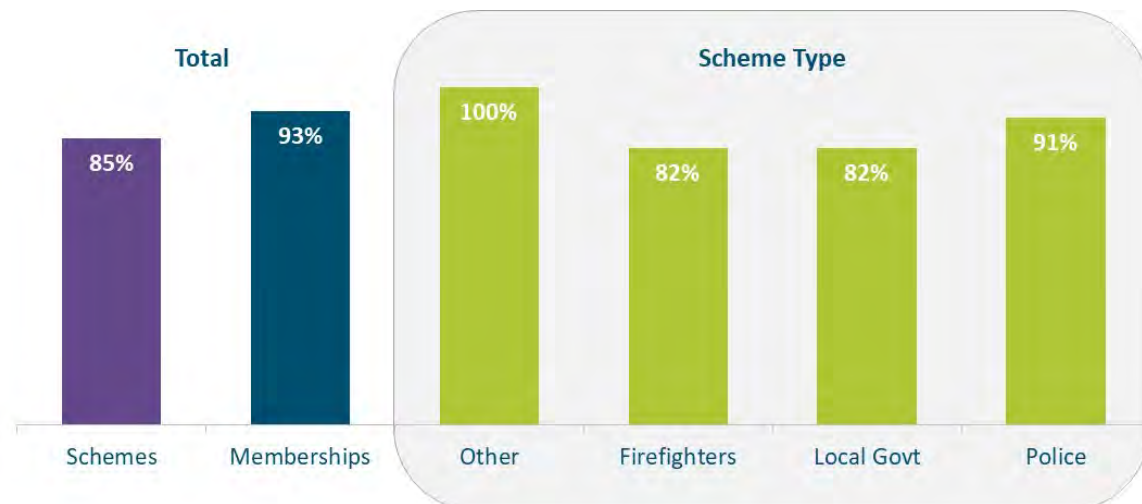
All respondents (Base, Don't know, Did not answer question) - Schemes (202, 2%, 1%), Memberships (202, 1%, 1%), Other (11, 0%, 0%), Firefighters (49, 2%, 0%), Local Government (97, 1%, 3%), Police (45, 7%, 0%)

<sup>10</sup> 99.8% when shown to 1 decimal place.

## 4.7 Resolving issues

The majority (85%) of schemes had a working definition of what constitutes a complaint.

**Figure 4.7.1 Proportion of schemes with working definition of a complaint**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 4%, 1%), Memberships (202, 1%, 1%), Other (11, 0%, 0%), Firefighters (49, 2%, 0%), Local Government (97, 3%, 2%), Police (45, 9%, 0%)

Every 'Other' scheme and 91% of Police schemes had a definition, but this was less widespread among Firefighters' and Local Government schemes (both 82%).

There was no change since 2018 in the overall proportion of schemes that had a working definition of a complaint, although there was an increase among 'Other' schemes (+9 percentage points).

**Table 4.7.1 Proportion of schemes with working definition of a complaint – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	85%	100%	82%	82%	91%
PSPS Survey 2018	86%	91%	83%	85%	91%

Schemes were asked to provide details of the number of complaints they had received in the previous 12 months. This data has been used to estimate the total number of complaints received by public service schemes and show the number of complaints per 1,000 members, as set out in Table 4.7.2.

**Table 4.7.2 Estimated total complaints received in last 12 months**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Total memberships	16,636,723	9,528,824	119,356	6,614,407	374,136
Mean number of complaints	58	850	2	24	3
Total complaints (grossed up)	11,925	9,354	77	2,343	151
Share of all memberships	100%	57%	1%	40%	2%
Share of all complaints	100%	78%	1%	20%	1%
<b>Complaints per 1,000 members</b>	<b>0.7</b>	<b>1.0</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>

Overall, an estimated 11,925 complaints were made to public service schemes in the previous 12 months, equating to 0.7 complaints per 1,000 members. This was the same ratio as seen in the 2018 survey.

‘Other’ schemes were proportionally most likely to generate complaints. They accounted for 57% of all public service pension scheme memberships but 78% of all complaints and received 1.0 complaints per 1,000 members. In comparison, Firefighters’ schemes received 0.6 complaints per 1,000 members, and Local Government and Police schemes both received 0.4.

Schemes were also asked to provide details of the number of complaints entering and upheld by their Internal Dispute Resolution (IDR) process in the previous 12 months. On average, 54% of all complaints entered the IDR process and 28% of these were subsequently upheld. This means that 15% of all complaints entered the IDR process and were upheld.

**Table 4.7.3 Proportion of complaints that entered the IDR process and proportion upheld**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
Proportion of complaints that entered the IDR process (mean)	54%	51%	67%	44%	77%
Proportion of those complaints entering the IDR process that were upheld (mean)	28%	63%	30%	19%	42%
<b>Proportion of <u>all</u> complaints that entered the IDR process and were upheld (mean)</b>	<b>15%</b>	<b>32%</b>	<b>20%</b>	<b>8%</b>	<b>32%</b>

Complaints made to Police and Firefighters’ schemes were most likely to enter the IDR process (77% and 67% respectively). However, the proportion of complaints that were upheld by the IDR process was highest for ‘Other’ schemes (63%).



When the above data is combined, it shows that around a third (32%) of all complaints received by 'Other' and Police schemes entered the IDR process and were upheld, compared with 20% for Firefighters' and 8% for Local Government schemes.

As detailed below, the most common types of complaints that entered the IDR process related to eligibility for ill health benefit (54%), followed by disputes or queries about the amount of benefit paid (33%) and inaccuracies or disputes around pension value or definitions (27%).

**Table 4.7.4 Most common types of complaints entering IDR process**

Top Mentions (5%+)	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All with complaints entering the IDR process</i>	137	10	23	80	24
Eligibility for ill health benefit	54%	60%	39%	71%	8%
Disputes or queries about the amount of benefit paid	33%	40%	26%	33%	38%
Inaccuracies or disputes around pension value or definitions	27%	20%	39%	23%	33%
Pension overpayment and recovery	17%	60%	9%	14%	21%
Inaccurate data held and/or statement issued	17%	50%	9%	14%	21%
Delay or refusal of pension transfer	15%	0%	4%	21%	8%
Slow or ineffective communication	9%	10%	4%	13%	0%
Delays to benefit payments	8%	10%	0%	13%	0%
Death grants	5%	0%	4%	6%	4%
Don't know	7%	10%	13%	3%	17%
Did not answer question	1%	0%	4%	0%	0%

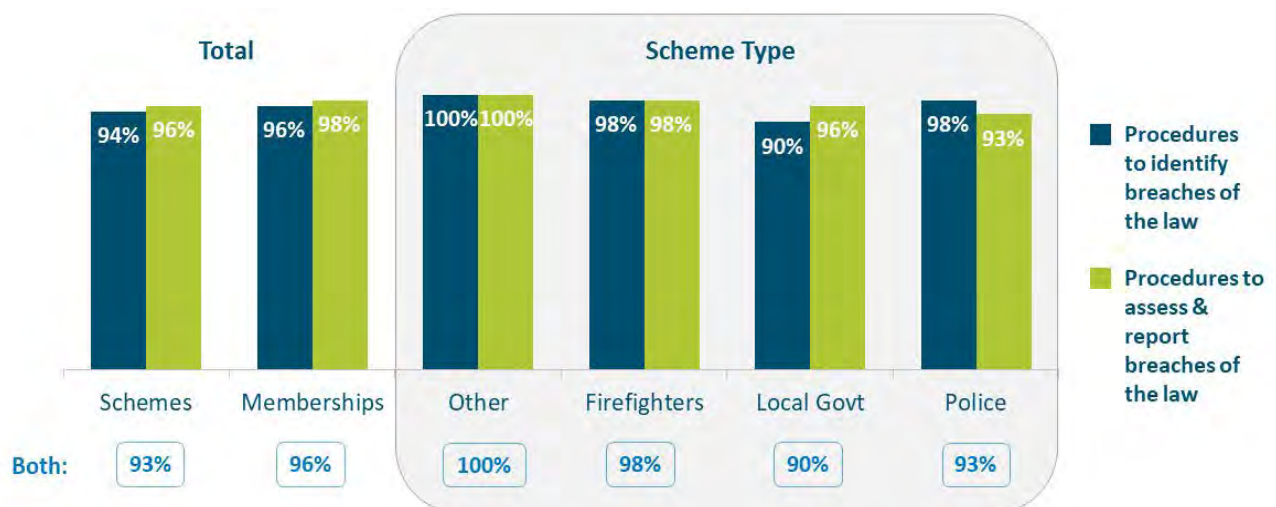
Eligibility for ill health benefit was the most common type of complaint that entered the IDR process for 'Other', Firefighters' and Local Government schemes (60%, 39% and 71% respectively). 'Other' schemes also identified pension overpayment and recovery as a common complaint (60%), and inaccuracies or disputes around pension value or definitions was a common complaint for Firefighters' schemes.

Police schemes were considerably less likely to put ill health benefit complaints into the IDR process (8%); their most common complaints instead related to disputes or queries about the amount of benefit paid (38%) and inaccuracies or disputes around pension value or definitions (33%).

## 4.8 Reporting breaches

The vast majority of schemes had procedures in place to identify breaches of the law (94%) and to assess these and report them to TPR if required (96%). All of the 'Other' schemes had both procedures in place, but Local Government schemes were least likely to have procedures to identify breaches of the law (90%) and Police schemes were least likely to have procedures to assess and report breaches (93%).

**Figure 4.8.1 Proportion of schemes with procedures to identify breaches of the law and to assess breaches of the law and report these to TPR if required**



All respondents (Base, Don't know if procedures to identify, Did not answer if procedures to identify, Don't know if procedures to assess and report, Did not answer if procedures to assess and report) - Schemes (202, 1%, 1%, 0%, 1%), Memberships (202, 1%, 1%, 0%, 1%), Other (11, 0%, 0%, 0%, 0%), Firefighters (49, 0%, 0%, 0%, 0%), Local Government (97, 2%, 2%, 0%, 2%), Police (45, 2%, 0%, 2%, 0%)

The proportion of schemes with both procedures in place increased from 53% in 2015 to 93% in 2018 but did not change between 2018 and 2019.

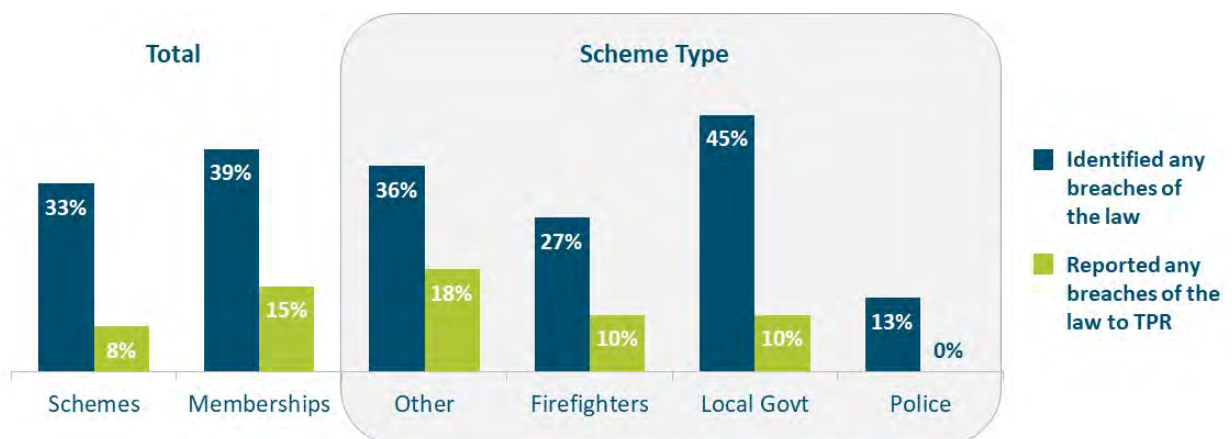
However, there were some changes since 2018 at a scheme type level. The proportion of Firefighters' schemes with both procedures in place increased (+9 percentage points) but there was a fall for Local Government schemes (-4 percentage points).

