

# AGENDA

**Meeting:** Wiltshire Pension Fund Committee  
**Place:** Kennet Room, County Hall, Bythesea Road, BA14 8JN  
**Date:** Tuesday 5 April 2022  
**Time:** 10.00 am

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Please direct any enquiries on this Agenda to Kieran Elliott, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718504 or email [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

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## Membership:

### Voting Membership

#### Wiltshire Council Members:

Cllr Richard Britton (Chairman)  
Cllr Gordon King  
Cllr Christopher Newbury  
Cllr Jonathon Seed  
Cllr Elizabeth Threlfall

#### Substitute Members

Cllr Pauline Church  
Cllr Robert Yuill  
Cllr Gavin Grant  
Cllr Carole King  
Cllr Ian Thorn  
Cllr Sarah Gibson

#### Swindon Borough Council Members

Cllr Steve Heyes (Vice-Chairman)  
Cllr Vijay Manro

#### Substitute Members

Vacant

#### Employer Body Representatives

Tracy Adams  
Claire Anthony

### **Non-voting Membership**

#### Observers

Stuart Dark  
Mike Pankiewicz

## **Recording and Broadcasting Information**

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## **Public Participation**

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

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

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

## Items to be considered

Time

### PART I

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

1 **Apologies** **10.00**

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

2 **Minutes of Previous Meetings** *(Pages 7 - 12)*

To approve and sign the minutes of the investment focused meeting on 3 March 2022.

3 **Declarations of Interest**

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

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Review of Actions Arising From Previous Meeting** *(Pages 13 - 14)*

To review progress on any actions requested by the Committee in previous meetings.

To update the Committee on the Fund's audit plan for 2022/23 (Minute 80 – 16 December 2021)

6 **Review of the Minutes of the Local Pension Board** *(Pages 15 - 30)*

To receive the minutes of the meeting of the Local Pension Board held on 17 February 2022. To review the summary of the recommendations made by the Board.

7 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on 29 March 2022 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 31 March 2022. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

8 **Triennial Valuation 2022** (Pages 31 - 78) **10.05**

To receive a report from Hymans Robertson LLP on the key assumptions for the triennial valuation.

The Committee is asked to approve the approach to assumption setting. This includes training on assumption setting.

9 **Headlines and Monitoring (HAM) Update** (Pages 79 - 104) **10.50**

To receive a report on the Committee's ongoing oversight of:

- Budget monitoring
- Training update
- Risk Register
- Key Performance Indicators (KPIs) – 1 October 2021 to 31 December 2021
- Scheme, Regulatory, Legal and Fund Update

10 **Business Plan and Budget 2022-2023** (Pages 105 - 134) **11.00**

To receive a report from the Head of Wiltshire Pension Fund on the Fund Business Plan and Budget. To include:

- a) A presentation by SWAP on their recent internal audit
- b) A presentation by Aon on their review of the Fund
- c) An update from the S151 Officer on the staff restructure

11 **Key Financial Controls** (Pages 135 - 144) **12.10**

To receive an update by the Senior Investment and Accounting officer concerning the operational accounting arrangements in place

- 12 **Treasury Management Strategy** (Pages 145 - 154) **12.20**  
To receive an updated policy from the Senior Investment and Accounting Officer.
- 13 **Responsible Investment Update** (Pages 155 - 222) **12.30**  
The Head of Wiltshire Pension Fund will present the completed Stewardship reporting for approval, prior to submission to the FRC, and the Responsible Investment Plan for 22/23.
- 14 **Pensioner Payroll Database Reconciliation** (Pages 223 - 226) **12.40**  
To receive an update from the Head of Wiltshire Pension Fund.
- 15 **Committee Forward Work Plan** (Pages 227 - 232) **15.50**  
To review the work plan for the Committee 2021-22.
- 16 **Date of Next Meeting**  
The next meeting of the Committee would be an investment focused meeting on 26 May 2022. The next administration focused meeting would be 28 July 2022.
- 17 **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.
- 18 **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 19-22 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 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*
- 19 **Minutes of the Previous Meeting** (Pages 233 - 242) **13.05**  
To approve and sign as a true and correct record the Part II

(private) minutes of the previous meeting held on 3 March 2022.

20 **Minutes of the Local Pension Board** *(Pages 243 - 252)*

To receive the Part II (Private) Minutes of the Local Pension Board meeting on 17 February 2022.

21 **Brunel Governance Update** **13.10**

To receive a verbal update on the report circulated in December 2021 summarising the Brunel Governance Review.

22 **Investment Consultant Contract Extension** *(Pages 253 - 256)* **13.20**

To receive a report proposing extension of the Mercer's contract for provision of investment advice.

### Wiltshire Pension Fund Committee

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#### **MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 3 MARCH 2022 AT COUNCIL CHAMBER - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

#### **Present:**

Cllr Richard Britton (Chairman), Cllr Steve Heyes (Vice-Chairman), Cllr Gordon King, Cllr Vijay Manro, Cllr Christopher Newbury, Cllr Jonathon Seed, Cllr Elizabeth Threlfall, Mike Pankiewicz, Tracy Adams and Claire Anthony

#### **Also Present:**

Anthony Fletcher, Kieran Harkin, Marlene Corbey, Andy Cunningham, Jennifer Devine, Richard Bullen, Christopher Moore, Liam Robson and Stuart Figini

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#### 94 **Apologies**

There were no apologies for absence received.

#### 95 **Minutes of the Previous Meeting**

The Part I (public) minutes of the previous meeting of the Wiltshire Pension Fund Committee held on 16 December 2021 were considered. The Part I (public) minutes of the last ordinary meeting of the Local Pension Board held on 17 February 2022 were also considered. Following which:

#### **Resolved**

**The Committee approved and signed the Part I (public) minutes of the previous meeting held on 16 December 2021 as a true and correct record.**

**The Committee noted the Part I (public) minutes of the last ordinary meeting of the Local Pension Board held on 17 February 2022.**

#### 96 **Declarations of Interest**

Cllr Richard Britton declared a non-pecuniary interest in Agenda Item 14 by virtue of being part of the Board of Directors for Selwood Housing.

#### 97 **Chairman's Announcements**

The Chairman noted that an email with regard to investments in Russia had been circulated to Members ahead of the meeting and invited Jennifer Devine, Head of Wiltshire Pension Fund, to update the Committee further.

It was clarified that the situation was rapidly changing, and further updates would be circulated as and when more information was received. It was noted that the best investment strategy would be to divest from Russian investments and that officers were having discussions with Brunel and Mercer to help facilitate this, but that this was challenging at the time of the meeting due to Russian markets being closed.

The Chairman explained that the contract with MJ Hudson with regard to the role of the Independent Adviser was up for renewal and as such it was confirmed that Anthony Fletcher would be renewed for one year while further considerations as to their role within the Committee was given.

The Chairman additionally thanked Cllr Steve Heyes for stepping into the role of Vice-Chairman.

98 **Public Participation**

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

99 **Review of Actions Arising from Previous Meeting**

Jennifer Devine, Head of Wiltshire Pension Fund, noted that there were no updates or investment focused actions arising from the previous meetings of the Wiltshire Pension Fund Committee held on 25 November 2021 and 16 December 2021.

100 **Responsible Investment Update**

Liam Robson, Pension Fund Accounting and Investment Officer, and Jennifer Devine, Head of Wiltshire Pension Fund, presented the report updating Members on responsible investment issues.

Paragraphs 9-12 were explored, and Members asked for further clarification. Officers established that during the training session conducted on 29 November 2021, Members had identified 5 Sustainable Development Goals (SDGs) out of the 17 United Nations SDGs, that they could consider prioritising as representing the strongest investment case. It was explained that to look at each of the 17 SDGs in detail through mapping the entire investment portfolios would incur significant costs and data that officers felt was unnecessary, and as such, it was officers' intention that the 5 identified SDGs could instead inform more specific questions for investment managers without such a cost. Cllr Newbury expressed concern that it seemed as if the discussions and conclusions made in the training session, which was an informal meeting, were being drawn out and recommended for endorsement when he felt not enough detailed analysis had been given. Officers clarified that those discussions were being revisited during the Committee meeting before any actions were taken and that Members held the right to reject the recommendations if they saw fit.



Members then discussed their decision to prioritise the 5 SDGs and the Chairman moved that the statement as detailed in Paragraph 12 of the report should be approved.

A vote was undertaken, following which the motion was carried.

*Cllrs Christopher Newbury, Elizabeth Threlfall and Jonathon Seed requested their votes against the motion be recorded.*

Discussions were then had surrounding the fiduciary duty of the Wiltshire Pension Fund (WPF) and if setting goals such as those would impact on making safe investments, alienate investment opportunities and subsequently negatively impact returns. Reference was then made to the results of the Climate Change Modelling presented by Mercer in 2021 and how investing responsibly was shown to deliver stronger returns.

Further reference was made to the internal legal opinion sought from Elizabeth Muir, Wiltshire Council Solicitor, which was presented to the Committee in 2021 in the form of a memo. Cllr Newbury reiterated his misgivings and stressed that he felt the internal legal staff did not have the necessary expertise to answer the questions surrounding fiduciary duty, and that an external specialist legal advisor should be sought for advice. Cllr Newbury proposed that the Committee seek an external legal opinion (from leading counsel) on the lawfulness of the changes the Wiltshire Pension Fund Committee made in 2021 to the Investment Strategy Statement, in particular with regard to the aim of achieving “net zero across all portfolios” within a fixed timeframe, without the meaning of that aim having been established.

One Member of the Committee questioned the motion and sought advice from Democratic Services as to the legality of the proposal. It was confirmed by Democratic Services that the motion was just and lawful and that a vote should take place.

During the debate, Anthony Fletcher, MJ Hudson, explained how ESG considerations had impacted on investment decisions over the years, the difference in today's world was that people were more aware of these issues and as such, focussed and spoke on them more. Other Members of the Committee echoed this but also noted that it was not in the Fund's best interest to restrict investment managers and investment choices. Officers reaffirmed the Fund's mission and sole purpose, which was explicitly written on the front page of the Responsible Investment Policy. It was further reiterated that officers have not made a single decision that was not focussed on returns, appropriate advice was always sought and that a lot of time and effort had gone into identifying risks and working with Mercer to produce hard figures within the modelling so that the risk (and associated financial impact) could be quantified. Additionally, it was highlighted that the WPF was a large Fund and that long term issues such as climate change would affect the investments and as such action needed to be taken on how to tackle these issues in order to protect the financial interests of the Fund.

Members of the Committee sought further clarification as to the reasoning behind the motion and why internal legal advice would not suffice. Cllr Newbury reiterated that he felt that it was an incredibly specialised area of law and felt that it would be best to seek a specialist for their advice. He further noted that he had raised this issue in 2021 with Frank Cain, Head of Legal Services, and the then Director of Legal and Governance, Ian Gibbons. Officers confirmed that Brunel's position was exactly aligned with the WPF's; they took the same view on climate risk and considered the matter an integral part of fiduciary duty. Concerns were raised as to the potential cost of seeking external legal advice.

A vote was undertaken, following which the motion failed.

*Cllrs Christopher Newbury, Elizabeth Threlfall and Jonathon Seed requested their votes for the motion be recorded.*

After which, the recommendations as detailed in the report were proposed on block by the Chairman, following which:

### **Resolved**

- 1) The Committee agreed to use the report as a basis for monitoring the progress that is being made towards implementing responsible investment policy.**
- 2) The Committee noted the progress made against the Responsible Investment Plan 2021/22 actions.**
- 3) The Committee noted the conclusions of the SDG investigative research and agreed that this can be placed on hold until a later date/after the strategy review.**
- 4) The Committee adopted the statement regarding priority SDGs.**

### 101 **Date of Next Meeting**

The next ordinary meeting of the Wiltshire Pension Fund Committee focusing on administration matters will be held on 31 March 2022.

The next ordinary meeting of the Wiltshire Pension Fund Committee focusing on investment matters will be held on 26 May 2022.

### 102 **Urgent Items**

There were no urgent items.

103 **Exclusion of the Public**

The Committee considered the recommendation to exclude 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 11 - 16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

104 **Minutes**

The Part II (private) minutes of the previous meeting of the Wiltshire Pension Fund Committee held on 16 December 2021 were considered.

**Resolved**

**The Committee approved and signed the Part II (private) minutes of the previous meeting held on 16 December 2021 as a true and correct record.**

105 **Private Markets Brunel Cycle 3 Update**

Jennifer Devine, Head of Wiltshire Pension Fund, gave an update on Brunel's Private Markets Cycle 3.

**Resolved**

**The Committee approved to use the report as a basis to ask questions of Brunel.**

**The Committee approved commitments of £140m to Brunel's private equity cycle 3 portfolio, and £160m to Brunel's private debt cycle 3 portfolio.**

106 **Investment Quarterly Progress Report**

Chris Moore, Pension Fund Accounting and Investments Officer, and Jennifer Devine, Head of Wiltshire Pension Fund, presented the Investment Quarterly Progress Report.

**Resolved**

**The Committee agreed to use the investment reports and the update provided by officers and advisers at the meeting as a basis for monitoring**

**the investment performance and implementation of the strategic asset allocation.**

107 **Affordable Housing Selection**

Jennifer Devine, Head of Wiltshire Pension Fund, presented the Affordable Housing Selection to the Committee.

**Resolved**

- 1) The Committee agreed to use the report as a basis to understand the process followed to select managers for the affordable housing portfolio.**
- 2) The Committee endorsed the final manager selection.**
- 3) The Committee approved that officers continue to work with Mercer on the final tranche of capital.**
- 4) The Committee approved that when the final tranche of capital is committed, a further updated is provided to the Committee.**

*Members of the Committee had a comfort break between 12.08pm – 12.15pm.*

108 **Presentation by BPP**

Representatives from the Brunel Pension Partnership delivered a presentation to the Committee.