**Table 4.8.1 Proportion of schemes with procedures to both identify and assess and report breaches of the law – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	93%	100%	98%	90%	93%
PSPS Survey 2018	93%	100%	89%	94%	93%
PSPS Survey 2017	90%	100%	84%	95%	84%
PSPS Survey 2016	84%	100%	78%	91%	69%
PSPS Survey 2015	53%	67%	36%	51%	73%

In addition to asking whether schemes had procedures to identify, assess and report breaches of the law, the survey also captured data on the proportion that had done so in the previous 12 months. For these questions, schemes were asked to exclude any breaches relating to their annual benefit statements.

A third (33%) of schemes had identified non-annual benefit statement breaches of the law in the previous 12 months, and 8% had reported breaches to TPR in this period as they thought they were materially significant (ie around a quarter of those identifying breaches reported them to TPR).

**Figure 4.8.2 Proportion of schemes that identified breaches of the law and reported any breaches to TPR in last 12 months (excluding those relating to annual benefit statements)**

All respondents (Base, Don't know if identified, Did not answer if identified, Don't know if reported, Did not answer if reported) - Schemes (202, 1%, 1%, 0%, 1%), Memberships (202, 0%, 1%, 0%, 1%), Other (11, 0%, 0%, 0%, 0%), Firefighters (49, 2%, 0%, 0%, 0%), Local Government (97, 0%, 2%, 0%, 2%), Police (45, 4%, 0%, 0%, 0%)

The proportion identifying breaches in the previous 12 months was highest for Local Government and 'Other' schemes (45% and 36% respectively). 'Other' schemes were also most likely to have reported breaches to TPR (18%) followed by Firefighters' and Local Government schemes (10% for both). Police schemes were the least likely to identify breaches (13%), and none of these were reported to TPR.

Larger schemes were more likely to have identified non-ABS breaches than smaller schemes; 53% of those with over 30,000 memberships had done so in the previous 12 months, compared with 29% of those with 5,001-30,000 memberships and 17% of those with 5,000 or fewer memberships. The proportion reporting breaches to TPR followed a broadly similar pattern with 12% of those with over 30,000 memberships reporting a breach, compared with 5% of those with 5,001-30,000 memberships and 7% of those with 5,000 or fewer memberships.

Where breaches of the law were identified, they were most commonly attributed to the scheme's employers. Approaching half (45%) of those identifying breaches stated that these were caused by late or non-payment of contributions by the employer(s), 42% cited failure of the employer(s) to provide timely, accurate or complete data and 21% mentioned other employer-related issues.

**Table 4.8.2 Causes of breaches identified (excluding those relating to annual benefit statements)**

	Total	
	Schemes	Memberships
<i>Base: All identifying breaches of the law (not related to ABS)</i>	67	67
Late or non-payment of contributions by the employer(s)	45%	56%
Failure of the employer(s) to provide timely, accurate or complete data	42%	51%
Systems or process failure	24%	14%
Other employer-related issues	21%	44%
Management of transactions (e.g. errors or delays in payments of benefits)	16%	22%
Failure to maintain records or rectify errors	13%	6%
Other	21%	10%
Don't know	0%	0%
Did not answer question	0%	0%

## 4.9 Addressing governance and administration issues

All schemes were asked to identify the top three barriers to improving their governance and administration over the next 12 months. The most widely mentioned was the complexity of their scheme (63%), followed by the volume of changes required to comply with legislation (49%), the McCloud judgement (42%), lack of resources or time (39%), and the recruitment, training and retention of staff and knowledge (36%).

**Table 4.9.1 Barriers to improving governance and administration over next 12 months**

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	11	49	97	45
Complexity of the scheme	63%	27%	84%	56%	64%
The volume of changes that are required to comply with legislation	49%	27%	55%	38%	69%
The McCloud judgement	42%	91%	51%	24%	60%
Lack of resources or time	39%	27%	35%	47%	27%
Recruitment, training and retention of staff and knowledge	36%	9%	31%	42%	33%
Employer compliance	21%	9%	0%	42%	0%
Issues with systems (IT, payroll, administration systems, etc.)	11%	18%	2%	16%	9%
Lack of knowledge, effectiveness or leadership among key personnel	3%	0%	6%	4%	0%
Poor communications between key personnel	3%	0%	2%	4%	2%
Other barriers	7%	36%	8%	5%	4%
There are no barriers	2%	9%	2%	1%	2%
Don't know	0%	0%	2%	0%	0%
Did not answer question	1%	0%	0%	2%	0%

Complexity of the scheme was the most commonly identified barrier for both Firefighters' (84%) and Local Government (56%) schemes, but for Police schemes it was the volume of changes that are required to comply with legislation (69%).

The vast majority of 'Other' schemes (91%) identified the McCloud judgement as one of their top barriers. This was also seen as a major barrier by Police (60%) and Firefighters' (51%) schemes, but fewer Local Government schemes (24%).

Schemes were also asked to what they would attribute any improvements made to their governance and administration in the last 12 months. A variety of improvement drivers were identified, but the major ones were better understanding of the risks facing the scheme (59%) and better understanding of the underlying legislation and standards expected by TPR (57%). A further 38% attributed improvements to resources being increased or redeployed to address risks.

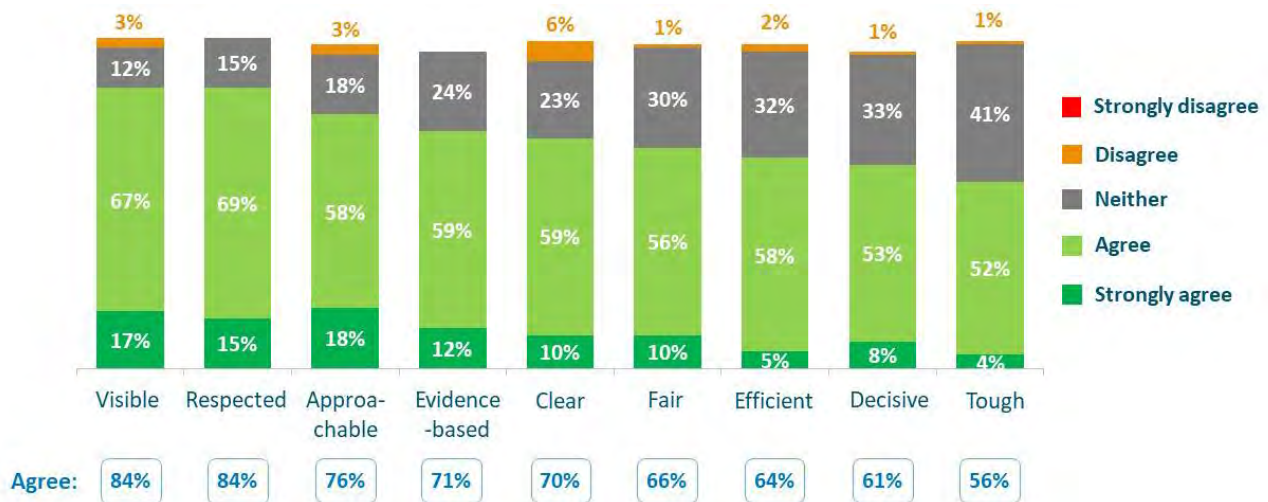
**Table 4.9.2 Drivers of improvements to governance and administration in last 12 months**

	Total schemes	Scheme Type			
		Other	Fire-fighters	Local Govt	Police
<i>Base: All respondents</i>	202	11	49	97	45
Improved understanding of the risks facing the scheme	59%	64%	57%	52%	76%
Improved understanding of underlying legislation and standards expected by TPR	57%	36%	57%	53%	73%
Resources increased or redeployed to address risks	38%	45%	27%	49%	22%
Pension board action	33%	45%	37%	28%	36%
Administrator action	30%	18%	43%	34%	9%
Improved engagement by TPR	24%	36%	14%	26%	27%
Scheme manager action	17%	27%	24%	20%	2%
Other	5%	0%	10%	5%	2%
No improvements made in the last 12 months	2%	0%	6%	1%	2%
Don't know	2%	0%	4%	2%	2%
Did not answer question	1%	0%	0%	3%	0%

### 4.10 Perceptions of TPR

When asked for their perceptions of TPR, schemes were most likely to agree that it was visible and respected (both 84%) and least likely to agree that it is decisive and tough (61% and 56% respectively). Few schemes actively disagreed with each of the descriptors of TPR, with those that did not agree typically indicating that they neither agreed nor disagreed with each one.

Figure 4.10.1 Perceptions of TPR



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 0-4%, 0%)

'Other' schemes typically had the most positive perception of TPR, with 100% agreeing that TPR was respected and approachable. Police schemes were more likely to see TPR as tough (71%) compared with the other three scheme types (52%-55%).

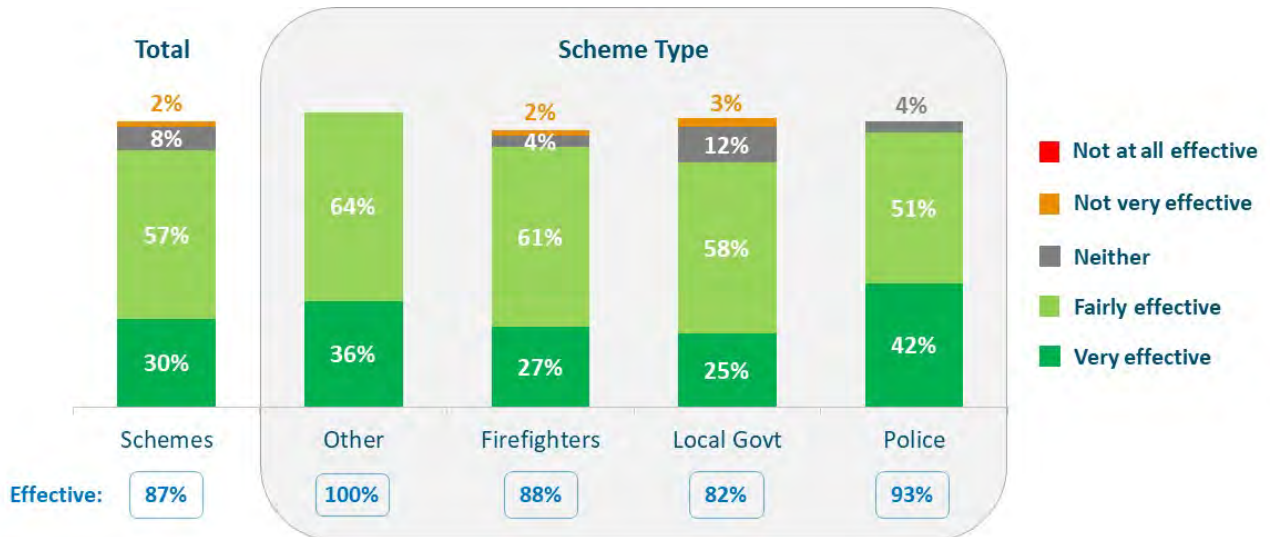
There were increases since 2018 in the proportion seeing TPR as decisive (+8 percentage points), respected (+6 percentage points) and evidence-based (+4 percentage points). However, there was a decrease in the proportion seeing TPR as visible (-5 percentage points).

Table 4.10.1 Proportion of schemes agreeing with descriptors of TPR – Time series

	Visible	Respected	Approachable	Evidence-based	Clear
PSPS Survey 2019	84%	84%	76%	71%	70%
PSPS Survey 2018	89%	78%	73%	67%	70%
PSPS Survey 2017	84%	84%	73%	60%	73%
	Fair	Efficient	Decisive	Tough	
PSPS Survey 2019	66%	64%	61%	56%	
PSPS Survey 2018	66%	60%	53%	55%	
PSPS Survey 2017	71%	64%	50%	47%	

Schemes were also asked how effective they believed TPR to be at improving standards of governance and administration in PSPS. Overall, 87% judged TPR to be effective, with 30% describing it as very effective.

**Figure 4.10.2 Perception of TPR’s effectiveness at improving standards of governance and administration in PSPS**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 2%, 0%), Other (11, 0%, 0%), Firefighters (49, 6%, 0%), Local Government (97, 1%, 1%), Police (45, 2%, 0%)

Every 'Other' scheme rated TPR as either very or fairly effective in this regard. Police schemes were the most likely to perceive TPR as very effective (42%).

There was little change in perceptions since 2018, although the proportion of Local Government schemes describing TPR as effective fell (from 89% to 82%).

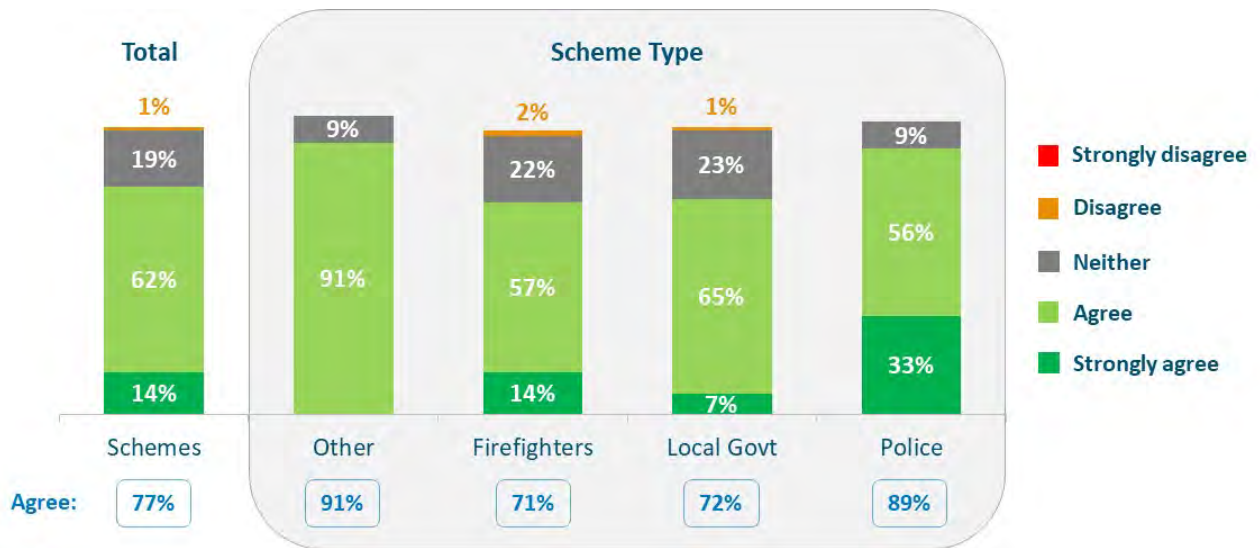
**Table 4.10.2 Proportion of schemes rating TPR as very or fairly effective – Time series**

	Total schemes	Scheme Type			
		Other	Firefighters	Local Govt	Police
PSPS Survey 2019	87%	100%	88%	82%	93%
PSPS Survey 2018	88%	100%	83%	89%	89%
PSPS Survey 2017	91%	100%	92%	90%	91%
PSPS Survey 2016	82%	82%	82%	85%	74%

Schemes were also asked the extent to which they agreed that TPR is effective at bringing about the right changes in behaviour among its regulated audiences. As shown in Figure 4.10.3, three-quarters of all schemes (77%) agreed with this statement, rising to around nine in ten 'Other' (91%) and Police (89%) schemes.



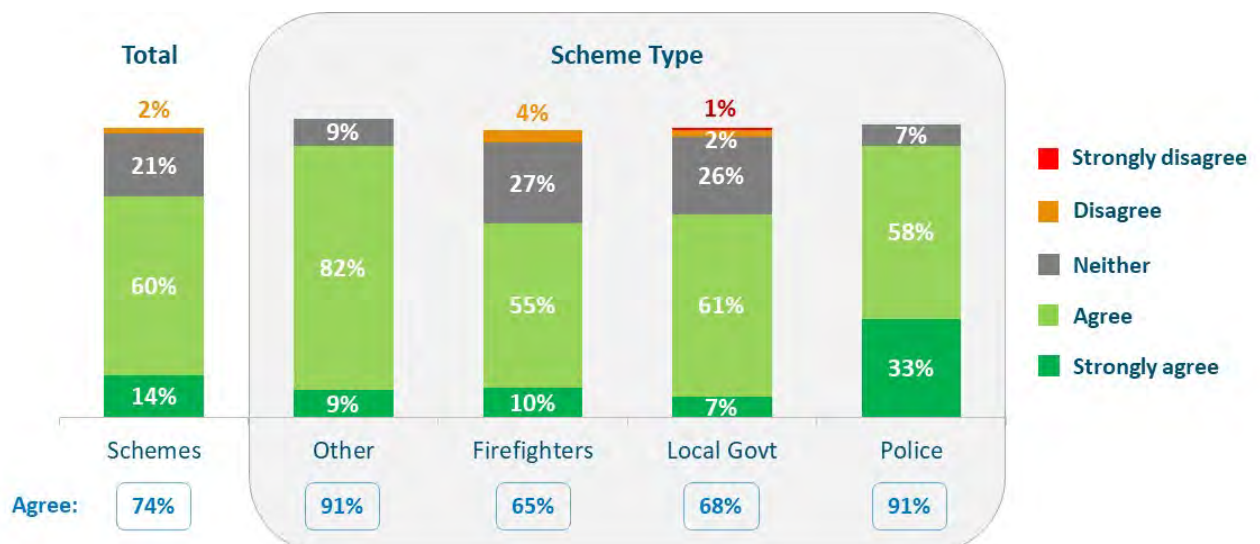
**Figure 4.10.3 Proportion agreeing that TPR is effective at bringing about the right changes in behaviour among its regulated audiences**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 3%, 0%), Other (11, 0%, 0%), Firefighters (49, 4%, 0%), Local Government (97, 3%, 1%), Police (45, 2%, 0%)

When asked the extent to which they agreed that TPR is proactive at reducing serious risks to member benefits, the results were similar. Three-quarters (74%) of schemes agreed with this, and again agreement levels were higher among 'Other' and Police schemes (both 91%) than Firefighters' and Local Government schemes (65% and 68% respectively).

**Figure 4.10.4 Proportion agreeing that TPR is proactive at reducing serious risks to member benefits**



All respondents (Base, Don't know, Did not answer question) - Schemes (202, 2%, 0%), Other (11, 0%, 0%), Firefighters (49, 4%, 0%), Local Government (97, 2%, 1%), Police (45, 2%, 0%)

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## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
18 February 2021

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### 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 18<sup>th</sup> July 2019. Members requested that whilst a full Risk Register is maintained by officers only the following risks need to be highlighted to Committee on a quarterly basis.
  - New risks;
  - Risks which have changed or been re-categorised;
  - Risks which are rated red; and
  - Risks which are considered to have been mitigated & stabilised & can be recommended for approval to the register's ceased/dormant category for continued monitoring by officers only.
3. Under the reconfigured Risk Register strategy, the identification of risks will be more evidence based using the Scheme update, Business Plan, Audit recommendations, Minutes of meetings, Fund's KPI dashboard and Brunel and investment pooling data as sources of information for risk identification.

#### Key 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.
  - **PEN058: Service disruption is created during the implementation of the Council's Evolve Programme on the Fund:** (Green) To ensure that Wiltshire Council provides the WPF with strategic updates concerning any replacement of software applications during 2021 which may potentially have a significant impacts on the Fund's IT & Payroll functions.
6. The evidence-based review of the register identified the following risks had changed or need to be recategorized;
  - **PEN022: Rectification of records with GMP issues – Time-consuming, costly & may causes reputational damage:** (From Amber to Red) Potentially incorrect liabilities being paid by the Fund. Progress with the Pensioner Payroll

Database reconciliation project may impact on the Fund's liabilities and its reputation.

- **PEN045: GMP legislative changes:** (From Green to Amber) Anticipated guidance from HMRC on GMP equalisation & indexation may impact on the Fund's liabilities and its reputation.
- **PEN054: Failure to implement an interim investment portfolio, private markets & multi asset credit arrangements:** (From Amber to Green) Implementation has occurred and the Committee is to be updated quarterly on the progress of the investment. Officers also recommend that this risk be moved from the Dynamic to Dormant risk register category.

7. Risks remaining "red", high risk:

- **PEN041: The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy:** (Red) Work on developing the Fund's policies, disclosures and strategy is ongoing. Additional resource will be required, likely to be by way of specialist consultancy support.
- **PEN042: Significant retrospective legislation changes related to the McCloud case:** (Red) Following the release of the Government's consultation document in July analysis of the Scheme's members who may be affected has been undertaken. Early indications suggest that potentially c27k members may be affected, as well as increasing the work on several supplementary administrative tasks. The impact actuarially speaking is likely to be minimal. Members requested that it be kept as a red risk until the administrative impact is completely clear.
- **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** (Red) Progress and updates should continue to be regularly reported to Committee. The Board recommended the introduction of a monitoring & reporting timetable & to conduct an independent audit which was approved by the Committee.
- **PEN052: COVID-19:** (Red) 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(s).
- **PEN055: Failure by Brunel Pension Partnership to properly address shareholder concerns via the governance review:** (Red) Governance arrangements set in place at the outset of Brunel's creation are being reviewed and it is vitally important that Wiltshire and all the shareholders are satisfied with the breadth and depth of this review and any resulting changes. Recent communications suggest progress is beginning to be made.

8. There are three risks on the risk register recommended for removal from quarterly presentation to the Board.

- **PEN026: A lack of effectiveness of Committee meetings due to the impact of MiFID II Regulations:** (Green) Following completion of a recent SWAP audit covering the Fund's processes & management of the MiFID II regulations no significant concerns were raised concerning the effectiveness of Committee meetings.
- **PEN040: The Fund's inability to implement the conclusion of the Fair Deal Consultation:** (Green) No response on this subject has been received from MHCLG since officers submitted their feedback to the consultation prior to the deadline of 4th April 2019. As a result, it is recommended that this risk is moved from Horizon to Dormant.
- **PEN051: A risk that the fixed income portfolios which are currently being scoped by Brunel may not be the best fit for Wiltshire** (Green) Officers continue to work with Brunel on their review and provide feedback on the portfolio

specifications they are developing. Officers no longer see this as a risk and recommend that it is moved from Dynamic 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