109 **Presentation by Pinebridge**

Representatives from Pinebridge delivered a presentation to the Committee.

(Duration of meeting: 10.00 am - 1.40 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

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**Wiltshire Pension Fund Committee - Actions Log**

Minute reference	Section	Meeting Action	Task owner	Target date for completion	Date completed
227 (17/12/20)	Investments (Stewardship Code)	Confirmation to Committee that the Fund has been signed to the 2020 Stewardship Code during 2021	JD	26/05/22	
24 (24/06/21)	Procurement (New Payroll System)	Updates on the integrated payroll and payments system project to be brought back to committee	AC	31/03/22	Agenda
35 (30/09/21)	Investment (RI)	Agree the milestones for the BPP property transition before proceeding	JD	31/12/21	03/03/22
35 (30/09/21)	Investment (RI)	To bring a recommendation to the Committee on how the new strategic allocations should be implemented	JD	31/12/21	03/03/22
39 (30/09/21)	Governance (Committee Structure)	To request the Standards Committee progress the standing down of the ISC meetings, which are to be replaced by an equal number of additional meetings of the Wiltshire Pension Fund Committee, leaving eight full Committee meetings per year. Progression being by changes to the constitution as appropriate	KE	14/12/22	
39 (30/09/21)	Governance (Committee Structure)	To delegate to the Chairman and officers desirable changes with MJ Hudson, possible under the existing contract (and to make alterations when re-tendering), in connection with the impact of the Committee structure	Chair/JD	31/03/22	03/03/22
55 (30/09/21)	Governance (Cyber Security)	To defer consideration of the Fund Cyber Security to the December meeting, to include officers from ICT	Chair/JD	16/12/21	16/12/21
79 (16/12/21)	Actuarial (Valuation)	For officers to liaise with Hymans Robertson to provide further training on the setting of Valuation assumptions at the next Committee meeting	AC	31/03/22	Agenda
80 (16/12/21)	Governance (Audit)	For non-standard audits covering the Fund's Pensioner Payroll reconciliation, Investment governance, Cyber Security, Statutory Returns and Administering Authority internal arrangements to be completed	RB	14/12/22	
80 (16/12/21)	Governance (Audit)	Officers to liaise with SWAP regarding ideal requirements and timescales	RB	14/12/22	

90 (16/12/21)	Governance (Cyber Security)	To take the following cyber security actions over the next 12 months. 1) Liaise with the Council's ICT department to establish an appropriate approach to the Fund's cyber security requirements 2) Conclude the recommendations agreed by the Committee at their meeting in September 2020 3) Receive an annual ICT cyber security report 4) Work with ICT & the Council's Emergency Planning team concerning its IT recovery practices and Business Continuity Planning 5) Gain approval from an independent source on the Fund's cyber security strategy 6) Address the items recorded as "lower quartile" within the Aon's cyber scorecard 7) Liaise with Aquila Heywood in respect of the points in 1 to 3 within the "Recommendations for the Fund" section in Appendix 2 8) Create a common framework of compliance borders, with ICT's own compliance requirements & 9) ICT provide an update on progress made relating to the two areas of concern (Red) and the areas marked as (Amber) highlighted in their 2021 cyber security SWAP audit.	RB	14/12/22	LPB Recommendation - Minute 85
100 (03/03/22)	Responsible Investment (SDG)	Agreed that the conclusions of the SDG investigative research be placed on hold until after the strategy review	LR	17/11/22	
106 (03/03/22)	Investment (Quarterly Report)	Officers & Mercer to carry out a investment manager selection exercise to appoint a replacement manager for Magellan. A cost to be provided at the meeting	JD	26/05/22	
106 (03/03/22)	Investment (Quarterly Report)	To defer approving the 2 year contract extension for Mercer until a paper providing more information was received	JD	26/05/22	
107 (03/03/22)	Investment (Affordable Housing)	Officers & Mercer to work on a final tranche of committing affordable housing portfolio capital. A further updated is then to be provided to the Committee	JD	26/05/22	

Wiltshire Council

Wiltshire Pension Fund Committee

05 April 2022

## Recommendations of the Local Pension Board 17 February 2022

Item	Recommendation	Agenda item
<u>Training Update</u> Minute 82	a) To recommended that the Fund's breach policy was reviewed every three years & b) To request that reminders be sent to Members who had not completed their mandatory training	Item 09
<u>LPB Budget 2022/23</u> Minute 84	To recommend that the Local Pension Board's budget be submitted to the Pension Fund Committee that this is included in the Fund's administration budget for 2022-23	Item 10
<u>Key Financial Controls</u> Minute 85	That the Terms of Reference for the Cyber Security Review be finalised & include a technical examination from an independent IT consultant concerning the information provided by the Fund's two key software providers.	Item 05
<u>Investment Governance</u> Minute 88	To review and endorse the process for approval of 2020 Stewardship Code reporting, and the Treasury Management Strategy	Item 12
<u>Risk Register Update</u> Minute 90	<p><b>To note the updated Risk Register and recommend the changes/actions proposed at paragraphs 5-9 of the report to the Committee.</b></p> <p>5. During the last quarter no "new risks" were identified.</p> <p>6. The evidence-based review of the register identified the following risks had changed or need to be recategorized;</p> <ul style="list-style-type: none"> <li>• <b>PEN043: Administration disruption and employer cost pressures cause by the Cost Cap review:</b> (From Amber to Green) GAD have indicated that the LGPS is in a strong financial position based on March 2019 information. GAD have made recommendations concerning the consistency of monitoring the cost pressures which will be reviewed by SAB. These include widening the cost corridor from 2% to 3% and a wider economic check on the outlook of the economy. Move from Horizon to Ongoing.</li> <li>• <b>PEN052: COVID-19:</b> (From Amber to Green) COVID-19 is an infectious global virus which WHO has classed as a pandemic in 2020. Since March 2020 significant strides have been made to the management of this pandemic with Govt. rules now starting to be relaxed and the majority of the population vaccinated. As a result, risks to the ongoing operation of the Fund caused by the pandemic are now considered to be reduced.</li> </ul>	Item 09

	<p>Officers will continue to monitor the situation however there appears to be no immediate risk to the ongoing service the Fund provides.</p> <ul style="list-style-type: none"> <li>• <b>PEN057: Failure to implement the Accessibility Regulations:</b> (From Amber to Green) An independent audit of the Fund's website took place in 2021 against the Accessibility Regulations and a positive outcome was received. Whilst the auditor Shaw Trust raised a small number of technical points, it is considered that the implementation of the regulations has been completed. Move from Dynamic to Closed.</li> </ul> <p>7. Risks remaining “red”, high risk:</p> <ul style="list-style-type: none"> <li>• <b>PEN018: Failure to set in place appropriate Cyber Security measures:</b> (From Amber to Red) In accordance with Committee Minute 90, dated 16 December 2021, the Fund's cyber security risk rating was increased to red until the Fund receives sufficient assurance from the Council's IT Dept. that this risk is being fully managed. Whilst measures are believed to be in place, active assurance is still required. An external consultant is to be appointed in order to provide members with an independent professional opinion on how this risk should be managed.</li> <li>• <b>PEN022: Rectification of records with GMP issues – Time-consuming, costly &amp; may causes reputational damage:</b> (From Red) Potentially incorrect liabilities being paid by the Fund as a result of GMP and other pension component values missing, incorrectly recorded or incorrectly valued. Consequently, progress with the Pensioner Payroll Database reconciliation project may impact on the Fund's liabilities and its reputation.</li> <li>• <b>PEN042: Significant retrospective legislation changes related to the McCloud case:</b> (Red) Following the release of the Government's consultation document in July 2020 analysis of the Scheme's members who may be affected was undertaken. 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. Final regulation is expected by October 2023 and officers have put in place a project plan to gather the data required to fulfil the regulations. Members requested that it be kept as a red risk until the administrative impact is completely clear.</li> <li>• <b>PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:</b> (Red) Progress and updates should continue to be regularly reported to Committee. An independent audit has been conducted in 2021 and has been presented to the Board &amp; Committee for consideration. A further audit has been commissioned for 2022.</li> </ul>	
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	<p>8. Only one risk, PEN057 on the risk register is recommended for removal from quarterly presentation to the Board. PEN057 is highlighted in paragraph 6 above.</p> <p>9. In addition, work should be undertaken regarding PEN30 &amp; PEN60, concerning the corporate recharge for implementation in the 2023-24 financial year. Regular updates on progress should be received in the Key Financial Controls reports.</p>	
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## Local Pension Board

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### MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 17 FEBRUARY 2022 AT VIEW THE ONLINE MEETING HERE.

#### **Present:**

Mark Spilsbury (Chairman), Paul Smith (Vice-Chairman), Marlene Corbey, Laura Fisher, Rod Lauder and Mike Pankiewicz

#### **Also Present:**

Cllr Richard Britton, Cllr Elizabeth Threlfall, Jennifer Devine, Christopher Moore, Richard Bullen, Andy Cunningham, Kieran Elliott and Cllr Steve Heyes

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#### 74 **Membership**

It was noted that there were two impending changes to the membership of the Local Pension Board; firstly, the requirement to elect a Vice-Chair for the forthcoming year, and secondly, Rod Lauder's upcoming departure from the Local Pension Board.

The Chairman thanked Rod Lauder for his input and dedication throughout his time on the Board and wished him well for the future. Richard Bullen, Fund Governance and Performance Manager, explained the process for recruiting a new member to the Board.

#### **Resolved**

**The Board elected Marlene Corbey as the Vice-Chair of the Local Pension Board for the forthcoming year, 2022-23.**

**The Board agreed to allow officers to work with the Chairman to finalise the recruitment process for a new Board member.**

#### 75 **Apologies**

Apologies were received from Ian Jones.

#### 76 **Minutes**

The Part I (public) minutes of the previous meeting held on 11 November 2021 were considered.

Richard Bullen, Fund Governance and Performance Manager, noted that all of the actions arising from the Board's action log would be considered in later

Agenda Items. The Board's insurance was then raised, and it was noted that the Board was insured until 31 March 2022. Officers would liaise with Aon concerning the Board 2022-23 insurance policy, likely to be aligned with other Pension Boards across the country.

#### **Resolved**

**The Board approved and signed the Part I (public) minutes of the previous meeting held on 11 November 2021 as a true and correct record, and the Board's action log was noted.**

**The Board noted that officers would liaise with Aon over the Board 2022-23 insurance cover.**

#### 77 **Declarations of Interest**

There were no declarations of interest.

#### 78 **Chairman's Announcements**

There were no Chairman's announcements.

#### 79 **Public Participation**

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

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

The Part I (public) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee held on 25 November 2021 and 16 December 2021 were considered. Following which, it was:

#### **Resolved**

**The Board noted the Part I (public) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee held on 25 November 2021 and 16 December 2021.**

#### 81 **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 updates.

Reference was made to the Triennial Valuation, and it was confirmed that officers had liaised with the actuary with regard to the plan for 2022 and that the next steps would be for officers to present a report to the Wiltshire Pension Fund Committee (WPFC) at their next ordinary meeting which would look to approve some of the approaches to risk relating to key assumptions. It was highlighted that the final results would be received in October 2022 but that key decisions had to be taken early in order to agree assumptions, methodology

and approach. Officers noted that the valuation was important as it aids in the determination of contribution rates applied from April 2023.

The Chairman asked that all updates brought to the WPFC were also brought to the Board to which officers agreed.

Richard Bullen, Fund Governance and Performance Manager, provided a brief update on cyber risk and MiFID II and confirmed that a cyber security assessment quote had been received from Aon which was within the budget cap permitted. The Chairman of the WPFC and the s151 officer were being consulted concerning the scope of the audit/internal review. The Board reaffirmed the importance of the cyber security assessment and indicated that the scope outlined should be more extensive. This view was supported by the Chair of the WPFC who was in attendance. Additionally, the Board were made aware that there were three outstanding member self-certifications and although it was not a legal requirement, it was considered best practice.

## **Resolved**

**The Board noted the report.**

## 82 **Training Update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board.

Members were encouraged to contact officers with regard to any additional training so that their training logs could be updated. Furthermore, officers highlighted the Hymans-Robertson online training tool available to members and noted that reports had been received to say that activity had been quiet. It was further noted that three Committee members were still to complete the mandatory tPR training (the Pensions Regulator).

Reference was made to Pages 41 – 52 of the Agenda Pack which contained training on breaches of law. It was noted that on receipt of the new tPR Single Code of Practice, officers would review changes to the Fund's breach policy. The policy had not been updated since 2015, although it was reviewed in 2018. Officers explained what a breach was and what constituted a breach, who was responsible and the steps to follow if one occurred. Officers then went on to explain each step in more detail with examples, as shown in the slides, and reiterated that if members were ever unsure, they should seek advice from an officer. It was highlighted that officers were looking to make a change to review the policy on a three-year basis but that breaches should be reported annually, thus fostering an atmosphere of transparency and openness in the Fund's operations. Strong record keeping would also aid in the event that a 'Red' breach needed to be reported to tPR as all of the necessary information would be easily accessible.

In response to a question, officers clarified that there had one been one 'Red' breach last year but that the breach itself had not been materially significant

enough to escalate further, and members were reassured that there were none at the time of the meeting. It was noted that the breach in question had only been recorded as 'Red' because of the existing, inflexible Fund policy wording and not because it fulfilled the wider tPR interpretation of a reportable breach.

The Chairman noted all of the above and requested that the three members who were still to complete the mandatory training were sent a reminder and the appropriate Chairman notified if a response was not received.

### **Resolved**

**The Board noted the update.**

**The Board recommended that the Fund's breach policy was reviewed every three years.**

**The Board requested that officers send a reminder to Members who had not completed their mandatory training.**

### 83 **Business Plan 2022-25**

Jennifer Devine, Head of Wiltshire Pension Fund, gave a brief verbal update and explained that historically, a draft would have been brought to the Board but with the recent leadership structure changes, officers wanted to further understand any issues and where more resources were needed. A review was currently being carried out by Aon into the resourcing and performance of the administration function, to help determine where the key issues were, and where more resourcing might be needed to support the Fund in delivering a top quality service. Once the Aon review had been completed then it was noted that these results would help inform actions for the Business Plan and Budget from next year. It was again confirmed that any potential actions would be discussed with the Board after the WPFCA.

### 84 **LPB Budget 2022-23**

Chris Moore, Pension Fund Accounting and Investments Officer, presented the report and highlighted the forecast for the end of the year which was calculating an underspend.

A question was asked as to the forecasted cut to the consultancy budget, and it was explained that this was because there were no specific works set forward by the Board. Additionally, with regard to the insurance cover it was highlighted that the premium could be significantly higher and as such, it was noted that there should be a contingency in place.

With regard to the training budget, it was asked if there were any proposal to have future training opportunities circulated to members, to which officers agreed to see what was available but also highlighted the Hymans-Robertson online training tool which could be further utilised by members.

The Chairman noted the need for further discussions regarding the Board insurance and expressed eagerness for the results of the Aon review which would aid the decision.

### **Resolved**

**The Board agreed the draft Local Pension Budget and recommended to the Pension Fund Committee that this is included in the Fund's Administration budget for 2022-23.**

**The Board agreed to 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 Pension Fund Committee.**

### 85 **Key Financial Controls**

Chris Moore, Pension Fund Accounting and Investments Officer, presented the report to members.

It was explained that the report had evolved to include a summary dashboard which would be reviewed monthly alongside new graphs and tables for reporting cash flows and forecasting which looked at historic data to aid monitoring. Attention was then drawn to Paragraph 18, and it was noted that officers were following up with the one outstanding employer. The WPF Annual Reports and Accounts for financial year ending 2020 was then highlighted and it was noted that these were being brought forward to the Audit and Governance Committee alongside the Council Accounts in due course for formal sign off and once this had been completed then the Accounts for year ending 2021 could be brought together with the Accounts for year ending 2022.

With regard to the late contribution payments, it was clarified that there was no penalty as officers prioritised fostering relationships with employers to encourage best practice, however it was highlighted that a charge for additional administration could be incurred.

The Chairman raised Paragraph 5 of the report and expressed disappointment in the delays. Officers confirmed that the delay in the 2020-21 Accounts sign off would be added onto the Breach Log and Members agreed that it should be recorded at an 'Amber' rating. Furthermore, the Chairman noted that he felt the matter of cyber security should be taken forward urgently and that independent assurance should be sought on the technical and complex issue of accurate cyber security arrangements. Officers shared the Chairman's concern and, alongside other members, noted that stronger communication between Fund officers and the Council's ICT department was needed. Officers additionally noted that they would approach Aon and request to change the scope of the review to a more technical perspective.

## **Resolved**

**The Board noted the progress made against resolving the issues identified within the report, and the progress made to develop accounting and control improvements.**

**The Board proposed that the Terms of Reference for the Cyber Security Review be finalised as soon as possible and should include a technical examination from an independent IT consultant who should review the information provided to date by the two key providers, together with further discussion with other providers as required, in order to give an independent opinion of the adequacy of the current cyber security arrangements.**

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

Andy Cunningham, Head of Pension Administration and Relations, introduced the report presenting the Fund's administration KPIs.

Officers explained that they were trialling a reporting system called 'Insights' which they were likely to purchase as it aided in producing data in a quicker way which would make it easier to embed and therefore have a positive impact on the KPIs as it would provide more real time information.

Page 67 of the Agenda Pack was referred to and the two figures that were not close to 100% were highlighted. It was noted that the 'Transfers Out' figure was lower as Fund members could access the relevant information themselves, hence it was less of a priority for officers to rectify. Regarding the other figure, 'Joiners', was cited as being an ongoing technical issue as officers continued trying to collate the different ways in which starters were set up but it was confirmed that this was close to being solved and as such, the figure would soon rise. The continued backlogs were then raised, and officers noted that they were slowly coming down and that resourcing third party administration to clear the aggregation cases was being considered. Officers acknowledged the expense that would come with it but reinforced that they believed it was the best method going forward. It was emphasised that as they were not the only Fund to encounter this problem, there were a number of organisations in the market that could provide the specific support needed. Jennifer Devine, Head of Wiltshire Pension Fund, noted that this was being examined within the Business Plan as at the current rate it was being reduced by could take up to 9 years to clear. It was cited that the potential cost of outsourcing could be anywhere up to £300k but that officers were waiting for further guidance from Aon.

In response to a question, officers clarified that the figure thresholds for Page 67 were set out in the disclosure legislation but that the template was one adopted from CIPFA as it was required for the Annual Reports and Accounts. However, it was noted that the legislation was becoming harder to interpret due to them being written before the digital age.



i-Connect was raised by the Chairman who sought clarification on when officers were expecting Swindon Borough Council (SBC) to be onboarded. Officers explained that they were struggling to engage with SBC in order to retrieve the information as to when they changed payroll systems; this change has meant that officers have had to in effect, restart the process. A timeline of 3-4 months was estimated but it was reiterated that this was dependant on SBC's cooperation. The Vice-Chairman, Paul Smith, highlighted his role in SBC and stated that he would be happy to help improve communication flows.

### **Resolved**

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

### 87 **Pensioner Payroll Database Reconciliation**

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

A change to the layout of Paragraph 3 was highlighted and it was explained that a table was included to ease monitoring and to reflect the scope expansion to include all dependants. It was confirmed that a lot of resource was being used on the project but due to the complexity of the project progress was slow.

In response to a question with regard to procedure, officers explained that each person was being written to as their case was being reviewed as each letter was bespoke and specific to that person's circumstances and as such, if a person had any questions, then they should first make contact with the officer who had sent them their letter.

The Chairman made reference to the £8.25m provision that had been made in the 2021 accounts and asked for an update. Jennifer Devine, Head of Wiltshire Pension Fund, confirmed that officers had taken a prudent view and had calculated that figure by assuming that all cases needed to be rectified, however it was confirmed that officers now expected the final figure to be much lower but again could not provide an exact figure due to the number of cases still outstanding.

### **Resolved**

**The Board noted the update.**

### 88 **Investment Governance**

Jennifer Devine, Head of Wiltshire Pension Fund, introduced the report and provided updates to the Board.

It was noted that many of the areas in which the Fund were moving forward with were not legally required but were instead considered best practice such as: setting objectives with the Fund's investment advisers that would be the basis of

their annual reviews and signing up to the Stewardship Code 2020. Additionally, with regard to Levelling Up it was noted that a strategic allocation of 5% had been made to affordable housing.

Reference was also made to an online magazine version of the full Stewardship Code 2020 report that officers were intending to create to provide further accessibility to lay people. It was explained that the main report would be approximately 50 pages long and as such, the magazine would be approximately 15 pages which would include case studies, pictures, charts and so forth to further connect with members. It was noted that engagement on the magazine would be monitored which would help to inform similar ideas in the future.

## **Resolved**

**The Board agreed to:**

- a) Use the paper as a basis to monitor progress made and actions taken towards various investment governance issues.**
- b) Review and endorse the process for approval of 2020 Stewardship Code reporting, and the Treasury Management Strategy**
- c) Note the information provided on Levelling Up.**

## **89 Scheme of Sub-Delegation**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the changes to the Scheme of Sub-Delegation.

It was explained that the review was conducted every three years and as such, was last reviewed in 2018. Although it was a Wiltshire Council and not a Wiltshire Pension Fund document, officers were asking the Board to look at the content of the document. Officers noted that they were looking to work with Wiltshire Council to make changes to the main document and guidance to delegations in order to bring it in line with current governance practice.

In response to a question, it was clarified that following the last member effectiveness review in 2018, the Council's constitution had been looked at more generally and lots of changes were made, in particular, rewriting the Terms of Reference for the WPFC and synchronising these with the Board's Terms of Reference. The recent developments with regard to the decommissioning of the Investment Sub-Committee, leadership structure changes, and the relationship between Wiltshire Council and Swindon Borough Council membership also needed to be addressed.

The Chairman requested that a change be made to Appendix 1 to make clear the advisory nature of the Board. He also raised concerns that many of the

items were noted under the Board and not the WPFC. Officers agreed and noted that it was a presentational issue that could be rectified, and clarity could be added to show the difference between the Board and WPFC's roles.

### **Resolved**

- 1) The Board noted officer conclusions and proposed that changes be made to the structure of delegations and controls to incorporate changes arising, namely officer titles and recommendations arising from the anticipated Good Governance Review and Single Code of Practice. Furthermore, the Board gave consideration to the breakdown of responsibilities outlined in the "Guidance to Delegations" Appendix 1 and agreed that the changes include:**
  - a) Where required, changes also arising from published guidance, and**
  - b) Ensuring that the governance arrangements of both the Fund and BPP are clearly reflected with each other, as appropriate.**
  
- 2) The Board requested that the Pension Fund decision making table be amended to make clear the advisory scrutiny role of the Board and the functions where the Board will undertake detailed reviews with oversight from the Committee.**

### **90 Risk Register Update**

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

PEN052 was highlighted and it was clarified that although Covid-19 was still present, all of the processes and procedures for the Fund's operations were in place and as such, the risk had been moved down to green.

The Chairman noted concern regarding PEN60 and PEN30 and the indication that there would be a corporate recharge by Wiltshire Council and questioned what improvements would be included. Jennifer Devine, Head of Wiltshire Pension Fund, confirmed that officers believed that there would be no improvements in 2022 and noted that the issue was raised frequently however, they believed that it was not considered a priority due to stretched resources within the central Wiltshire Council finance team. The Chairman expressed his disappointment and noted that he felt it was essential that the Board and WPFC work together to address the issue.

### **Resolved**

**The Board noted the attached Risk Register and recommended the changes/actions made by officers in points 6 – 8 to the Committee.**

The Board requested that work is undertaken between corporate finance officers and pensions officers with regard to PEN30 & PEN60, to implement a more transparent recharge system for implementation in the 2023-24 financial year, with regular updates of progress included in all of the Key Financial Controls reports brought to the Board.

91 **Urgent Items**

There were no urgent items.

92 **Date of Next Meeting and Forward Work Plan**

The next ordinary meeting of the Local Pension Board would be held on 5 May 2022.

93 **Exclusion of the Public**

The Board considered the recommendation to exclude 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 21-22 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.**

94 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Part II (private) minutes from the last ordinary meeting of the Wiltshire Pension Fund Committee held on 16 December 2021 was considered. Following which, it was:

**Resolved**

**The Board noted the Part II (private) minutes from the last ordinary meeting of the Wiltshire Pension Fund Committee held on 16 December 2021.**

95 **Brunel Governance Review Update**

An update was provided by Jennifer Devine, Head of Wiltshire Pension Fund.

(Duration of meeting: 10.00 - 11.55 am)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services,  
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# Wiltshire Pension Fund

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Actuarial valuation at 31 March 2022

Advice on assumptions

Catherine McFadyen FFA      Barry Dodds FFA

**25 March 2022**  
**For and on behalf of Hymans Robertson LLP**

Use the menu bar above to navigate to each section.

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A glossary of technical terms used in this report can be found in Appendix 6



# Summary of recommendations

Assumption	Recommended approach	Comments
Future investment return assumption	Based on Hymans Robertson ESS model updated to latest market calibration	<b>Asset class return expectations are generally lower than in 2019</b>
Discount rate	Can be increased from 1.6% to 2.0% above the risk-free rate at the same level of prudence as used for presenting the funding level	<b>Consistent level of prudence with funding level presentation. In 20 years time the Fund would be aiming to hold less assets (all other things being equal), but not below 2019 level</b>
CPI inflation (benefit increases / CARE revaluation)	Based on Hymans Robertson ESS model	<b>Inflation expectations are slightly higher (c.0.3-0.4% p.a.) than 2019 due to current economic outlook</b>
Salary increases	0.5% above CPI inflation (was 0.4% at 2019)	<b>2022 proposed assumption in line with 2019 long-term salary increase expectations. However, at 2019, allowance was made for short-term expected pay restraint. Given recent increases in National Living Wage and reduced impact on pension liabilities from short-term pay expectations, recommend that no allowance is made for any short-term pay restraint.</b>
Baseline longevity	Based on Club Vita analysis updated to reflect non-Covid related experience	<b>Longevity assumptions are tailored to the Fund's experience and membership</b>
Future improvements in longevity	Updated to CMI 2021 model with no weight on 2020/21 data with long term improvement of 1.5%	<b>Latest version of CMI model is best practice but avoid projections being affected by short-term Covid-19 experience</b>
Demographic assumptions (excluding longevity)	Adopt Hymans proposed demographic assumptions except for withdrawals, where we propose scaling the default assumption by 120% for Males (Full-time) and 130% for Females (Full-time)	<b>All demographic assumptions have been reviewed against LGPS wide experience with some adjustment to reflect Fund's own experience</b>

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# The valuation process

# The valuation process



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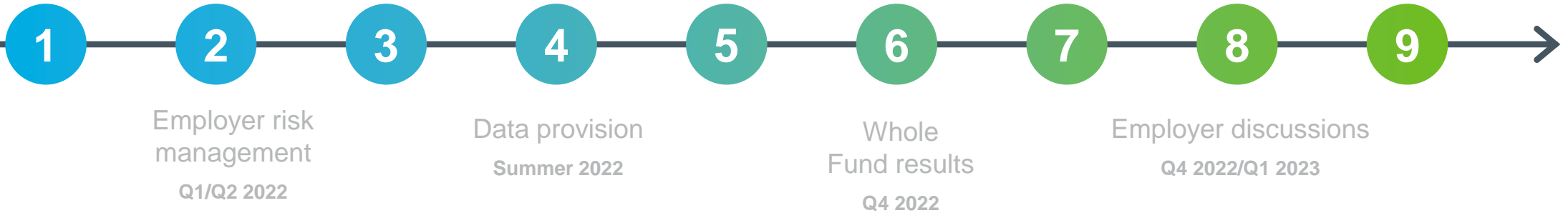
**Assumptions advice**  
Now

Contribution rate modelling  
Q1/Q2 2022

Funding Strategy Statement  
Summer 2022

Employer results  
October 2022

Valuation sign off  
March 2023



# Assumptions advice

It's now time to set assumptions for the 2022 formal valuation, after taking advice from us as your Fund Actuary. As part of this process you need to make four main decisions:

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1  
Agree the prudence level in the assumptions

2  
Confirm approach and choice of financial assumptions (salary and pension increases)

3  
Agree the life expectancy assumption, including how much weight is placed on recent years affected by COVID-19

4  
Agree all other demographic assumptions

# Why and how we set assumptions

# Assumptions matter – projecting future benefit payments and assets

To determine the level of employer contributions we carry out two projections.