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Ref.	Risk	Cause	Impact	Primary Risk Category (CIPFA)	Secondary Risk Category (Operational)	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent risk score	Controls in place to manage the risk	Impact	Likelihood	Residual risk score	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion of action
PEN058	Service disruption is created during the implementation of the Council's Evolve Programme on the Fund	Wiltshire Council intends to introduce a replacement for SAP, with the tend process due to be completed by July & the implementation by January 2022	SAPs replacement will impact on multiple services areas provided by the Council to the Fund, most notably the Fund's payroll function & IT services.	GOVERNANCE	SERVICE FUNCTION	Andy Brown	Low	3	1	3	As part of the Fund's oversight of its Payroll & IT services, it is recommended that the Committee request periodic strategic updates during the course of 2021 from the Fund's s151 Officer to be able to assess the level of risk & whether any mitigations need to be identified.	1	1	1		Low	↔	Andy Brown	Dec-21
PEN056	Failure to implement the findings of the Goodwin vs the UK case in relation to discrimination which will affect public service pension schemes on the grounds of sexual orientation	Following a male to female transsexual post operative procedure the claimant stated that her human rights had been infringed when she was still treated as a man for National Insurance contributions purposes, as she continued to make payments after the age at which a woman would have ceased payments, thus causing harassment. A second similar claimant stated she was unable to obtain work as she was unable to provide her birth certificate revealing her gender history.	There is no remedy proposed yet, although some auditors are pressing for an allowance to be included in 2020 IAS19/FRS102 reports. Whilst the funding costs are expected to be small, this will be a further administration and communication burden to address.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	1	1	1	The implementation of risk controls will be introduced on communication of remedies.	1	1	1		Low	↑	Andy Cunningham	N/A
PEN050	Failure to comply with tPR's anticipated new Single Code of Practice Statement	The new requirements for pension scheme governance came into force on 13 January 2019 as part of the transcription of the IORP II Directive into UK law. The new EU Directive covers the activities and supervision of institutions for occupational retirement provision (IORP)	Consequently the tPR is simplifying its codes of practice as part of its 'clearer, quicker, tougher' campaign and in response to new requirements for scheme governance, the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018. Codes combined notably relate to 9, 13, 14 & 15.	GOVERNANCE	SERVICE FUNCTION	Richard Bullen	Low	2	2	4	It is anticipated that early focus will be on the codes that are most affected by the new regulations, starting with internal controls & effective governance. Trustees will need to be able to demonstrate that they have an effective system of governance within 12 months of its publication	3	1	3	None, until the Single Code of Practice Statement is released which not anticipated until 2021.	Low	←	Richard Bullen	N/A
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.	Administration: Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. Cost: Higher costs for employers	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Medium	2	4	8	None until further information is available. Note: this is unlikely to happen until the McCloud case changes are finalised, as McCloud will already increase costs in itself.	2	4	8	None	Medium	→	Andy Cunningham	N/A
PEN042	Significant retrospective legislation changes related to the McCloud case	An age discrimination case taken to Court by a group of firefighters and Judiciary employees	Increased contribution rates for employers and high levels of administration time and complication.	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 32)	Andy Cunningham	High	3	4	12	None - Whilst it now appears almost certain that a change will take place, it is still unclear exactly what the change will be, its magnitude and how the Fund can mitigate it. It is noted that the Valuation results have made no allowance for the consequences of the McCloud case, primarily due to the prudence applied to the investment return expectations of 75%, but also due to the implementation of actuarial guidance.	2	4	8	a) On actuarial guidance it is anticipated that whilst a review will be required the financial impact may be minimal as in most cases the underpin check for a member's benefits will not bite. b) Following the release of the Government's consultation document in July analysis of the Scheme's members who may be affected has been undertaken. Early indications suggest that c27k members from all status types will need to be reviewed, however cases where the underpin bites continues to be considerably less. Supplementary impacts such as the Annual Allowance, transfers & dependent benefits will also need to be considered, as well as changes to the Fund's internal controls to ensure that cases are reviewed as the liability falls due & that those which have been reviewed are marked accordingly.	Medium	→	Andy Cunningham	N/A
PEN040	The Fund's inability to implement the conclusion of the Fair Deal Consultation	This consultation contains proposals which would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provide	The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. Failure to implement the changes would have a significant impact on affected members benefits.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Officers will continue to monitor developments to help ensure it is prepared to make any changes required.	2	2	4	No response on this subject has been received from MHCLG since officers submitted their feedback to the consultation prior to the deadline of 4th April 2019. As a result, it is recommended that this risk is moved from Horizon to Dormant.	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

## Dynamic Risks

PEN057	Failure to implement the Accessibility Regulations	For the Fund to comply with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018, the Equality Act 2010 & subject to understanding the Web Content Accessibility WCAG 2.1 guidelines which came into full force from September 2020.	Government Digital Service (GDS) monitors public sector bodies' compliance on behalf of the Minister for the Cabinet Office. If GDS decides that a public sector body has failed to publish an accessibility statement, or that the accessibility statement is incorrect, it will publish the name of that body & a copy of the decision. In addition organisations in breach of the Equality Act 2010 and the Disability Discrimination Act 1995 may be liable to investigations, unlawful act notices and court action leading to reputational damage.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	1	1	1	Although not strictly a Pension Fund responsibility, the Administering Authority determined that as the Pension Fund operated a separate URL in respect of the Pension Fund's website it would view it as a separate entity & therefore required the Fund to make its own compliance arrangements. Fund officers have therefore initiated a project team to implement website compliance which will include an independent audit of its website compliance. The Fund's initial accessibility meeting took place on 5th November to scope its strategy.	1	1	1	The key actions agreed on 5th November are;	Low	→	Ashleigh Salter	N/A
PEN055	Failure of the Brunel Pension Partnership to properly address shareholders concerns via the governance review	Governance arrangements set in place at the outset of Brunel are due for review and it is vitally important that Wiltshire and all shareholders are satisfied with the breadth and depth of the review, and the resulting changes.	With the Wiltshire Pension Fund & other stakeholders being required to invest significant sums of money with BPP, robust governance arrangements are vital to ensure that shareholders are able to take assurance over the running of the partnership	GOVERNANCE	SERVICE FUNCTION	Andy Brown	High	4	4	16	Brunel's governance review is ongoing. Wiltshire has actively engaged with Brunel, by sending a letter on behalf of Committee members, to make Wiltshire's expectations clear, and also via the Head of Pension Fund Investments' input at a client group level.	4	2	8	Officers will regularly monitor the progress of the governance review and engage at all possible opportunities. Committee members will be kept informed of all developments.	Medium	→	Andy Brown	N/A

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	Low	2	2	4	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 be closed making remote working essential but difficult. In addition, it is expected that up to 20% of people will be off sick & needing to self-isolate causing service issues. Consequently issues around staffing, investment returns, employers supplying data, management of employer covenants, support from suppliers & contractors are all likely to be factors in the management of the Fund.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham/ Jenny Devine	High	4	4	16	The Council's/Fund's Business Continuity Plan will need to be activated. Regular communication with key services & service providers should be maintained. Fund officers have already taken a series of steps to ensure ongoing service & are giving consideration to the daily government updates & Council policy in the taking of those decisions.	4	4	16	High	↕	Andy Brown/ Andy Cunningham/ Jenny Devine	N/A
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	Low	↓	Jennifer Devine	Mar-20
PEN047	There is uncertainty around the ability of Brunel to resource its property portfolio offering	It is intended that property assets will transfer to Brunel in late 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	Low	→	Jennifer Devine	Jun-20
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	Medium	3	2	6	HMRC undertook a consultation in the last quarter of 2020 requesting responses by 30 December 2020. The WPF along with many other organisations responded to that consultation and on publication of the results the Fund will seek guidance from its professional advisers in respect of both its equalisation & indexation responsibilities on the next steps it should take. Results expected by April 2021.	2	2	4	Low	↑	Andy Cunningham	N/A
PEN041	The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy	Climate change is a key environmental risk which could have a material financial impact on the Fund's returns, and as such needs to be considered, managed and monitored as part of the Committee's fiduciary duty, and to protect the investment returns of the Fund.	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	High	3	4	12	The Committee is engaged in ongoing work to help determine the most appropriate direction of travel, with expert consultancy support. Significant progress has been made so far, but current considerations around amending the investment strategy and implementing changes are still a work in progress. Work is also being done within the Brunel pool to address this risk.	2	4	8	Medium	↑	Jennifer Devine	On-going
PEN038	The Fund's inability to implement the DWP's Dashboard within a notified timescale.	Late communication by the DWP to specify their requirements for the Fund to comply with this new nationwide Dashboard. Potential for unexpected implementation costs and/or the Fund being unable to meet the reporting requirements.	Non-compliance would lead to a reputational risk for the Fund. A statutory requirement to contribute may also be created.	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	1	2	2	Senior officers to keep themselves apprised of developments and seek more detailed information as the project develops.	1	2	2	Low	→	Mark Anderson	N/A
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	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	Low	→	Samantha Wooster	On-going
PEN022	The rectification of records with GMP issues is time-consuming, costly & causes reputational damage.	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to 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	High	3	4	12	Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and in order to undertake further analysis of the problems identified.	2	4	8	Medium	↑	Mark Anderson	u/k
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. Engagement with the relevant public service HR dept's in relation to the implementation of the Exit will be essential.	LEGISLATIVE	SERVICE FUNCTION	Andy Cunningham	Medium	3	3	9	The consultation is due to be completed on 9th November. Key risk controls should include; 1) Fund officers should ensure that relevant HR officers understand the implications of the Cap. 2) Review the Compensatory Regulations after they've been re-written and LGPS Regulations too as a priority 3) Ensure Fund officers understand the new regulations & draft proforma to manually calculate options, prior to the delivery of automated calculation routines 4) Consider any TUPE transfer implications 5) Liaise with HR department concerning potential redundancy exercises in 2021 & 6) Undertake a review of Fund's documentation to include disclaimers	2	3	6	Medium	↑	Andy Cunningham	N/A
PEN018	Failure to set in place appropriate Cyber Security measures	Over reliance by Fund is potentially being place on its Administering Authority's IT security arrangements & that of its key software database providers without proper scrutiny/reporting of their security arrangements	Impact is significant concerning the operational effectiveness of the Fund, notably in relation to the data held and the ability to calculate and process member benefits	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Medium	4	2	8	Cyber security reports to be requested on an annual basis from both Wiltshire Council's IT department & the main database manager Heywood's. Further steps will be considered on the receipt of those reports	4	1	4	Low	↑	Andy Cunningham	N/A



## Ongoing Risks

PEN048	The transition to pooling of LGPS assets with BPP fails to deliver the projected savings	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of unanticipated costs and/or savings less than projected.	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN 2020/21 (Objective(s) 21)	Jennifer Devine	High	4	3	12	The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain.	3	3	9	Significant amount of resource still required by officers to progress this project. On 13th February 2020 the Board recommended that a monitoring & reporting timetable being put in place concerning BPP's transition to help mitigate this risk.	Medium	→	Jennifer Devine	On-going
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	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	A minimum of annual service review reviews have been implemented with all AVC providers, managed by the Investment & Accounting team. The review will cover customer service & investment performance.	2	1	2	None.	Low	→	Roz Vernon	On-going
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 enhance reporting & verify effective implementation. Nova Sail will also be introduced to leverage & optimise the software capability employed by the Fund.	Low	→	Samantha Wooster	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 employees in the Fund could jump from 180 to between 400 and 500.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	2	4	The Fund is monitoring the SAB review of academies roles in the LGPS and will take actions (e.g. respond to consultations) as necessary to try to mitigate this risk further.	Low	→	Andy Cunningham	N/A
PEN024	The implementation of Brexit causes investment volatility or unexpected legislative changes	With 31 <sup>st</sup> December approaching the UK & EU's trading agreement is still uncertain	The arrangements by which the UK leaves the EU may produce short term volatile market movements which could impact on asset performance.	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Medium	3	3	9	The Fund had liaised with its investment managers on the potential impact of an exit. Since that decision the Fund has undertaken a valuation & in parallel reset its investment strategy. The dominant factors of the investment strategy continue to be the traditional funding of liabilities to pay its pensions, climate change & a possible global recession.	3	1	3	The markets appear to have now factored in the Brexit effect.	Low	↑	Jennifer Devine	On-going
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 2019 Committee and 24 January 2019 Local Pension Board. Overall, their level of knowledge was deemed good but there were areas of improvement identified that Officers will consider when looking at future training plans. Pensions is a complex subject, so the training needs of the Committee will need to be continued reviewed. Generally both Committee & Board members are taking a more active approach to training and requesting structured training in key areas	Low	→	Richard Bullen	On-going
PEN017b	A lack of Committee Member compliance with all regulations	Lack of Member willingness or awareness to be compliant with new regulations as they come into force leading to breaches of legislation and reportable offences	Over reliance on officers & advisers to ensure compliance leading to a lack of oversight challenge	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Medium	2	3	6	Member attendance at conferences & seminars enables independent information sources. Update of the Look forward plan including the introduction of an annual audit plan to ensure the fund's compliance requirements are implemented & the results of the audit reported to Committee	2	1	2	None	Low	→	Richard Bullen	On-going
PEN016	A lack of effectiveness in respect of the Fund's Treasury Management Services	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Low	3	1	3	The Pension Fund will review an updated Treasury Management Strategy annually which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m. The Fund will also review in Treasury Management Agreement with the Council in 2019.	2	1	2	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal. A minimum of annual updates by the Council need to be presented to the ISC	Low	→	Roz Vernon	N/A
PEN015	Failure to collect payments from ceasing employers	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities. The impact of COVID-19 on financial markets means the likelihood is currently increased.	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	ACTUARIAL METHOD	BUSINESS PLAN 2020/21 (Objective(s) 36,42)	Andy Cunningham	Low	2	2	4	The Pension Fund Committee approved a revised cessation policy on 26 March 2020 to address regulatory changes made in March 2020 (backdated to May 2018). Furthermore, all new admitted bodies require a guarantor to join the Fund which means that a stable Scheme Employer is required to act as the ultimate guarantor. Due to the current impact on COVID-19 situation on investment returns, we are currently encouraging employers to delay cessation crystallisation events where possible to avoid crystallise a large deficit.	2	1	2	A new employer cessation policy was approved in March 2020, however since then further guidance has been published nationally setting out Fund discretionary payment plans already introduced by Wiltshire. It should be noted that whatever determination the Fund makes there is a risk it will be open to challenge. In summary the Fund needs to amend our FSS & consider how this should work best and communicate out to employers accordingly. Furthermore, with regards to the spreading of exit payments & deferred debt agreements officers need to consider what changes to the existing cessation policy (sections 7 and 9) are needed for the Fund to be compliant	Low	↓	Andy Cunningham	On-going
PEN013	Failure to communicate properly with stakeholders	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	The Fund has a Communications Manager and Employer Relationship Manager posts dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	1	2	None	Low	→	Denise Robins/Samantha Wooster	N/A
PEN012	Over-reliance on key officers	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a large knowledge gap could be left behind.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Medium	3	2	6	Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	1	2	None - the risk will reduce once the existing team increases its level of knowledge and experience through greater time in their roles. A knowledge hub is being developed within the Fund and the LGA may create a practitioners bible which would work as a reference document for officers. Following the Accounting & Investment team restructure a key person risk has emerged in relation to supporting the Head of Pension Fund Investments.	Low	↑	Andy Cunningham/Jennifer Devine	18/07/19

PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability. Resourcing issues due to holding a vacancy in a key role in the investments team.	Bad decisions may be made in relation to any of the areas on this register, but particularly in relation to investments. Risk of being unable to fulfil statutory obligations and/or maintain key financial controls.	GOVERNANCE	BUSINESS PLAN 2020/21 (Objective(s) 2,3,31)	Andy Cunningham/ Jennifer Devine	Medium	3	3	9	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. Formulated annual Training Plans relevant to officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists. A Fund knowledge hub is being developed.	2	3	6	The Director of Finance & Procurement is now filled on a permanent basis and other senior officer roles in the Pension Fund are now filled by permanent staff for a significant period of time. Officer training to be enhanced to assist knowledge & understanding.	Medium	→	Andy Cunningham/ Jennifer Devine/ Corporate Directors	On-going
PEN010	Failure to keep pension records up-to-date and accurate	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc. Early indications suggest the likelihood is increased due to the impacts of COVID-19 on employers and Fund officers.	Incorrect records held, leading to incorrect estimates being issued to members and incorrect pensions potentially being paid.	GOVERNANCE	BUSINESS PLAN 2020/21 (Objective(s) 38)	Andy Cunningham	Medium	3	3	9	Data & systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), proactive checks done through national fraud initiative and the Fund's Data Improvement Plan.	3	1	3	The Fund is currently addressing new data issues identified by a review of the IPR two key data standards and other data reviews while ensuring data is of high quality is an on-going responsibility.	Low	→	Mark Anderson	On-going
PEN009	Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018)	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	LEGISLATIVE	SERVICE FUNCTION	Andy Cunningham	Medium	2	3	6	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.	2	1	2	Further reviews and changes in relation to the GDPR. First internal audit (Key Controls - April 2019) identified a lack of clarity in relation to the Fund's Data Retention strategy, where no justification for retaining personal data can be made, notably Exit No-liability records. Data Cleaning must be carried out. Officers to agree with IG Data Cleaning approach. The 2nd internal audit identified the need for improvements to the Fund's DPIA arrangements.	Low	↑	Mark Anderson	On-going
PEN008	Failure to comply with LGPS and other regulations	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect. Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	ADMINISTRATION	BUSINESS PLAN 2020/21 (Objective(s) 7,33)	Andy Cunningham	Low	2	2	4	*Sufficient staffing, training and regulatory updates. *Competent software provider and external consultants. *Technical & Compliance post reviews process and procedures and maintains training programme for the team. *KPIs against statutory standards *Imbedding checks and controls into all processes. *Audits & internal reviews to maintain best practice	2	2	4	Review of ABS requirements to ensure on-line delivery is compliant with disclosure requirements	Low	→	Luke Webster/ Jennie Green	N/A
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Medium	3	2	6	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement. Query over covenant reviews following expiry of PWC contract.	Low	→	Jennifer Devine	On-going
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Low	2	1	2	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	The implementation of the Stabilisation Policy limits increases for secure employers.	Low	→	Jennifer Devine	On-going
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	ACTUARIAL METHOD	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	As above	2	2	4	As above	Low	→	Andy Cunningham	On-going
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	ACTUARIAL METHOD	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. Furthermore, the Fund and each employer must have a Discretionary Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	2	4	None	Low	→	Andy Cunningham	On-going
PEN005	Loss of funds through fraud or misappropriation	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	4	1	4	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Officers completed an Anti-Money Laundering questionnaire issued by Deloitte's & returned to the Accountancy firm in January 2020. The responses will form part of the Auditor's audit strategy.	Low	→	Roz Vernon	On-going
PEN002	Failure to collect and account for contributions from employers and employees on time	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Medium	3	2	6	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	The 2020 SWAP internal audit report highlighted a Priority 2 risk requesting officers ensure that a review of the member contribution processes raised in their report are undertaken promptly & to future-proof those processes to ensure appropriate efficiencies are made	Low	↑	Roz Vernon	On-going

## WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD  
18 February 2021

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### **INVESTMENT STRATEGY STATEMENT**

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

1. This report explains the process in place to update the Investment Strategy Statement (ISS) for consideration and approval. It is a minor update to the 2020 version following on from a full assessment of climate change risk.

#### **Background**

2. 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.
3. 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 comprehensively revised in July 2020, and the current review is intended to incorporate some minor changes.
4. The Wiltshire Pension Fund Committee has been undertaking significant research into the issue of climate change risk. This has included several training sessions, both from an investment manager and from the Fund's investment advisors, Mercer. The Committee also commissioned Mercer to carry out climate change scenario modelling, in order to put some figures around the risk. The Committee held a climate change workshop on 19 November 2020 to discuss the findings of the modelling, and following on from this, the Committee members participated in a responsible investment beliefs survey, which was discussed at the 17 December 2020 meeting. The Committee then called an extraordinary Committee meeting on 14 January 2021 to further discuss the next steps, supported by Mercer. In addition, a training session will be held on 10 March 2021, to share the views of another investment manager with a long term growth philosophy, on considering climate change in an investment approach and identifying opportunities, and for the Fund's actuaries to also share some modelling which will demonstrate the effects of taking action (or not) on the funding level. Local Pension Board members have also been invited to all of these events.
5. The climate change scenario modelling examined the potential effects on the Fund's investment returns under 3 different warming scenarios to 2100, 2°C or under, 3°C and 4°C. The modelling looked at the impact on the current strategic asset allocation, and one with a more sustainable tilt (specifically, allocations to sustainable equities and renewable infrastructure). The modelling indicated that the fund would be materially financially better off under a 2°C warming scenario, regardless of the strategic asset allocation, and that there were also opportunities to be taken advantage of by investing in more sustainable investments.
6. At the 17 December 2020 Committee meeting, members agreed that the ISS should be updated and brought back for debate and review. As instructed by the Committee, the updated version of the ISS incorporates the following changes:

- An additional investment belief, which states that “In order to protect the Fund’s investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050”;
- An update on the work done on climate change risk;
- A statement that the Fund will follow the TCFD reporting guidelines in the 2020/21 annual report.

### **Main Considerations for the Local Pension Board**

7. The draft ISS is attached as Appendix 1.
8. The 2020 version has been updated for the changes detailed above.
9. The draft will be taken to the Investment Sub-Committee on 25 February 2021, and Full Committee on 30 March 2021 for review and approval.
10. 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**

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

### **Risk Assessment**

12. 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**

13. There are no known implications at this time.

### **Reasons for Proposals**

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

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

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

### **Proposal**

16. 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

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

Wiltshire Pension Fund

# Investment Strategy Statement



March 2021

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## **WILTSHIRE PENSION FUND (“the Fund”)**

### ***1. Introduction and Background***

#### **Outline of Local Government Pension Scheme**

The Local Government Pension Scheme (LGPS) is available to all local authority employees and the staff of certain other public and associated bodies, apart from police and fire officers and teachers, who have their own specific schemes.

The LGPS is a funded defined benefit scheme. The rate of contributions paid by Scheme members and the calculation of benefits paid to them are contained in the statutory provisions. Employer bodies also contribute to the cost of the Scheme.

#### **Role of the Administering Authority**

The LGPS is administered by individual “administering authorities”, these being prescribed in statute. Wiltshire Council is the administering authority for the County area of Wiltshire, including Swindon. It has delegated this function to the Wiltshire Pension Fund Committee (the Committee).

Administering authorities are responsible for the administration of a Pension Fund established on behalf of all employer bodies in their Scheme. The Funds are not separate legal entities from administering authorities and therefore are not covered by trust law. Nevertheless, the role of the administering authority is very similar to that of a trustee and members of the Committee therefore act in a quasi trustee role.

#### **Statutory Background**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 required administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. A link to the guidance on maintaining the ISS can be found at the link below:

<https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement>

This ISS is a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a

risk register, and has been kept short, in order to be read in as user-friendly manner as is possible.

This statement will continue to be reviewed by the Wiltshire Pensions Committee at least triennially or more frequently should any significant change occur. The Wiltshire Pension Fund is currently involved in the Brunel Pension Partnership (BPP) for investment pooling which commenced implementation in 2018.



## ***2. Investment of Money in a wide variety of investments***

### **Objectives of the Pension Fund**

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

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

### **Funding Strategy Statement**

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

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

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

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

The FSS and ISS are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed at the link below:

<https://www.wiltshirepensionfund.org.uk/media/5113/funding-strategy-statement-final.pdf>

## **Investment Powers**

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

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

## **Responsibility for Decisions**

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

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

## **Types of Investments held**

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

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

## **Balance between the Various Types of Investments**

An explanation of the relative amount to be invested in each asset class (type of investment) is provided below by the strategic benchmark adopted by the Committee. However, that does not mean that these percentages need to be rigidly maintained and ranges are shown to outline the maximum and minimum investments.

Based on the Fund's interim target portfolio, the Fund invests 40% on a passive (index tracking) basis and 60% on an active basis (to outperform the benchmark). In the long-term investment strategy the Fund's passive (index tracking) investment allocation is 27% and therefore 73% on an active basis.

## **Expected Returns on Investments**

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

## **Risk Control**

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy. This is explored later in the document, but the key themes for the Fund include equity risk, inflation and interest rate protection.

The Committee is less attracted to tight regional benchmarks that encourage managers to stay close to the benchmark for their own risk control reason, so the Fund's investments are increasingly moving towards unconstrained approaches, typically benchmarking against World Indices or Inflation plus targets.

All risks are continually monitored and a high level asset allocation review is undertaken annually to check the appropriateness of the Fund's current strategy.