The **benefit projection** estimates the future payments that will be made to members, allowing for future pension increases, death and other events.

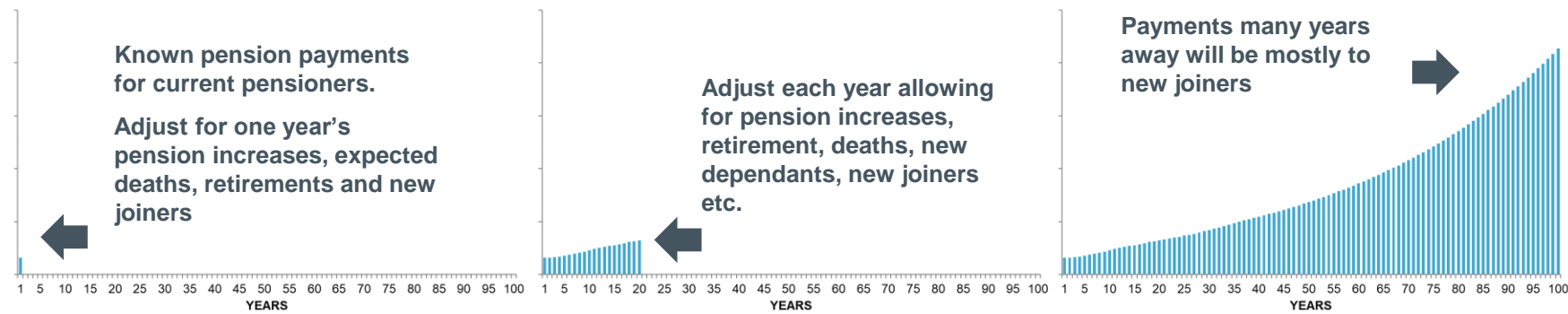
The **asset projection** takes into account future investment returns, contributions and benefits paid to members.

The contribution rates are set so at the funding time horizon, there are enough assets to meet future benefit payments in a sufficiently high number of future economic scenarios – the funding objective.

Because we can't see into the future, the projections mean working with uncertainty and require assumptions.

We review assumptions regularly to make sure they're relevant to the financial, demographic and regulatory environment.

## Illustration: how we project benefit payments



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**Two types of assumptions:**

- 1 Financial assumptions** (like inflation) affect the amount of payments and asset values.
- 2 Demographic assumptions** (like how long members live) affect the timing of payments.

# Assumptions and our valuation approach

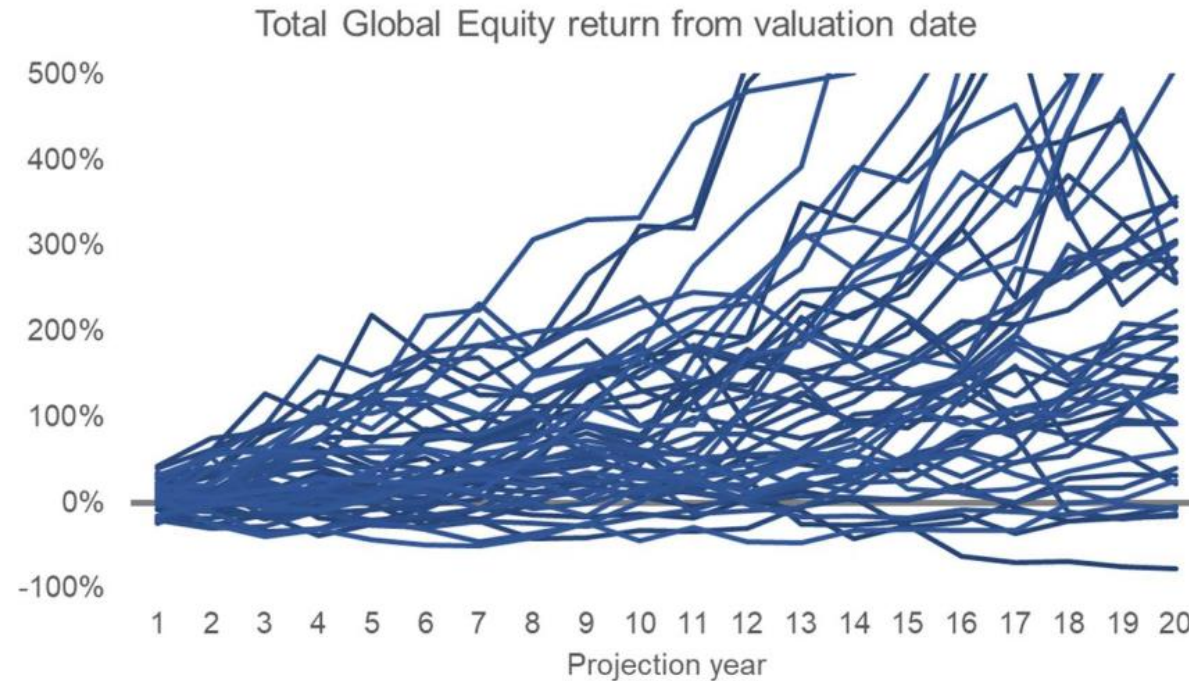
We use a “risk-based” approach to calculating the benefit and asset projections.

Under this approach, we use an economic scenario generator (Hymans Robertson’s proprietary generator is called the Economic Scenario Service – ESS) to produce 5,000 different simulations of future economic conditions and associated assumptions.

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The assumptions in each scenario vary by year i.e. they are not ‘flat’, so they are a better representation of reality than a single, linear assumption.

The chart shows a sample of the 5,000 simulations for future cumulative total returns on global equities over the next 20 years.



This approach allows the generation of a distribution of future benefit and asset projections so all stakeholders in the Fund can better understand risk.

# What assumptions are needed

Assumption	Description	Required for
<b>Financial assumptions</b>		
Future investment return	Projected annual returns and volatility on asset classes invested by the Fund e.g. UK equities, property etc.	<b>Asset projection</b> – to project employers’ asset shares to the end of the funding time horizon
Discount rate	Annual rate of future investment return that will be earned on the Fund’s assets after the end of the funding time horizon	<b>Funding objective</b> – to place a present value at the end of the funding time horizon of the future benefit payments
CPI inflation (benefit increases / CARE revaluation)	Future Consumer Price Index inflation	<b>Benefit projection</b> – to determine the size of future benefit payments (LGPS benefits are index-linked to CPI inflation)
Salary increases	Future inflationary salary awards	<b>Benefit projection</b> – to determine the size of future benefit payments (the pre-2014 final salary benefits are linked to salary) <b>Asset projections</b> – to determine future payroll values (and hence contribution income)
<b>Demographic assumptions</b>		
Baseline longevity	How long we expect members to live based on current observed death rates	<b>Benefit projection</b> – to determine how long each member’s benefits are paid for
Future improvements in longevity	How death rates are expected to change in the future (historically life expectancy has improved over time)	<b>Benefit projection</b> – to determine how long each member’s benefits are paid for
Other demographic events	Events such as retirement age, rate of ill health retirement, level of commutation and 50:50 take up	<b>Benefit projection</b> – to determine the size and timing of future benefit payments

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# How we review and set assumptions

## Our approach

### 1. Look at the assumptions from the last valuation

### 2. Review evidence and consider the landscape:

- Changes in financial/economic conditions
- Regulation and guidance
- Population and general pension scheme statistics
- Fund specific data and experience, especially members' demographic characteristics
- Future trends
- Assessment of employers' financial strength
- Investment strategy
- Fund views – and employer views in some cases (e.g. salary increases)

### 3. Propose, discuss and agree changes to set new assumptions

## Acknowledging uncertainty

There is no certainty about how the future may evolve and it is important to acknowledge this uncertainty during the valuation. Understanding the impact of the future deviating from the assumptions on funding levels and contribution rates is an important aspect of how the Fund manages risk.

### Ways of understanding the impact:

- **Stress testing** – measures immediate changes in assumptions by testing alternatives at valuation date. We will stress test the longevity assumptions as part of the valuation.
- **Risk-based modelling** – risk-based approach involves projecting a wide range of possible future outcomes. There is no single figure for an assumption – instead, we work with a future range. We use a “risk-based” approach to calculate the benefit and asset projections and set the underlying financial assumptions.
- **Scenario projection** – considers future projections across different scenarios, bringing together relevant factors for a better understanding of overall impact. We will use different climate change scenarios at the valuation to help you understand this risk.

Most assumptions are a best estimate, set objectively without margins for adverse experience. A prudent discount rate assumption meets the requirement (from LGPS guidance) for a ‘prudent’ valuation.

# Other factors affecting assumptions at the 2022 valuation

## Climate change

Climate change will affect many aspects of the Fund's assets and liabilities, for example the return on its assets, the inflation used to revalue benefits and the longevity of its members. The uncertainty around future climate pathways and their impact means that it is impossible to factor climate change considerations meaningfully into every assumption described in this paper.

We will however consider climate change scenarios when setting the long-term longevity improvements assumption, and the Fund will consider climate risk in its funding strategy by testing the resilience of the strategy in three climate scenarios.

## Possible benefit changes

### McCloud

Benefits accrued by certain members between 2014 and 2022 may be increased in future following the outcome of the McCloud case, which ruled that transitional protections introduced in 2014 to older members were discriminatory. We will make an allowance for the cost of these potential improvements in the 2022 valuation, based on the assumptions agreed here (in particular the salary increase and withdrawal assumptions). The impact is expected to be minimal for the majority of employers.

### Cost sharing mechanism

Benefits could also change as a result of the 2016 and 2020 "cost cap" valuations, neither of whose outcome has been completely confirmed. If new assumptions are necessary to value any potential changes we will agree these separately.

### Guaranteed Minimum Pension equalisation and revaluation

As per our approach for the 2019 valuation, we will assume that the Fund will fund all increases on GMP for members with a State Pension retirement date after 5 April 2016.

### Other legal cases

Benefits could change as a result of other legal challenges (e.g. the "Goodwin" case affecting partner pensions), but at present we do not believe any additional assumptions are needed to value these.

# Financial assumptions

# Financial assumptions

## Approach to setting financial assumptions

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1. Hymans' proprietary economic model, the Economic Scenario Service (ESS), is used to generate 5,000 different simulations of the future
2. ESS generates a range of future benefit and asset projections so stakeholders can better understand risk (hence "risk-based" approach)
3. Projections allow for different levels of inflation and returns across all asset classes
4. No single assumption for future investment returns or inflation

## Comparison with 2019

Here are how some of the main ESS assumptions have changed since 2019. Full details are in Appendix 1

Assumption	31 March 2019	31 January 2022
CPI inflation	2.2%	2.6%
Global equity returns	5.8%	6.1%
Index-linked gilt returns	0.3%	(0.2%)
Corporate bond returns	1.9%	1.7%

Figures are median annualised values over years 0-20. ILGs and Corporate Bonds are medium duration, the latter is A rated.

The outlook for inflation and the returns on some asset classes is worse compared to 2019.

## Key decision

A discount rate is needed to place a prudent value on the benefit payments due after the funding time horizon. This value determines each employer's funding objective. The level of prudence is a key funding decision.

The discount rate is set relative to risk-free rates so that it varies according to the economic conditions in each of the 5,000 projections.

# Current financial market volatility - Ukraine

## Ukraine situation

- The current situation in Ukraine is having an ongoing impact on financial markets
- This is impacting asset prices and inflation

## Considerations

- Short term volatility in financial markets does impact the Fund
- However, the Fund is a long term investor and pension funds are looking at investing and funding decades into the future
- Whilst there is a short-term impact this has less impact when looking over the longer term
- The risk-based approach is robust enough to deal with short-term volatility
- We will carry out asset stress tests when doing the valuation
- Whilst we are monitoring the situation, the advice and recommendations in this paper are unchanged

## Summary/comment:

The funding strategy of a pension fund is long term.

The risk-based approach used is robust enough to deal with short term volatility.

Short term volatility not as significant over the longer term

Advice/recommendations here are unchanged



# Investment return and discount rate assumptions – Current Strategy

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## 2019 approach

- **Investment return assumptions:** Risk-based approach to generate future investment returns, based on Fund’s investment strategy
- **Discount rate assumption:** Assumed future investment returns are generated for each asset class from the ESS and combined into an overall portfolio return
- At 2019, the discount rate was set at 1.6% p.a. above the risk-free rate.

## Considerations

### Maintaining the same discount rate assumption

- The prudence level is the likelihood of the Fund’s investment strategy achieving the desired excess return over years 20-40
- At 2019, there was a 71% prudence level associated with a discount rate based on the risk free rate plus 1.6% p.a.
- As at 31 January 2022, the same discount rate assumption is now associated with an increased prudence level of 80% based on the Fund’s current strategic asset allocation.
- As the prudence level has increased it would be acceptable to maintain this discount rate

### Use the same prudence level as used for reporting the funding level

- In 2019, the Fund used a 75% prudence level to determine the investment return assumption used to report the funding level
- Using a 75% prudence level to determine the discount rate now, the resulting discount rate would be 2.0% above the risk-free rate based on the current strategic target asset allocation.
- It would be acceptable to increase the discount rate assumption to this level

## RECOMMENDATION:

Continue to use the ESS to generate future investment returns

Increase discount rate assumption to 2.0% p.a. above risk-free rate for consistency in reporting.

## IMPACTS:

The money you are aiming to hold to meet benefit payments and the target for investment return

## SIGNIFICANCE:

**Increasing margin above the risk-free rate by 0.4% p.a. will reduce relative amount of assets you are aiming to hold (although not below 2019 level)**

The investment strategy used in our analysis is set out in Appendix 2. The results on various alternative investment strategies are shown on the next page.

# Investment return and discount rate assumptions – Alternative strategies

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Approach	71% likelihood of success (% per annum)	75% likelihood of success (% per annum)	80% likelihood of success (% per annum)	85% likelihood of success (% per annum)
Current strategy	2.2% per annum	2.0% per annum	1.6% per annum	1.2% per annum
Strawman 1	2.3% per annum	2.0% per annum	1.7% per annum	1.3% per annum
Strawman 2 (Higher risk)	2.4% per annum	2.1% per annum	1.7% per annum	1.3% per annum
Strawman 3 (Lower risk)	2.3% per annum	2.0% per annum	1.7% per annum	1.3% per annum



# Benefit revaluation and pension increases

2019 approach	Benefit projections were assumed to be in line with CPI projections from the ESS model
What's changed since the previous valuation?	Increased inflation expectations, perhaps due to government actions during Covid-19 pandemic and/or Brexit-related supply pressures
Proposed approach for the 2022 valuation	No change in approach, but use updated ESS calibration reflecting current market outlook in the short-medium term

Page 48

**RECOMMENDATION:**  
CPI inflation will be derived from the updated calibration of the ESS model

**IMPACTS:**

The increase applied to benefits in each future year

**SIGNIFICANCE:**

**Increase in assumed future inflation will increase inflation linked liabilities**



# Salary increases

2019 assumption	CPI + 0.4% pa, plus a promotional salary scale We will only consider the inflationary element here
2019 approach Page 49	At the 2019 valuation, the assumption for 'inflationary' increases was based on an underlying assumption of short-term pay restraint (2% to 2020) followed by long-term increases in line with CPI inflation + 0.5%.  After allowing for the expected run-off of the Fund's final salary (pre-2014) linked benefits, this gave an assumption of CPI + 0.4%.
Things to consider	<p><b>Run off of final salary liabilities:</b> it is expected that this will be more gradual than at previous valuations and therefore the impact of any short-term pay restraint is negated</p> <p><b>McCloud remedy:</b> many members' benefits earned between 2014 and 2022 will retain a link to final salary, further negating the impact of any short-term pay restraint</p> <p><b>Impact of Covid-19 on budgets:</b> the impact of the pandemic on public and private sector finances may mean lower future salary increases</p> <p><b>National living wage increases:</b> recent years have seen an above inflation rise in the National Living Wage (NLW) and an increasing number of employers adopting this as their minimum wage. Although the NLW is aimed at the lowest paid, these recent increases will put pressure on salary rates across the whole workforce as employers may feel the need to keep the increments between staff consistent to adequately reward those with more responsibility or experience.</p>

**RECOMMENDATION:**  
No allowance made for short-term restraint with no change from 2019 long-term assumption  
CPI+ 0.5% pa (plus a promotional salary scale)

**IMPACTS:**  
The benefits paid to members with service earned prior to 31 March 2014  
  
Payroll projections used for contribution modelling  
  
The estimated cost of the McCloud remedy

**SIGNIFICANCE:**  
**Less significant than in previous valuations**

# Reporting the funding level

As well as setting contributions, a key output of the valuation is a measurement of past service liabilities at the valuation date itself to determine the funding level.

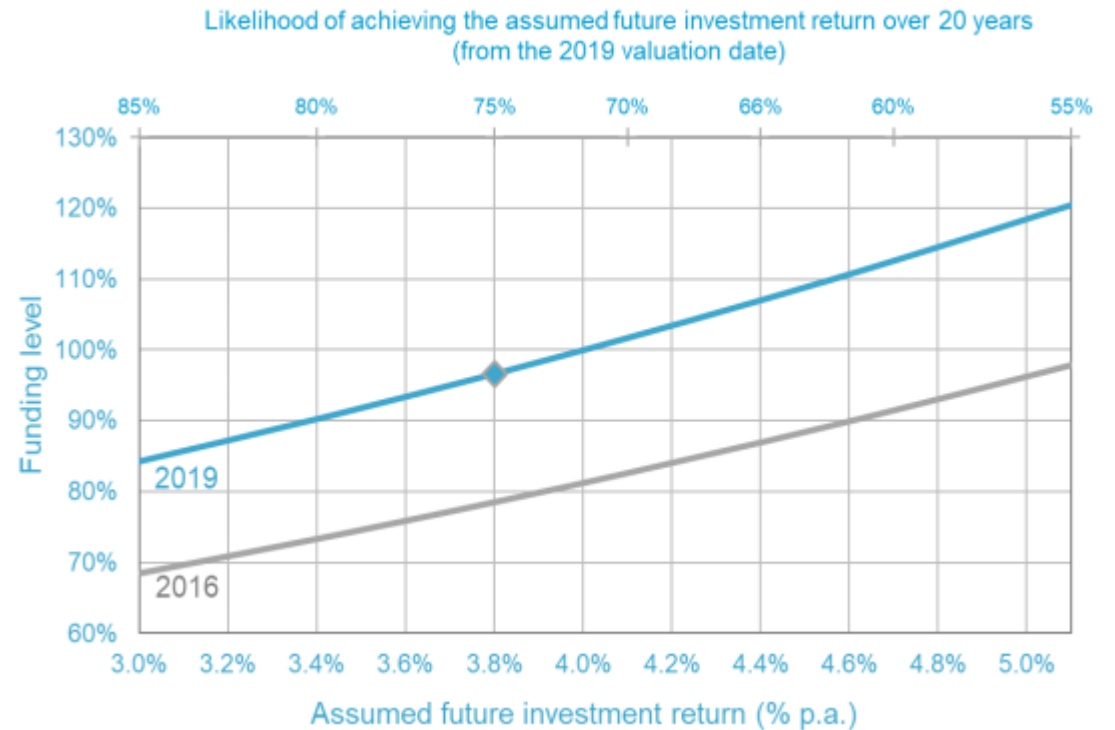
To report a funding level, we need to use a single value for each assumption (compared to the risk-based approach used for contribution rate setting).

Page 50

To ensure consistency between the reported funding level and employer contribution rates, we still use the ESS to derive the assumptions used to report the funding level. These assumptions are summary statistics of the 5,000 individual simulations used to project forward assets and benefit payments when setting contributions.

At the 2019 valuation, we showed how the funding level at the valuation date varied with the choice of future investment return and the likelihood of the Fund's assets yielding at least a given investment return (based on the ESS simulations).

This was all detailed in this chart. A similar chart will be shown in your 2022 valuation preliminary results report.



# Assumptions for reporting the funding level – Current Strategy

## 2019 approach

Funding level was reported using an assumed investment return assumption of 3.8%, which had an associated prudence level of 75%  
Pension increases were based on market-implied RPI inflation minus 1% p.a.

In general the approach is the same as already discussed, except that instead of 5,000 projections we choose a single value from those projections as follows:

### Assumed investment return

Use the same approach as in 2019 with the same prudence level as used for the discount rate, i.e. 75%. This gives an assumed investment return of 4.1% on the current target asset allocation.

### Pension increases

Use the median projected CPI inflation from the ESS over the next 20 years (equivalent to 2.6% p.a. as at 31 January 2022). This is a change from 2019 due to gilt market supply/demand distortion which affects market-implied inflation metrics.

Both these assumptions will be updated for the valuation to use market conditions as at 31 March 2022.

### Salary increases

Assume salary increases of 0.5% p.a. above median projected CPI as mentioned above

## RECOMMENDATION:

Use prudence level of 75% for the assumed investment return, and assume pension increases in line with the median projected CPI inflation from the ESS

## IMPACTS:

Reported funding level.  
Does not affect contributions.

## SIGNIFICANCE:

**For reporting and tracking the funding level only**

## Proposed approach for the 2022 valuation

The investment strategy used in our analysis is set out in Appendix 2. The results on various alternative investment strategies are shown on the next page.

# Assumptions for reporting the funding level – Alternative strategies


Page 52

Approach	Retain 75% prudence level (Assumed investment return at 31 January 2022)
Current strategy	4.1% per annum
Strawman 1	4.1% per annum
Strawman 2 (Higher risk)	4.2% per annum
Strawman 3 (Lower risk)	4.1% per annum

# Longevity assumptions

# Breaking it down

Page 54



**Your longevity assumptions**

How long you expect to pay a pension to each member and their dependants.



## Baseline

- A snapshot of how long people currently live
- Measured **objectively** based on recent mortality data
- Use Club Vita analytics for a **tailored best estimate** based on members' characteristics
- Reflects that people with certain characteristics tend to live longer (women, non-ill-health retirees, higher affluence, non-manual workers)



## Future improvements

- How life expectancy increases over time
- Shorter-term expectations reflecting recent trends
- Longer-term expectations reflecting historical trends **plus** evidence that improvements may be higher or lower than historical trend
- **Subjective** – wide range of possible outcomes

Evidence based baseline + informed future judgement

# Baseline

Page 55

<p><b>2019 approach</b></p>	<p>Club Vita tables tailored to fit each individual member of the Fund</p>
<p><b>What's changed since the previous valuation?</b></p>	<p>Current assumptions capture the unique mix of people in your scheme using experience across the Club Vita database of similar individuals to identify a baseline longevity assumption for each member. But new evidence on longevity emerges yearly. Since your last valuation more data has been gathered and VitaCurves have been updated.</p>
<p><b>Proposed approach for the 2022 valuation</b></p>	<p>Adopt the latest member-specific Club Vita base tables – a consistent approach that captures a more up-to-date experience. We will make an appropriate adjustment to recent data to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021</p>
<p><b>Other comments...</b></p>	<p>The Covid-19 pandemic has unfortunately resulted in increased morbidity and death since 2020. It is likely that we will see higher than expected death experience since the 2019 valuation. This will result in a decrease in liabilities as the Fund will be paying out less pension than expected. However, our initial estimates for a typical LGPS fund suggest that the reduction in liabilities due to the higher number of deaths will only be a decrease of 0.1-0.2%</p>

**RECOMMENDATION:**  
 Latest member-specific Club Vita mortality base tables, adjusted to avoid being skewed by Covid-19.

**IMPACTS:**

How long you expect to pay a pension to each member and their dependants.

**SIGNIFICANCE:**

**Small change in base table to reflect up-to-date experience**

# Future improvements - recent experience snapshot

Page 56

- Lower improvements in longevity at population over recent years, however more affluent pensioners have not seen the same level of slowdown. Adopting starting rates based on population-level data risks understating current rates of improvement for your members.
- COVID-19 meant 2020 death rates were significantly higher at population level than previous years.
- The immediate impact from actual experience over the period to a Fund's valuation date will be accounted for in the valuation data. However, for most schemes this impact is relatively low.
- There is uncertainty over how the Covid-19 pandemic will impact the course of future longevity improvements in the medium to longer term.
- This uncertainty means schemes should be wary of weakening mortality assumptions materially from those adopted previously.

Headline rate of improvement (England & Wales)



Source: Annual improvement in standardised mortality rate, based on data from ONS for England & Wales, as published by the CMI alongside CMI\_2020

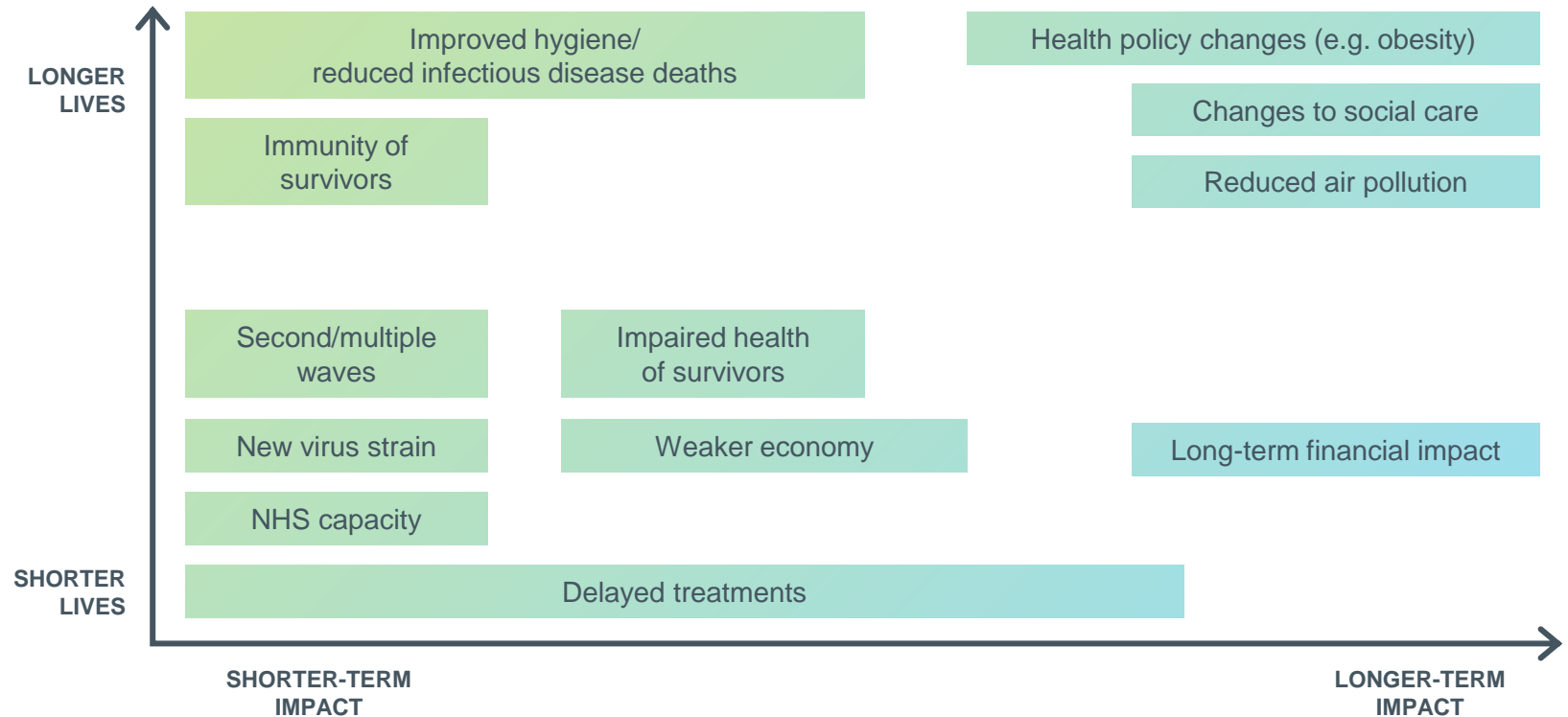


# Future improvements - future COVID-19 impact

- No consensus on the pandemic’s impact on mortality for pension schemes.
- CMI model now allows 2020 and 2021 data to be treated differently (or ignored), reflecting that it is an exceptional period not necessarily indicative of a future mortality rate trend.