## **Investment Beliefs and Objectives**

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

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

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term.
- In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

### **Securities Lending**

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

### ***3. Investment strategy and the process for ensuring suitability of investments***

#### **Funding Policy**

The objectives of the Wiltshire funding policy are expressed in its FSS. The Fund has a very strong employer covenant, being funded substantially by tax-raising local authorities. Therefore, the Committee can adopt a long-term view, without concern about the ability of its sponsors to meet their liabilities.

Given the on-going restructuring of public bodies the Fund is now maturing increasingly faster. The positive cashflow position is declining (investment income is available if the Fund does go cashflow negative) and this position is being closely monitored. The recent changes made to the Fund's long-term investment strategy, with increased allocations to income generating assets, will help with ongoing cashflow needs, and at this time it is not felt necessary to change the investment strategy of the Fund any further.

As the Fund has a deficit of assets against liabilities (97% funded at the 31 March 2019 Triennial Valuation), the Committee wishes to employ the appropriate amount of risk in order to facilitate the closure of this deficit. Over time as the funding level has increased, the Committee have reduced the level of risk inherent in the investment strategy, in order to protect the strong funding position, whilst being mindful that a degree of future investment return and therefore risk is necessary to maintain the funding level over time.

It is all the employer organisations in the Fund who feel the result of unstable employer rates, and for the precepting authorities, ultimately the local tax payer either through the Council Tax or through service levels. Therefore, another very important consideration is the need for relative stability of investment returns, given that employee rates are fixed by statute and the tools available in the actuarial valuation process for smoothing of returns are limited. This can be achieved by investments that are inherently more stable, such as bonds. However, it is also aided by diversification (so that the ups and downs on particular investments do not arise together), and by seeking returns from both passive investments (market based risk) and additional returns from active investment management.

Consequently, the Committee has set an overall investment goal that reflects these four factors.

#### **Investment Goal**

The Wiltshire Pension Fund's investment objective is to achieve a relatively stable "real" return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities.

## Investment Strategy

The Wiltshire Fund Pension Committee has put in place a strategy to achieve this goal through use of the following elements:

- A relatively large allocation to equity investment to achieve higher returns;
- Allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure, multi-asset credit and private markets to achieve to achieve stabilisation; and

The Committee took the decision to decision to de-risk the Fund's investment strategy, which involves a reduction in the allocation to equities and alternative growth assets, in order to increase the allocation to income generating assets and protection assets. It will take some time to move towards the new long-term strategic asset allocation; therefore an interim asset allocation will be used to benchmark progress towards the long-term asset allocation.

Agreement has been reached to implement one new alternative investment strategy following modelling and discussions with employers. This lower risk strategy is split between the following high level investment categories, Growth, Income/Mid-Risk and Protection split 20%, 25%, 55% respectively. Adoption of a lower risk strategy will be dependent on an employer's individual circumstances, and will result in higher employer contributions in order to make up for the lower anticipated investment returns, but will provide more certainty and a lower risk of short term falls in investment performance, which would adversely impact the employer's funding level.

Where commitments to private market mandates have been made, the Fund seeks to attain exposure to these asset classes in the interim to their drawdown of commitments through the use of asset classes that have moderate to strong correlation (risk and return) to that of the private market asset class, while being sufficiently liquid to ensure monies can be sourced efficiently for drawdowns.

The Fund's interim and long-term target strategic asset allocations, along with an overview of the role each asset class plays is set out in the table below:

ASSET CLASS	INTERIM TARGET ALLOCATION %	INTERIM CONTROL RANGES %	LONG-TERM TARGET ALLOCATION %	LONG-TERM CONTROL RANGES %	ROLE (S) WITHIN STRATEGY
Global Equity (Active)	16.0	26.0 – 36.0	10.0	18.5 – 25.5	Long-term growth in excess of inflation expected. Reduce carbon footprint through low carbon mandates
Low Carbon Equity (Passive)	15.0		12.0		
Emerging Markets Equity	5.0	3.0 – 7.0	5.0	3.0 – 7.0	
Private Equity	–	–	7.5	6.0 – 9.0	
<b>Equity</b>	<b>36.0</b>	<b>29.0 – 43.0</b>	<b>34.5</b>	<b>27.5 – 41.5</b>	
Infrastructure (Unlisted)	2.5	6.5 – 9.5	8.0	6.5 – 9.5	Provides access to a diversified (but long term, illiquid) return source and a stream of inflation related income.
Infrastructure (Listed)	5.5		–	–	Serves as a warehouse for capital that has yet to be drawn down into the Unlisted Infrastructure mandate, allowing interim exposure to the asset class.
<b>Alternative Growth Assets</b>	<b>8.0</b>	<b>6.5 – 9.5</b>	<b>8.0</b>	<b>6.5 – 9.5</b>	
Multi Asset Credit	5.0	4.0 – 6.0	5.0	4.0 – 6.0	Diversified source of income and provides a degree of protection from interest rate changes. Some return above gilts expected.
Emerging Markets Debt	5.0	4.0 – 6.0	5.0	4.0 – 6.0	Exposure to fixed income in emerging markets, serving as a good source of diversified return.
Property	13.5	11.5 – 15.5	15.0	13.0 – 17.0	Diversification; income; some inflation sensitive exposure; illiquidity premium.
Private Lending	–	–	7.5	6.5 – 8.5	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium.

ASSET CLASS	INTERIM TARGET ALLOCATION %	INTERIM CONTROL RANGES %	LONG-TERM TARGET ALLOCATION %	LONG-TERM CONTROL RANGES %	ROLE (S) WITHIN STRATEGY
Bank loans	7.5	6.5 – 8.5	–	–	Serves as a warehouse for capital that has yet to be drawn down into the Private Lending mandate, allowing interim exposure to the asset class.
<b>Income Generating Assets</b>	<b>31.0</b>	<b>26.0 – 36.0</b>	<b>32.5</b>	<b>27.5 – 37.5</b>	
Secured Income	–	–	10.0	9.0 – 11.0	Relatively low volatility asset class, aims to help service the Fund's increasing cash requirements through investing in secure inflation linked cashflows.
Gilts	25.0	22.5 – 27.5	15.0	13.5 – 16.5	Provide protection from changes in real yields both in terms of capital value and income.
<b>Protection Assets</b>	<b>25.0</b>	<b>22.5 – 27.5</b>	<b>25.0</b>	<b>22.5 – 27.5</b>	
<b>Total</b>	<b>100.0</b>	<b>–</b>	<b>100.0</b>	<b>–</b>	

The maximum allocations outlined in the table above may be amended with the approval of the Pension Fund Committee for specific transition events when terminating or changing investment managers. The table below sets out the Benchmark/Target of each respective mandate:

### Current Investment Management Mandates

MANAGER/MANDATE ALLOCATION	INTERIM / LONG TERM ASSET ALLOCATION	BENCHMARK / TARGET P.A.
<b>Brunel High Alpha Fund</b> Global Equities	16% / 10%	MSCI World +2-3% p.a.
<b>Brunel Low Carbon Passive Equities Fund</b> Passive Equities	15% / 12%	MSCI World Index (long-term) – match but with lower carbon
<b>LGIM</b> Passive Index-Linked Bonds (UK)	25% / 15%	FTSE A Index-Linked Gilts



<b>Loomis Sayles</b> Multi Asset Credit	5% / 5%	50% Barclays Global Agg, 25% Barclays Global HY, 15% JPM CEMBI, 10% S&P/LSTA Leveraged Loan
<b>Ninety One</b> Emerging Market Multi Asset Mandate*	10% / 10%	50% MSCI Emerging Market Equity NDR Index, 25% JP Morgan EMBI Global Diversified Index, & 25% JP Morgan GB-EM Global Diversified Index +2-4% p.a.
<b>CBRE Global Multi Manager</b> Property Fund of Funds (UK & Europe)	13.5% / 15%	IPD UK Quarterly Property Fund Index +0.4% p.a.
<b>Partners Group / Brunel Infrastructure once launched</b> Infrastructure	2.5% / 8%	8-12% p.a. net IRR
<b>Magellan</b> Listed Infrastructure	5.5% / 0%	CPI + 5% p.a. over the business cycle
<b>Brunel Private Equity</b>	0% / 7.5%	MSCI ACWI +3% p.a.
<b>Brunel Private Debt</b>	0% / 7.5%	GBP 3M LIBOR + 4% p.a.
<b>Pinebridge</b> Bank Loans	7.5% / 0%	80% S&P LLI / 20% S&P ELLI Index + 0.5-1.0% p.a.
<b>Brunel Secured Income</b>	0% / 10%	CPI + 2% p.a.
<b>TOTAL</b>	<b>100% / 100%</b>	

\*BPP have not initially offered an Emerging Markets Multi-Asset Fund, so the Fund will need to go through the Create/Amend/Delete ('CAD') process for this mandate.

### Timeframe for Investment Managers' Targets

Three year targets are generally preferred when monitoring investment managers because of the need to see clear evidence of added value as soon as possible. The Committee recognises, however, that three year periods may not be appropriate for particular managers' styles, or for specific asset classes. Five year rolling periods, rather than three year periods, are therefore adopted where appropriate. Further, even longer measurement periods may be appropriate for the Fund's investments in private markets (for example 7-10 years for private equity).

### Review and Policy

The Pensions Committee is responsible for the Fund's strategic asset allocation which is determined via a triennial strategy review as part of the valuation process. The review is both qualitative and quantitative and is undertaken by the Pension Committee in conjunction with the actuary, officers and independent advisers. The review considers:

- The required level of return that will ensure that the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the order of magnitude of the various risks facing the Fund is established so that a priority order for mitigation can be determined.
- The desire for diversification across asset class, region, sector, and type of security.
- Approach to how environmental, social or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

The Committee takes the view that the Fund should only take as much risk as is necessary to recover the deficit and maintain contribution rates at an affordable, sustainable level.

The Investment Sub-Committee formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis, reporting back to the main pension committee. All Members of the Committee receive quarterly performance and asset allocation figures based on reports provided by the Council's global custodian, State Street.

A quarterly check is made on how the overall strategic benchmark of the Fund is performing, relative to other funds, and in relation to the financial assumptions contained in the previous actuarial valuation.

The Committee also undertakes a high level asset allocation review once a year.

### **Fee Structures**

The Committee generally has an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice for passive tracking mandates and is easily understood. A performance related fee basis is sometimes set, however, if it is believed to be in the overall financial interests of the Fund, particularly for active mandates where higher fees are paid for more consistent outperformance of market indices. The approach taken varies depending on the type of investment and the target being set.

The Fund pays special attention to the monitoring of fees paid in respect of private markets mandates, as these typically have more complicated fee structures. An additional layer of complexity is also added from having a fund of fund structure, which requires further oversight.

The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement.

## **4. Approach to risk and how its measured & managed**

### ***Risk measurement and management***

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews, and prioritised accordingly forming a key element in setting its strategy. Sufficient risk is needed to achieve long term returns expectations but mitigated as appropriate to allow as far as possible stable employer contribution rates. This approach to risk is reviewed at least annually.

#### **(a) Investment Risks**

Provided below is commentary on the major investment risks the Fund is running:

**Liability related interest rate and inflation risks** – One of the largest risks the Fund is running is in relation to its liabilities and the sensitivity of these to changes to long-term interest rates and inflation expectations. The Fund mitigates these risks to a degree through its holdings in index linked gilts, other bonds and other sources of secured cashflow. The Committee is looking further at these risks as part of the current strategy review.

**Equities** – The other large risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a large negative impact on the Fund's assets. The Fund holds equities in order to provide the necessary long-term expected returns to help ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensate for the level of risk equities bring to the Fund. As shown by the long term Strategic Asset Allocation above, the Committee is working towards a reduction in equity exposure, helping to bring down the overall risk contributed from equities accordingly.

**Active manager risk** – Investment managers are appointed to manage the Fund's assets on its behalf. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence is undertaken before managers are selected, with a number of different managers chosen to mitigate against concentration risk. The investment managers are also monitored regularly by the Committee and by the Fund's Investment Consultant.