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Most funds unlikely to make an explicit allowance at this time



Too early to judge future impact – points to no explicit allowance

# Future improvements

Page 58

## 2019 approach

The starting point is the Actuarial Profession’s CMI model, which is updated annually with the latest observed mortality data. At the 2019 valuation we used CMI\_2018 with default smoothing parameters, an initial addition of 0.25% and long-term rate of improvement of 1.25% pa.

## Proposed approach for the 2022 valuation

Use the latest available CMI model (likely CMI\_2021) with the parameters adjusted as follows:

### Weight placed on 2020 (and 2021) experience ( $W_{2020}$ parameter)

Given that both 2020 and 2021 have been significantly affected by the Covid-19 pandemic, **we would recommend that no weight is placed on data from these years.** This will avoid overstating the impact of the pandemic on long-term rates of improvements, as we have little evidence of the long-term effects at this stage.

### Adjustment to observed data to reflect scheme membership (A parameter)

The A parameter allows users to adjust the starting point for the projections in the model to reflect the difference between the population-wide data used in the model and the Fund’s own membership. Based on analysis carried out by Club Vita, we recommend using an A parameter of 0.5%.

### Long-term improvement rate (LTR parameter)

Club Vita analysis suggests increasing the long-term rate of improvements to 1.5% p.a., offsetting the impact of lower starting improvements due to recent experience (even before Covid-19).

## RECOMMENDATION:

Latest available CMI model with an A parameter of 0.5%, long-term rate of improvement of 1.5% pa and no weight given to 2020 data.

## IMPACTS:

How long you expect to pay a pension to each of member and their dependants.

## SIGNIFICANCE:

**Increase liabilities by 1-2% vs 2019 assumption**

Further information about the future improvement assumption is set out in Appendix 3

# Other demographic assumptions

# Other demographic assumptions

Page 60

<p><b>Withdrawals (excluding ill-health)</b></p>	<p>Based on our LGPS experience analysis for the period 2016-2019, we have increased the likelihood of withdrawals at each age.</p> <p>Following the Fund specific analysis, our recommendation is to scale the default assumption by 20% for full-time males and 30% for full-time females, with no scaling for part-time males and females. Please see Appendix 4 for detailed results of the fund-specific demographic experience analysis.</p>
<p><b>Ill-health early retirements</b></p>	<p>Our LGPS-level analysis shows the incidence of ill-health retirements is slightly lower than expected at 2019. We propose leaving the assumption unchanged due to the potential increase in ill-health retirements as a result of Covid-19.</p> <p>Fund specific analysis shows a slightly lower rate of ill-health retirements than expected. However, as there are only a small number of data points, we do not believe there is credible evidence to adjust the assumption.</p>
<p><b>Promotional salary scale</b></p>	<p>Our analysis at LGPS-level does not suggest that any change is required to the default salary scale used at the 2019 valuation.</p> <p>Analysis of the Fund’s own results do not suggest any reason to alter the standard assumption.</p>
<p><b>Death in service</b></p>	<p>The incidence of death in service is very low. Our LGPS-level analysis shows that the incidence of death in service is less than expected at 2019. Whilst there may have been an increase in the period from 2019 to 2022, we believe that will be temporary. Therefore, we have reduced the expected rate of death in service by 20% (compared to 2019).</p> <p>Similarly, Fund specific analysis does not suggest any reason to alter the standard assumption</p>

**RECOMMENDATION:**  
 Adopt proposed demographic assumptions based on LGPS wide analysis, adjusted for local experience where appropriate

**IMPACTS:**

Timing and magnitude of future cashflows.

**SIGNIFICANCE:**

**Minor impact on liabilities**



# Other demographic assumptions

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<p><b>50:50 take up option</b></p>	<p>At 2019, the Fund's assumption was 1% of members would elect to take up the 50:50 option.</p> <p>Take up in the Fund's 2019 data was 0.72%. It is not clear how the take-up of this option will change in the future. Therefore, our recommendation would be to keep this assumption unchanged at 1%.</p>
<p><b>Retirement age</b></p>	<p>Due to benefit changes in the LGPS, there are a complex set of rules determining the age a member can retire with unreduced benefits. These rules differ by member and the period in which the benefit was earned. However, by 2022, many of the members with complex retirement ages will have retired and therefore the assumptions can be simplified.</p> <p>At 2019 we assumed members retired in the years up to their state pension age, with a chance of retiring at each age from age 55 based on historical data.</p> <p>For 2022, the assumption will reflect the earliest age at which a member can retire with their benefits unreduced. We estimate the impact of this change to reduce liabilities by around 1%.</p>
<p><b>Cash commutation</b></p>	<p>At 2019, the Fund assumed that the rate at which members exchanged their pension for tax-free cash at retirement was 50% of HMRC limits for service to 1 April 2008 and 75% thereafter.</p> <p>Based on the Fund's own experience, we propose to update this assumption to 50% of HMRC limits for all tranches of benefit.</p>

**RECOMMENDATION:**  
 Adopt proposed demographic assumptions based on LGPS wide analysis and Fund's own experience

**IMPACTS:**

Timing and magnitude of future cashflows.

**SIGNIFICANCE:**

**Minor impact on liabilities**

# Other demographic assumptions

## Proportion leaving a dependant

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This is monitored by Club Vita as part of helping the Fund to manage their longevity risk.

The chart below shows the percentage of members in the Fund who are outlived by a partner eligible for an LGPS dependant pension.

For 2022 we will use the latest available Club Vita analysis to set an assumption appropriate to your Fund.

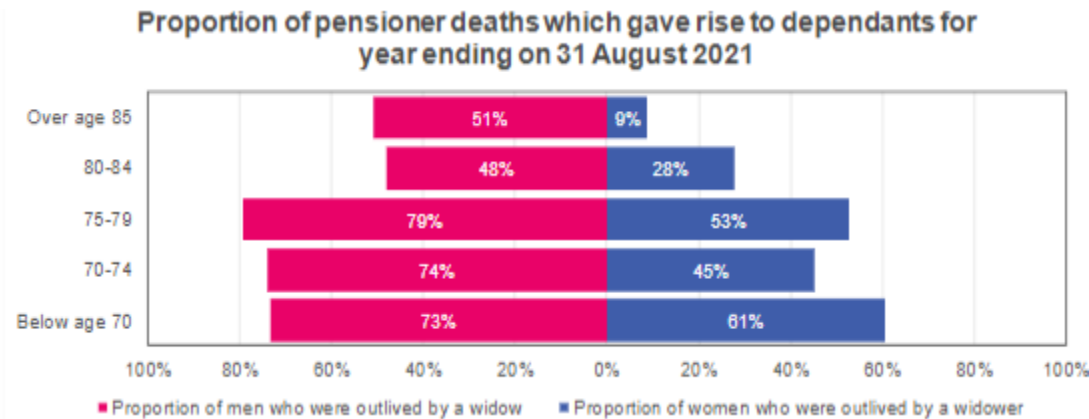
**RECOMMENDATION:**  
Adopt proposed demographic assumptions based on Club Vita analysis

**IMPACTS:**

Timing and magnitude of future cashflows.

**SIGNIFICANCE:**

**Minor impact on liabilities**



# Decisions and next steps

# Decisions for today

Page 64

1

Agree the prudence level in the assumptions

2

Confirm approach and choice of financial assumptions (salary and pension increases)

3

Agree the life expectancy assumption, including how much weight is placed on recent years affected by COVID-19

4

Agree all other demographic assumptions



# The valuation process



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**Assumptions advice**  
Now

Contribution rate modelling  
Q1/Q2 2022

Funding Strategy Statement  
Summer 2022

Employer results  
October 2022

Valuation sign off  
March 2023



Employer risk management  
Q1/Q2 2022

Data provision  
Summer 2022

Whole Fund results  
Q4 2022

Employer discussions  
Q4 2022/Q1 2023

# Appendices

APPENDIX 1

# Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation).

In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc.

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration at 31 January 2022.

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		Annualised total returns														
		Cash	Index Linked Gilts (medium)	Private Equity	Property	Emerging Market Debt	Emerging Markets Equity	Infrastructure Equity	Global Equity	Multi Asset Credit (sub inv grade)	Senior Loans (sub inv grade)	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	0.5%	-2.2%	-2.7%	-0.9%	-1.0%	-2.8%	-1.4%	-0.3%	2.2%	2.5%	2.3%	-1.8%	1.4%	-1.8%	0.9%
	50th %'ile	1.5%	-0.2%	6.2%	3.6%	3.0%	5.8%	5.3%	5.5%	4.1%	4.3%	3.9%	-0.6%	3.1%	-0.6%	2.3%
	84th %'ile	2.7%	1.9%	16.1%	8.5%	7.0%	14.1%	12.5%	11.2%	5.8%	6.1%	5.6%	0.6%	4.8%	0.6%	4.0%
20 years	16th %'ile	0.8%	-1.9%	0.6%	1.0%	0.9%	0.2%	1.1%	1.8%	3.2%	3.4%	1.5%	-0.7%	1.1%	-0.7%	1.3%
	50th %'ile	2.2%	-0.2%	7.0%	4.4%	3.9%	6.1%	6.0%	6.1%	4.8%	5.1%	3.0%	1.0%	2.6%	1.0%	3.2%
	84th %'ile	3.8%	1.5%	13.8%	8.3%	7.1%	12.7%	11.2%	10.5%	6.5%	7.0%	4.6%	2.7%	4.2%	2.7%	5.6%
40 years	16th %'ile	1.1%	-0.5%	2.7%	2.1%	2.3%	2.0%	2.7%	3.3%	4.0%	4.1%	1.0%	-0.6%	0.8%	-0.6%	1.2%
	50th %'ile	2.8%	1.0%	7.6%	5.1%	4.8%	6.9%	6.8%	6.7%	5.8%	6.0%	2.4%	1.3%	2.2%	1.3%	3.3%
	84th %'ile	4.8%	2.8%	12.8%	8.1%	7.4%	11.6%	10.8%	10.3%	7.7%	8.2%	3.8%	3.2%	3.6%	3.2%	6.1%
<b>Volatility (Disp) (1 yr)</b>		2%	7%	28%	14%	12%	25%	21%	17%	5%	5%	3%		3%		

APPENDIX 2

# The Fund’s asset allocation

The table below sets out the different strategic asset allocations we have used for the analysis of the future expected investment returns for the Fund and the subsequent discount rate recommendations.

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Asset class	Current Strategy	Strawman 1	Strawman 2 (Higher Risk)	Strawman 3 (Lower Risk)
Global equity	22.0%	24.5%	27.0%	23.0%
Private equity	7.5%	7.5%	7.5%	5.0%
Emerging markets (equity and debt)	10.0%	10.0%	10.0%	10.0%
Multi asset credit	5.0%	7.5%	8.0%	7.5%
Private debt	7.5%	7.5%	7.5%	7.5%
Core infrastructure	8.0%	4.0%	4.0%	4.0%
Renewable infrastructure	5.0%	7.0%	8.0%	7.0%
Secured income	8.0%	8.0%	8.0%	10.0%
Affordable housing	5.0%	5.0%	5.0%	5.0%
Core property	15.0%	8.0%	8.0%	8.0%
Index linked gilts (>5 years)	7.0%	7.0%	5.0%	8.0%
Liquid loans (global secured loans)	-	4.0%	2.0%	5.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

APPENDIX 3

# Additional detail on longevity assumptions

## Longevity improvements – initial addition (A parameter)

The CMI model is based on England & Wales population mortality data. Evidence suggests that most members of an occupational pension scheme (e.g. the LGPS) have experienced higher improvements in life expectancy than the general population in recent years. The A parameter allows users to adjust the starting point for the projections in the model to reflect this differing experience.

To help set this parameter, Club Vita have undertaken some analysis to calculate mortality improvement rates split by socio-economic group. The results are shown in the table along with the England & Wales rates within the core CMI\_2020 model.

This analysis is consistent with similar analysis performed by the CMI, which found higher longevity improvements in less deprived population groups (IMD deciles 8-10). These results are also shown in the table for comparison.

	Annualised mortality improvement (2013 – 2018)	
	Men	Women
England & Wales (core CMI)	0.9%	0.6%
Club Vita 'Comfortable'	+0.3% vs. E&W	+0.5% vs. E&W
Club Vita 'Making-Do'	+0.5% vs. E&W	Analysis showed no material difference by segment for women
Club Vita 'Hard-Pressed'	-0.2% vs. E&W	
CMI analysis IMD deciles 8-10 (more affluent)	+0.2% vs E&W	+0.3% vs E&W

Both analyses show that in recent years, more affluent individuals have enjoyed higher than average improvements in life expectancy. It is these individuals that also tend to dominate the liabilities of the Fund.

The majority of the Fund's liabilities relate to those members in the making-do and comfortable groups. As such, we would recommend using the A parameter to adjust the starting point in the CMI model by 0.5%.

APPENDIX 3

# Additional detail on longevity assumptions

## Longevity improvements – long-term rate (LTR)

Life expectancy has improved consistently since at least the turn of the 20<sup>th</sup> century thanks to many factors such as better public health, improved medical treatments, better diet and lower rates of smoking.

We need to consider how (or if) the improvements we have seen in recent years will continue into the long-term. As a starting point, the recent trend (which is arguably the most informative for us) suggests a long-term rate of between 1.25% and 1.5% p.a..

The table on the right summarises possible future drivers of change in the long-term rate of improvement compared to this level.

Slide 28 also included factors specific to Covid-19, and Club Vita have also considered [Covid-19](#) and [Climate Change](#) in detail.

Higher future improvements	Lower future improvements
Stronger government intervention – e.g. to reduce alcohol or red meat consumption	Less scope for future ‘gentrification’ – i.e. the change in affluence levels of pensioners can’t keep increasing at the rate it has done
Medical innovation – as we have seen with the development of new Covid-19 vaccines. Could also include “super drugs” that tackle multiple diseases at once	Smoking – the benefit from widespread quitting has already happened and can’t happen again
Anti-ageing treatments and regenerative medicine – could become a reality	Obesity – rates may increase leading to poorer health in retirement
Climate change – could lead in the UK at least to milder climates and fewer cold-weather deaths	Super-bugs – antibiotic-resistant diseases could make routine medical procedures and treatments untenable
	Climate change – could lead to resource scarcity, higher food prices, less availability of fresh food, etc

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## APPENDIX 4

# Demographic assumptions analysis

The following slides summarise the results of your Fund's demographic experience over the period 2016-2019, which we have used as the basis for adjusting our default LGPS-wide assumptions to your own Fund's profile.

The default assumptions are based on analysis of a combined dataset of all our E&W LGPS clients (around half of all funds). This gives us sufficient data to set robust assumptions even for rare events like ill-health retirements. Where there is insufficient data to justify it, we have proposed adjusting the default assumption to better reflect your Fund's membership profile.

The following assumptions are covered in this section:

- Withdrawal from active service
- Death in service
- Promotional salary scale
- Ill-health retirements

## Key to charts

The charts on the following slides use the following colour scheme:

- The black line shows actual experience seen in your Fund
- The blue line shows the expected occurrences based on our LGPS-wide default assumption
- (Where applicable) The pink line shows the adjusted assumption which we recommend for your Fund

## Withdrawal from active service

The following slide shows how withdrawal experience in your Fund (black line) compares with our default LGPS-wide assumption (blue line), alongside the scaled assumption we propose to use for the 2022 valuation (pink line).

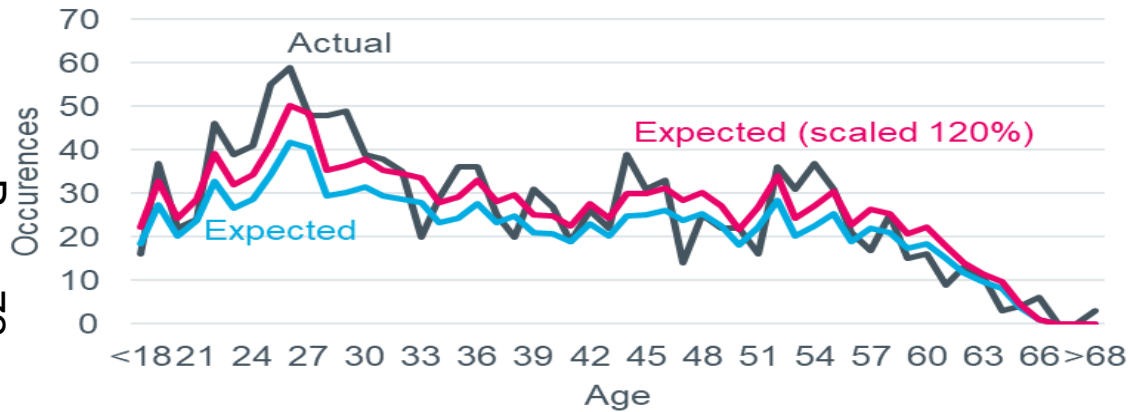
The analysis shows that in general the pattern of withdrawals by age does fit the default assumption, but that overall withdrawal rates were higher in your Fund compared to the LGPS average. The default assumption has therefore been scaled to better fit your Fund's own experience to get the recommended assumption for your Fund.

APPENDIX 4

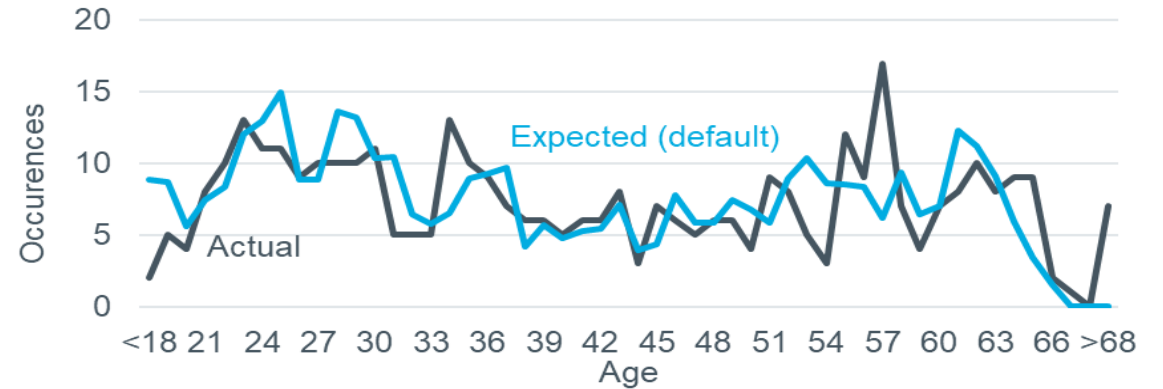
# Demographic assumptions analysis – withdrawal

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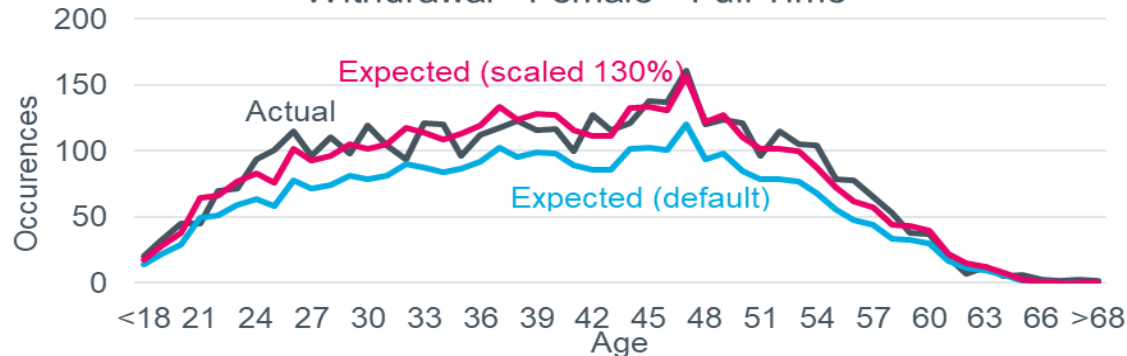
Withdrawal - Male - Full Time



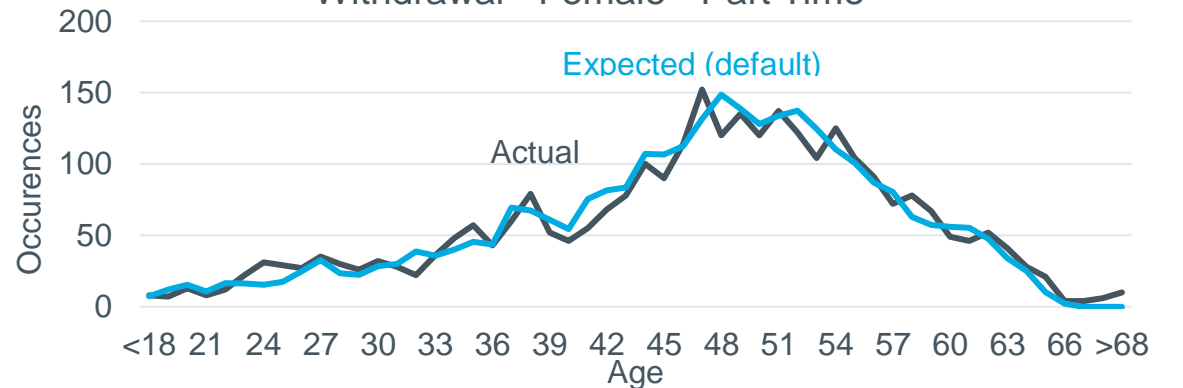
Withdrawal - Male - Part Time



Withdrawal - Female - Full Time



Withdrawal - Female - Part Time

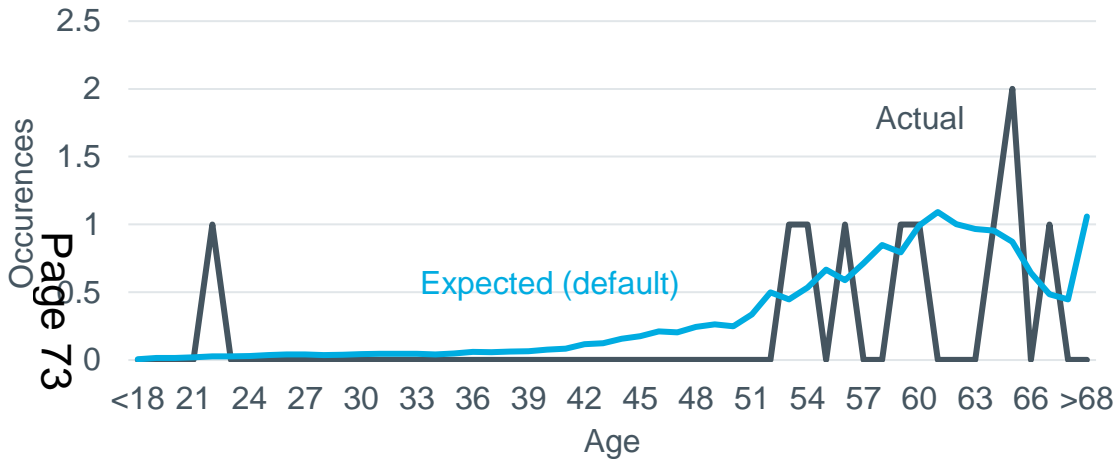




APPENDIX 4

# Demographic assumptions analysis – death in service

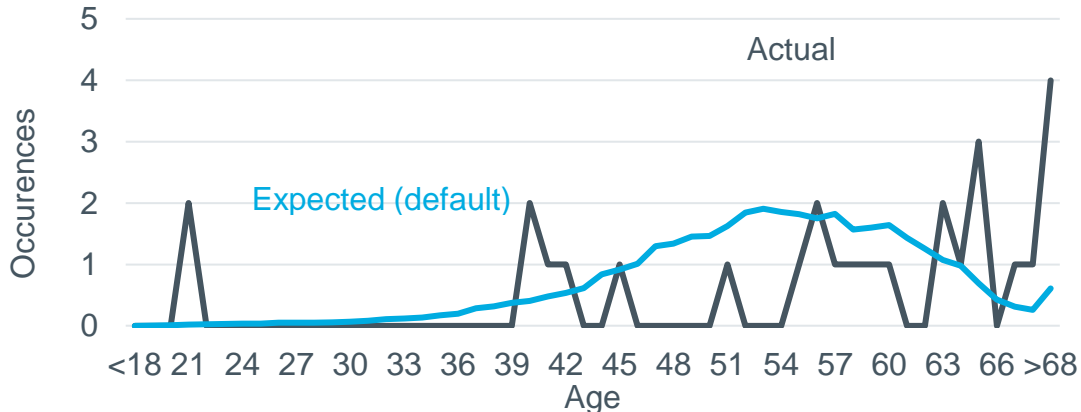
Death in service - Male



There were very few deaths in service in the period in question which means it is not possible to make a credible adjustment to the default assumption.

We therefore recommend using our default LGPS-wide assumption for the 2022 valuation.