**Liquidity risk** – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice. Where commitments have been made to private market mandates that have not yet drawn down all of the committed capital, the Fund has invested these assets in liquid interim asset classes that have a moderate degree of risk & return correlation to the private markets assets. In this

way, some exposure to the desired asset class is retained and as the interim asset classes are liquid, the risk that the Fund would have to be a forced seller to meet these drawn downs, is mitigated.

**Exchange rate risk** – this risk arises from investing in unhedged overseas (non GBP denominated) assets. The Fund has a currency hedging policy in place to hedge c.50% of the overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund can manage the level of risk run to the extent desired.

Asset Class	DME	EME	PE	Infra	MAC	EMD	SPD	Prop	LLP	Corp	FIG	ILG
Developed Global Equity	1.00	0.63	0.62	0.75	0.59	0.37	0.21	0.27	0.26	0.32	0.10	0.10
Emerging Market Equity	0.63	1.00	0.56	0.57	0.53	0.55	0.13	0.29	0.28	0.29	0.13	0.11
Private Equity	0.62	0.56	1.00	0.56	0.55	0.34	0.25	0.24	0.22	0.28	0.09	0.06
Infrastructure	0.75	0.57	0.56	1.00	0.59	0.36	0.24	0.44	0.39	0.30	0.08	0.14
Multi-Asset Credit	0.59	0.53	0.55	0.59	1.00	0.64	0.53	0.38	0.34	0.31	-0.04	0.08
Emerging Market Debt	0.37	0.55	0.34	0.36	0.64	1.00	0.15	0.16	0.19	0.22	0.03	0.11
Senior Private Debt	0.21	0.13	0.25	0.24	0.53	0.15	1.00	0.27	0.22	0.11	-0.14	-0.01
Conventional Property	0.27	0.29	0.24	0.44	0.38	0.16	0.27	1.00	0.74	0.11	-0.03	0.03
Long Lease Property	0.26	0.28	0.22	0.39	0.34	0.19	0.22	0.74	1.00	0.24	0.12	0.37
UK Corporate Bonds	0.32	0.29	0.28	0.30	0.31	0.22	0.11	0.11	0.24	1.00	0.78	0.32
Fixed Interest Gilts	0.10	0.13	0.09	0.08	-0.04	0.03	-0.14	-0.03	0.12	0.78	1.00	0.30
Index-Linked Gilts	0.10	0.11	0.06	0.14	0.08	0.11	-0.01	0.03	0.37	0.32	0.30	1.00

Source: Mercer Asset Model correlations as at 31 March 2020 (note that figures are estimates for modelling purposes and may not be a true reflection of actual asset correlations in the future, particularly for illiquid asset classes).

### (b) Cashflow management risks

The Fund is becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy. Specifically should this position ever reverse, mitigating actions would be taken to manage the cashflow shortfall such as investing in assets that produce cashflows that could be used to meet these payments.

### (c) Demographic risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over

time as pensioner liabilities increase. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

#### **(d) Governance risks**

The Pension Fund Committee believes that there is a benefit to the Fund to be gained from good governance in the form of either (or both) of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit. The current delegations and use of an investment sub-committee assist in managing this risk. There is also additional governance risk from the Fund's participation in the BPP and the ways this can be mitigated and managed were developed.

#### **(e) Financial ESG risks**

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential. In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of 2°C or lower, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050.

ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long term investor.

The Committee believes that engagement is crucial in relation to strong corporate governance, which in turn is expected to help enhance returns. Details of the Fund's policies can be found later in this statement.

The Fund has carried out scenario modelling in relation to climate change and its impact on the Fund's investments, and Committee members have participated in a responsible investment beliefs survey. The Fund included a specific section in its annual report for 2019/20 on the policies and actions taken with regard to climate change. Scheme members have been and will continue to be kept informed on the work done in this area via a webinar at the annual employer conference. The Fund continues to develop the approach in this area, with a strong focus on ensuring that Committee members are properly informed in order to make decisions on the best direction for the Fund.

#### **Contingency Plans**

The investment risk is mitigated by regular monitoring of investment managers performance and review of the Fund's strategy on a quarterly basis. These, along with the other risks are monitored quarterly as part of the Fund's Risk Register and on-going funding level analysis undertaken by the actuary.

The Fund also monitor the funding level and if it falls by more than 20% from the funding position recorded at the last actuarial valuation, this triggers an immediate review. This review is undertaken in conjunction with the Fund's investment consultants and Actuary, with appropriate action taken. Given that a fall in the funding level could be realised through a number of different channels, there is no set framework here, with actions tailored to the individual circumstances the Fund finds itself in.

As outlined in the FSS, the Fund is also committed to providing some different investment strategies in the future to assist employers in managing and mitigate their exposure to investment risk where this is most appropriate for their specific liabilities.

## ***5. Approach to Pooling Investments, use of collective investment vehicles & shared services***

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

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

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

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

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



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

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

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

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

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate, although this could be substituted with the use of separate Emerging Market equities and bond portfolios, and this is one of the ways that BPP can deliver the same outcomes by providing a different solution. In this case, where BPP cannot accommodate a specific solution, these assets would remain outside the Fund and continue to be managed by the Fund until such time as they are liquidated, and capital is returned.

More details on the Brunel Pension Partnership can be found in Appendix B.

## **6. Social, environmental and corporate governance policy**

### **Approach to Environmental, Social and Governance (ESG)**

ESG are important factors for the sustainability of investment returns over the long term. The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs ). To provide guidance, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts.

Brunel has appointed Federated Hermes EOS as the engagement and voting services provider. The appointment enables a wider coverage of assets and access to further expertise across different engagement themes. The Federated Hermes team is diverse, made up of 11 nationalities with 10 language capabilities, which facilitates engagement in local language and an understanding of cultural customs.

Brunel will publish its voting policy and provide online voting records no less than twice a year.

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

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

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

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

In 2019 the Fund transferred the entire allocation to passive equities to a passive global low carbon equity mandate, which reduced the carbon footprint of the portfolio. The long-term allocation to low carbon equity is 12% of total Fund assets.

## **Non-Financial ESG Considerations**

The pursuit of a financial return is the predominant concern for the Fund to address the funding deficit and minimise the on-going cost of pension provision to its 170+ employer organisations. The Fund is aware it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think stakeholders would support the decision.

The Fund's Pensions Committee has two employer representatives and two employer observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders concerns.

The Fund also aims to communicate using its website, newsletters, Annual Report and proposed Annual General Meeting to engage directly with all stakeholders.

When formulating and developing any policy on non-financial social, environmental, and corporate governance factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations. Any policies once developed would be available on the Fund's website.

## **Social Investment**

The Government considers that social investments are appropriate for LGPS funds where either the social impact is simply in addition to the financial return. It also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authority has good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund.

The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns.

Seeking such opportunities is generally delegated to our external fund managers.

## **Sanctions**

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

## **Brunel Pension Partnership Policy**

The Brunel Pension Partnership [Investment Principles](#) clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel Company), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP business case, achieved through scale and resources arising from pooling is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and includes an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives. For more information is on the [BPP website](#).

As an example the Fund invests in passive low carbon equities through Brunel.

## **Brunel 2020-22 Climate Change Policy Objectives**

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

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

### **Brunel's 2020-2022 climate change policy objectives**

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

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

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

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

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

Further details of Brunel's Climate Change policy are set out on its [website](#).

### **Monitoring of Climate Change Policy and Reporting Progress**

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

The Fund currently undertakes climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within the Fund's portfolios. As holdings transition into Brunel portfolios, the Fund will be publishing the following metrics and data, as relevant, for different asset classes and strategies:

- Carbon footprints
- Fossil fuel exposures
- Green and brown share (i.e. the proportion of its portfolios invested in areas such as renewable energy)
- Engagement and voting activities

The Fund will use its website as the primary method of communication. The Fund will publicly report in line with Task Force on Climate Related Financial Disclosures "TCFD" recommendations for the first time in the 2020/21 Annual Report.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to reflect on progress, the effectiveness of our approach, and potentially to raise our ambitions.

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

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

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

### **Responsible Investment Initiatives**

To deliver the Fund's Responsible Investment policy the Fund is active in supporting a number of responsible investment initiatives. The Fund plans to become a signatory to

the new UK Stewardship code. The Fund is a member of the LAPFF. The Fund supports the Transition Pathway Initiative (“TPI”). In addition, the Fund supports Brunel as a signatory to the UN supported Principles for Responsible Investment (“PRI”).

## ***7. Policy for the exercise of rights (including voting rights) attaching to investments***

### **Voting Policy**

The fund believes that voting is integral part of the responsible investment and stewardship process.

For assets that have transitioned to Brunel, the Committee has delegated the exercise of voting rights to Brunel on the basis that voting power will be exercised with the objective of preserving and enhancing long-term shareholder value. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). Brunel aims to vote 100% of all available votes. To provide guidance to its managers, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider. Brunel will publish its voting policy and provide online voting records at least annually.

The Fund undertakes its engagement activities through its active membership of the Local Authority Pension Fund Forum which targets specific areas of concern across the holdings of its LGPS membership.

The Fund also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates.

The Fund will publish the voting carried out on its behalf on its website.

### **Stewardship Code**

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The Fund published its statement of compliance with the code during 2011 and this is reviewed annually. All of our global equities managers currently comply fully with the code. The Fund is rated as Tier 1 compliant by the Financial Reporting Council.

In late 2019, the Financial Reporting Council (“FRC”) published its revised 2020 UK Stewardship Code (“2020 Code”). The latest Code defines stewardship as “*the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*”

The FRC has described the 2020 Code as ambitious and highlighted the increased focus on ‘activities and outcomes’ as opposed to policy statements alone. As part of this increased remit the 2020 Code covers a wider range of asset classes, requires signatories to consider the systematic integration of ESG and climate change in the



stewardship and investment process, and is based on a more stringent 'comply and explain' basis. The revised 2020 Stewardship Code now has 12 principles for signatories.

The Fund plans to become a signatory to the 2020 Code by the end of 2021, recognising the significant amount of work complying with and reporting on the new Code will entail. The Fund has already had discussions with its partner funds and Brunel to ensure appropriate structures are in place to enable this.

### **Stewardship in Investment Pooling**

As part of Brunel, the Fund is actively exploring opportunities to enhance our stewardship activities. At the same time the Fund will continue to be an active owner in our own right. The Committee believes one of the potential benefits of pooling, achieved through the scale and resources arising from pooling, is the improved implementation of stewardship practices. Brunel has published its Responsible Investment Stewardship Policy which outlines its approach and priorities. The policy reflects the priorities of its underlying clients, and the Fund was active in contributing to the policy.

With the support of the Fund and the other partner funds, Brunel has been using its influence to press for improved stewardship at external investment managers and has been actively involved in government consultations and other initiatives in the area. Once all equity assets have been transitioned, the Partnership and Brunel Ltd will seek to deliver best practice standards in responsible investment and stewardship in terms of company engagement as outlined in the Brunel Pension Partnership Investment Principles. More information is available on the website ([www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org)).

The Committee has delegated investment powers to Brunel and the Fund's investment managers (where assets have not yet transitioned to Brunel) to act in the best interests of the Fund. Brunel and the Fund's investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. Brunel and the Fund's investment managers have been asked to report to the Committee on the implementation of their stewardship and engagement activities, which will be reviewed on a regular basis.

A representative from Brunel is also periodically invited to present at Committee meetings to provide updates on developments.

The Fund recognises the importance of collaboration with other investors to achieve more effective and wider reaching outcomes. In this respect, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which aims to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Further details can be found on their [website](#).

### **Advice Taken**

In creating this statement, the Fund has taken advice from its Investment Consultant. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Fund Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

## **8. Other Investment Policies**

### **Investment Consultant Objectives**

The Fund has set objectives for its Investment Consultant, Mercer, in conjunction with the recent Competition & Markets Authority “CMA” directive. The Fund’s Investment Consultant is measured against these objectives in the Annual Reporting review, which is detailed in a separate document. A statement will be submitted to the CMA annually regarding the Investment Consultant’s compliance with these objectives.

### **Markets in Financial Instruments Directive (MiFID)**

In 2017, when the Markets in Financial Instruments Directive (MiFID) was integrated into UK financial regulation, local authorities were reclassified automatically to ‘Retail clients’ due to the UK local authorities being in the unique position of managing pension funds. Whilst Retail status provides increased investor protection relative to Professional clients, there are a number of disadvantages including:

- Restricted access to investment managers as few firms are authorised to deal with retail clients.
- Limited products and services available as only certain types of investments are deemed suitable for retail clients. Many private markets products are not deemed suitable for Retail clients, namely Infrastructure funds, Private Equity funds, Hedge Funds, this is not consistent with the Fund’s current investment strategy.
- Significant implications for pooling
- Sale of assets not available to retail clients and respective exit charges implications.

For the reasons outlined above, local authorities engaged with the FCA, and whilst the Retail Status will not change, the Fund has been able to ‘opt-up’ to Professional status to ensure none of the aforementioned drawbacks of Retail status apply.

## ***Appendix A***

### **12 Principles of the 2020 Stewardship Code**

- 1) Purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
- 2) Governance, resources and incentives support stewardship.
- 3) Manage conflicts of interest to put the best interests of clients and beneficiaries first.
- 4) Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
- 5) Review their policies, assure their processes and assess the effectiveness of their activities.
- 6) Take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
- 7) Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
- 8) Monitor and hold to account managers and/or service providers.
- 9) Engage with issuers to maintain or enhance the value of assets.
- 10) Where necessary, participate in collaborative engagement to influence issuers.
- 11) Where necessary, escalate stewardship activities to influence issuers
- 12) Actively exercise their rights and responsibilities.

## **Appendix B**

### **Brunel Pension Partnership**

#### **High Level Investment Principles**

Working with all the partner funds and the Brunel Pension Partnership, we have agreed a set of investment principles with the intention that they provide a framework for the investment strategy, operations, manager selection, monitoring and reporting. The principles are also designed to meet the Ministry for Housing, Communities and Local Government - Local Government Pension Scheme: Investment Reform Criteria and Guidance and the requirements and expectations of Financial Conduct Authority. They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the portfolios. The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered.

<b>Long-term investors</b>	We are long-term investors: we implement our funds investment strategies that require productive assets that contribute to economic activity, such as equities, bonds and real assets. This may include the delegated responsibility to provide sustainable and sufficient return on their assets.
<b>Responsible investors</b>	We are responsible investors: we believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
<b>Best practice governance</b>	We adopt best practice collective governance with appropriate oversight, prioritisation, delegation and decision making at the right level, and clear accountability.
<b>Decisions informed through experts and knowledgeable officers and committee</b>	We make our decisions based on extensive expertise including trained and insightful operations' governance members, experienced and professional officers and high quality, knowledgeable advisors.
<b>Evidence and research at heart of investments</b>	We take an evidence and research-based approach to investment: continually learning and reappraising from academic research, investment professionals, and our peers, and seek continual development in our understanding of investment.
<b>Leadership and innovation</b>	We are prepared to be innovative and demonstrate thought leadership in collective investment, within the requirement of prudence and our joint fiduciary duty.

<b>Right risk for right return</b>	We will make our collective investments work as hard as possible to meet our funds' objectives: we will provide the right structure of sub funds and managers within asset classes. While we take account of market and economic levels in our decision making, we will avoid making decisions on purely a short term basis.
<b>Full risk evaluation</b>	We will be comprehensive in our consideration of our funds' risks assessed on their liabilities and contributions; consider financial and non-financial risk as appropriate; offer a pooled structure to accommodate the need to diversify risk, but also recognise the limits of that diversification – as long term investors we accept that our investment success depends substantially on the sustainable growth of the economy.
<b>Responsible stewardship</b>	We will enable our funds' to exercise responsible stewardship of the assets they hold, and act as a collective responsible voice in the broader investment community.
<b>Cost effective solutions</b>	We will seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively: we recognise the impact of costs on the Funds, but we are prepared to pay for active management and other services when we believe that the costs incurred are likely to be justified by the benefits. We will seek to gain leverage from our collective status through reduction in fees and avoidance of cost through increased resilience and sharing our peoples' strengths, knowledge and expertise.
<b>Transparent and accountable</b>	We believe in the importance of being transparent and accountable, to ensure correct decisions are taken and to minimise risk. This applies both in our own operations, those we work with, and our investments
<b>Collaborate</b>	We will collaborate with others whenever possible, to share ideas and best practice; to improve effectiveness and to minimise costs.

***Implementation: Approach to Asset Pooling***

Brunel Pension Partnership Ltd. (Brunel) was launched on 18 July 2017 as a company wholly owned by the ten Administering Authorities. Brunel obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an Investment advisor.

Brunel is an FCA regulated full scope MiFID investment management firm, established by our 10 owners (9 local authority pension schemes and the Environment Agency) to ensure their pension schemes are sustainable and cost effective. Brunel has currently transitioned ~£15bn of assets from a pool of £30bn. We have an agreed strategic plan to invest the remaining £15bn over the coming two years. Brunel are long term investors

with an influential voice in Responsible Investment and pooling, which is a national initiative with ~£1/4 trillion assets under management.

Brunel has made excellent progress since launch, with key objectives being:

- Offer a client driven range of products and services to ensure our partner funds remain at the forefront of pension fund investment
- Outperform benchmarks in long term (min 3-5 years listed, longer PM)
- Provide additional benefits (beyond financials) including stewardship, responsible investment, influencing policy, diversification and risk analysis
- Taking a prudent approach, managing risk through robust governance and controls
- Make fee savings, whilst maintaining performance, of £27.8m (8.9bp) by 2025 and manage transition and operational costs to achieve breakeven by 2023, and cumulative net savings of £550m to 2036

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

The Fund, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel. The Fund is also able to suggest new portfolios to Brunel and engage with Brunel on the structure and nature of existing portfolios.

The Fund's first investment assets were transitioned across to BPP in July 2018. At the time of writing BPP are still working to finalise a number of their portfolio offerings, with the target date for all portfolios operational extending into 2021. A full time table can be found below:

Fund Launch/Project	Transition	Fee Savings Start
Emerging Markets	09/10/2019	Nov-19
LDI & Passive Gilts	15/11/2019	Dec-19
Global High Alpha	22/11/2019	Dec-19
DGF	23/03/2020	Apr-20
Sustainable Equities	12/06/2020	Jul-20
Multi Asset Credit	14/08/2020	Sep-20
Smaller Companies	22/05/2020	Jun-20
Sterling Corporate Bonds	25/09/2020	Oct-20
Global Core	18/11/2020	Dec-20
Hedge Funds	22/03/2021	Apr-21
Global Bonds	19/04/2021	May-21
TAA	26/07/2021	Aug-21

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND BOARD  
18 February 2021

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### **OVERSEAS PENSIONERS LIFE EXISTENCE EXERCISE**

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

1. The purpose of this report is to update the Board on the progress of the Fund's overseas pensioners life existence exercise

#### **Background**

2. When a pensioner member dies, normally the next of kin, or another relative, will advise the Fund accordingly and officers will stop the pension immediately while it waits for death certificates etc. This approach helps limits the size of potential overpayments.
3. For UK-based pensioners, the Fund has a contract in place with Target Professional Services to check the Fund's pensioner and dependant records against UK death records on a monthly basis to identify any pensioner or dependant deaths. If Target discovers a match, they advise the Fund accordingly and officers will stop the pension with immediate effect (if necessary, if the pension has not already been stopping following notification from another source, such as the next of kin).
4. Officers also take part in the National Fraud Initiative (NFI) which also seeks to help if pensioner deaths have occurred and sometimes the receiving bank may also reject the payment because it is aware the member is deceased.
5. Out of the Fund's pensioner membership, the Fund has approximately 284 overseas pensioners. Some of whom receive the pension directly into a foreign bank account, via a contract the Fund operates with Western Union, while others reside overseas but the Fund pays their pension into a UK bank account.
6. Unfortunately for pensioners who reside overseas, it is not straightforward for Target to identify whether or not the member has died in a similar way as described above due to the wide range of possible countries where a member could reside, all with different death registration systems and because many other countries generally place tighter rules on the public accessibility of death records.
7. Therefore to identify whether an overseas pensioner has died, where officers have not been informed or identified this from other sources as described above, officers need to periodically undertake a life existence exercise.
8. The last such exercise was undertaken in 2016/17.

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

9. For this exercise, members were given three options for completing the exercise to confirm their continuing existence:
  - a). To download an app with built-in facial recognition software which cross-references to identification documents;

- b). Complete the declaration on the life certificate along with providing copies of legal documents such as passport, photo driving licence National ID card; or
  - c). Complete the declaration on the life certificate and have it witnessed by an independent person who holds an official stamp, such as banks, doctors, lawyers, mayors etc.
10. Target Professional Service largely undertook the exercise on the Fund's behalf, writing to all members with the options and providing access to the app. The Fund then helped follow up with non-respondents (partly because officers were conscious that pensioners may not have responded out of concern this exercise could be some type of scam).
11. Out of the initial 284 number of members in scope, 270 members responded by the final deadline set in January 2021. This left 14 members remaining and for all of these, officers have stopped their pension with effect from the January 2021 payment (as at the end of January, a further 3 have since responded).
12. From the 11 remaining non-responders, the pensions total approximately £2,000 per month worth of suspended pensions, with the largest being around £440 per month (which is someone we were unable to contact as we could not find an address for them, despite trying to trace them).

### **Conclusions**

13. Officers anticipate that any remaining pensioners which are still alive (or a suitable person on their behalf, e.g. with Power of Attorney) will now contact the Fund given that the pension has been stopped. If members can provide the required information to prove their continuing existence, officers will reinstate the pension, backdated to the date it was stopped.
14. For any pensioners (or next of kin etc), who do not contact the Fund, officers will assume the pensioner is deceased and will instruct Target to undertake a more intensive tracing exercise to attempt to find out the next of kin and the date of death.
15. Officers will seek to recover any overpayments identified where it is economic and feasible to do so.
16. In terms of future exercises, officer will see the final outcome of this exercise before deciding on future frequency, but at this stage officers intend for this to become either annual or biennial exercise
17. In determining the optimal frequency, the main considerations are:
- a). The cost of undertaking this exercise compared to the amount of overpayments likely to be identified;
  - b). The Fund's legal duties to pay the correct amount of pension;
  - c). Balancing out the potential inconvenience to members of overly frequent exercises, and the administration involved, with the other factors above.

### **Environmental Impact**

18. There is no environmental impact from this report.

### **Financial Considerations**

19. The details of this report do not require any specific consideration at this time except in consideration of the approach of future exercises

**Risk Assessment**

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

**Legal Implications**

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

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

22. There are no implications at this time.

**Proposals**

23. The Board is asked to note the progress so far and planned next steps and whether it wishes to receive a further update at the next Board meeting of the outcome of the remaining non-respondes.

**Andy Cunningham**

Head of Pensions Administration and Relations

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

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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	18/02/21	20/05/21	Guidance comments
<b>GOVERNANCE - Board Specific</b>								<b>Comments</b>
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 July 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
<b>GOVERNANCE - Fund Specific</b>								<b>Comments</b>
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
<b>GOVERNANCE - Fund Plans, policies &amp; strategies</b>								<b>Comments</b>
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 17/12/2019
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 17/12/2020
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 16/07/2020 (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		✓				
<b>ADMINISTRATION</b>								<b>Comments</b>
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
<b>FUNDING &amp; INVESTMENTS</b>								<b>Comments</b>
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
<b>Total number of Agenda Items:</b>			<b>17</b>	<b>14</b>	<b>18</b>	<b>15</b>	<b>13</b>	



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