Death in service - Female

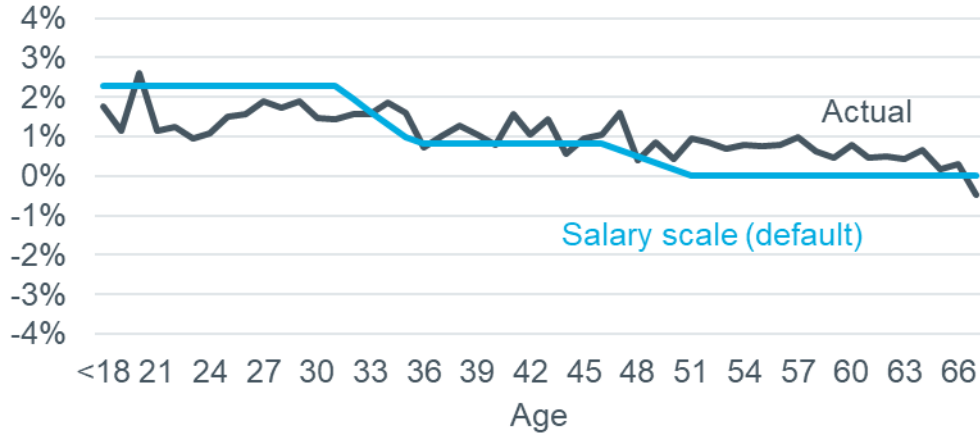


APPENDIX 4

# Demographic assumptions analysis – salary scale

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Salary scale - Male

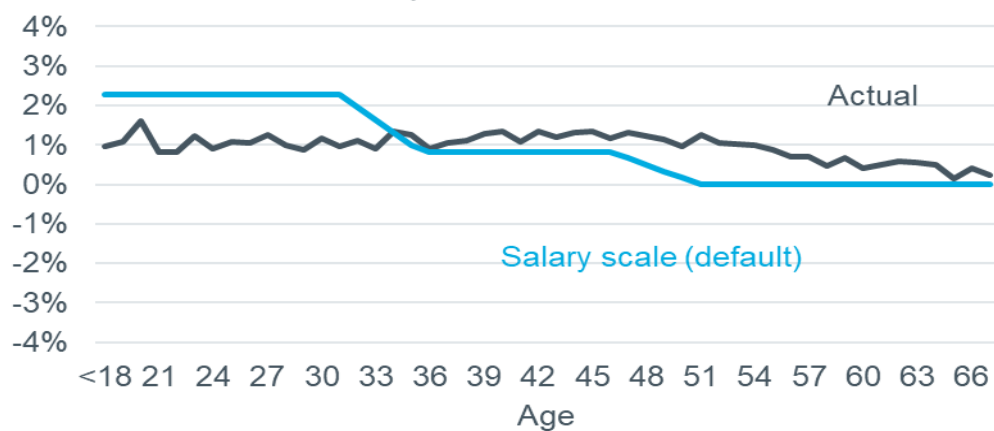


Separating out promotional and inflationary salary awards is very difficult, particularly when breaking it down by age and sex. Our analysis assumed that average inflationary increases over 2016-2019 were 1.3% p.a., so we have stripped this out and shown any remaining increases versus our promotional pay scale (which is the same for men and women).

Apart from at lower ages where there are only a handful of members and the analysis is unreliable, the general pattern of promotional increases does approximately fit our default assumption (higher increases at younger ages).

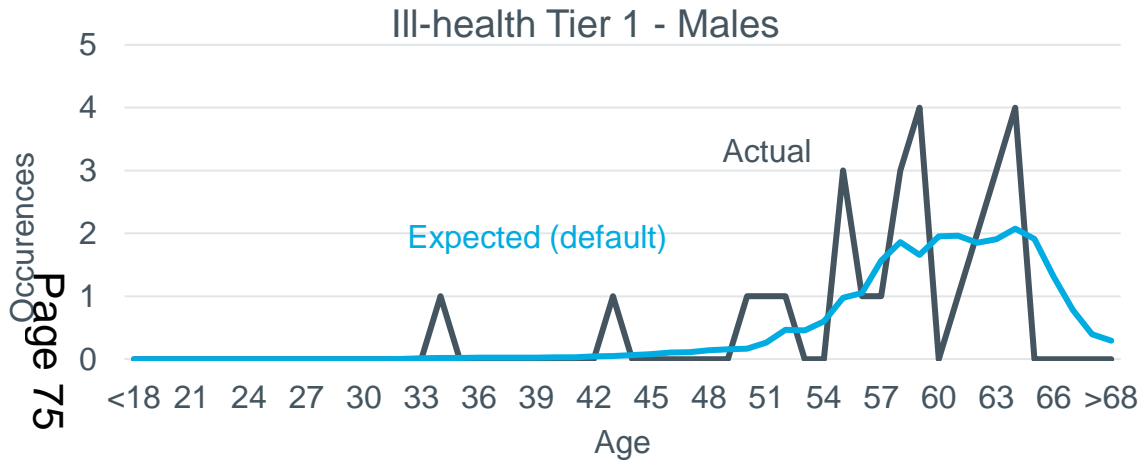
Based on the analysis we do not believe there is sufficient evidence to justify a departure from our default assumption.

Salary scale - Female



APPENDIX 4

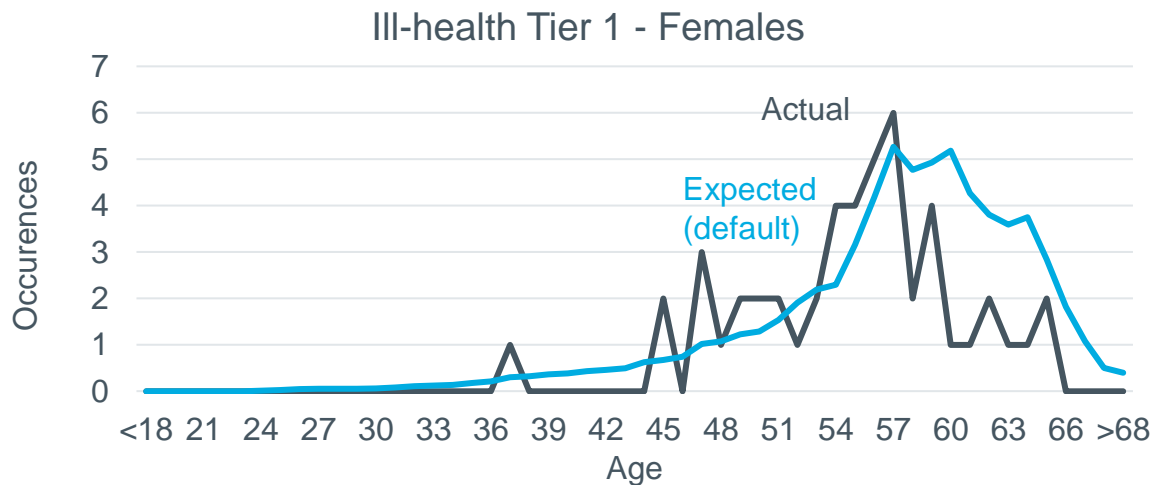
# Demographic assumptions analysis – ill-health retirements



There were very few Tier 1 Ill-health retirements in the period in question which means it is not possible to make a credible adjustment to the default assumption.

There were even fewer Tier 2 cases so the analysis has not been shown.

Without sufficient evidence to justify a change we recommend using our default assumption for the 2022 valuation for both T1 and T2 ill-health retirements.



## APPENDIX 5

# Reliances and limitations

This paper is addressed to Wiltshire Council as Administering Authority to the Wiltshire Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of discussing the assumptions for the 2022 formal valuation and setting out our recommendations. It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The results of the Fund specific demographic assumptions analysis are wholly dependent on the valuation data provided to us for the 2019 valuation and the assumptions that we use in our calculations.

The assumptions in this document are for the Fund's ongoing employers. Different assumptions may be used for some employers (e.g. more prudent assumed investment return or more prudent longevity improvements assumptions) in particular circumstances. If required, these will be discussed and agreed as part of the 2022 valuation process and will be set out in the Funding Strategy Statement.

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree: TAS100; and TAS300.

APPENDIX 6

# Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts who Hymans Robertson partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. E.g. retirement age, promotional salary scales etc. Demographic assumptions typically determine the timing of benefit payments.
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns. At the valuation the discount rate is used to calculate the value of remaining benefit payments at the end of a given time horizon (e.g. 20 years). It is expressed as a prudent margin above the risk-free rate.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns, interest rates etc

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APPENDIX 6

# Glossary

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Term	Explanation
Inflation	The term for that prices in general tend to increase over time. It can be measured in different ways, with different measures using a different “basket” of goods and using different mathematical formulae.
Liability/ies	An employer’s liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members connected to that employer. The benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a Prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a given discount rate assumption will be achieved in practice, based on the ESS model. The higher the Prudence Level, the more prudent the discount rate is.
RPI inflation	The annual rate of change of the Retail Prices Index. RPI is no longer linked to any LGPS benefits. It still has many legacy uses, notably to determine the payments to holders of index-linked government bonds.
Time horizon (or Horizon)	The period over which we require each employer in the Fund to reach full funding. The Time Horizon is typically long (up to 20 years) for employers who we expect to be in the Fund for the long-term (e.g. local authorities and academy schools) and shorter for employers who are expected to leave (e.g. contractors or employers who don’t admit new staff to the LGPS).
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

## Wiltshire Council

### Wiltshire Pension Fund Committee

5 April 2022

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### Wiltshire Pension Fund Headlines and Monitoring Report

#### Purpose of the Report

1. The purpose of this report is to provide the Committee with information in relation to various standard issues, to enable the Committee to fulfil its monitoring role:
  - a) Scheme, Regulatory, Legal and Fund Update
  - b) Key Performance Indicators (KPIs) – 1 July 2021 to 30 September 2021, including Employer Data Compliance
  - c) Risk Register
  - d) Budget monitoring
  - e) Training update
2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

#### Report from Head of Wiltshire Pension Fund

3. This section summarises key events in the investments and accounting team over the last quarter:
  - a) Investment performance for the quarter to Dec-21 was +4.4%, compared to a benchmark return of +4.8%. The fund value at the end of Dec-21 was £3.3bn. However Q1 22 to date has been an extremely eventful quarter – high inflation, base rate rises, a rotation from growth stocks into value, and of course the situation in Ukraine, which has led to commodity price rises, market falls and volatility. The value of the Fund's investments at the end of Feb-22 was £3.18bn.
  - b) Work has begun on the Actuarial Valuation. Hymans will be attending this meeting to provide training on assumption setting, and an initial communication has been sent out to all employers.
  - c) SWAP have completed their annual review of the Fund's key financial controls. Officers provided SWAP with additional areas to look at this year, which has led to an increase in recommendations. In addition, in part due to the ongoing situation with the backlogs, SWAP have raised two "priority 1" recommendations. Combined with the increased recommendations, this has led to an overall rating of "No assurance". Actions to remedy this situation are included in the Fund's business plan and budget, elsewhere on this agenda. SWAP will attend this meeting to present their findings.
  - d) Aon have completed a review into the Fund's administration function, which has helped to identify priority areas for inclusion in the new business plan and budget. Aon will attend this meeting to present their findings.

- e) Work has continued on the payroll reconciliation project, albeit at a slower pace than would have been anticipated. Some arrears payments have now been made. Support to complete this project is proposed in the budget and business plan, elsewhere on this agenda.
- f) iConnect onboarding continues, although there are still delays with two large employers. Once year end has passed, officers will review the employers yet to onboard, and develop a tailored approach to encourage onboarding.
- g) Committee members have attended training on private markets, and approved commitments to Brunel's next round of private equity and private debt portfolios.
- h) The cashflow model is now fully operational, and the information gained from this has enabled the development of a new Treasury Management Strategy, which is elsewhere on this agenda for approval.
- i) Officers have completed the Fund's first Stewardship Report, for submission to obtain signatory status of the 2020 Stewardship Code. This is included elsewhere on this agenda for full information.

## Risk Register

### *LPB Recommendation – Minute 90*

4. The Local Pension Board reviewed the risks of the Pension Fund at their meeting on 17 February 2022 and recommended the following alterations should be submitted to the Pension Fund Committee.
5. During the last quarter no “new risks” were identified.
6. The evidence-based review of the register identified the following risks had changed or need to be recategorized:
  - **PEN043: Administration disruption and employer cost pressures cause by the Cost Cap review:** (From Amber to Green) GAD have indicated that the LGPS is in a strong financial position based on March 2019 information. GAD have made recommendations concerning the consistency of monitoring the cost pressures which will be reviewed by SAB. These include widening the cost corridor from 2% to 3% and a wider economic check on the outlook of the economy. Move from Horizon to Ongoing.
  - **PEN052: COVID-19:** (From Amber to Green) COVID-19 is an infectious global virus which WHO has classed as a pandemic in 2020. Since March 2020 significant strides have been made in the management of this pandemic with Govt. rules starting to be relaxed and the majority of the population vaccinated. As a result, risks to the ongoing operation of the Fund caused by the pandemic are now considered to be reduced. Officers will continue to monitor the situation however there appears to be no immediate risk to the ongoing service the Fund provides.
  - **PEN057: Failure to implement the Accessibility Regulations:** (From Amber to Green) An independent audit of the Fund's website took place in 2021 against the Accessibility Regulations and a positive outcome was received. Whilst the auditor, Shaw Trust, raised a small number of technical



points, it is considered that the implementation of the regulations has been completed. Move from Dynamic to Closed.

7. "Red", high risks are summarised in Appendix 1, and the full risk register in Appendix 1.1.
8. Only one risk, PEN057 on the risk register is recommended for removal from quarterly presentation to the Board. PEN057 is highlighted in paragraph 6 above.
9. In addition, the Board requested that work should be undertaken regarding **PEN030: Failure to procure & contract manage service providers appropriately** & **PEN060: Failure to manage potential conflicts of interest between the Fund and its Administering Authority, concerning the corporate recharge for implementation in the 2023-24 financial year.** Regular updates on progress should be received in the Key Financial Controls reports.

### **Administration KPIs (Appendix 2)**

10. The Disclosure Regulations KPIs are now close to 100% except for transfer out quotes (which members can self-serve anyway) and starter notifications, due to a lingering reporting issue which is hopefully resolved now.
11. The high priority administration KPIs have also improved overall and are highlighted as amber (over 70%) or green (over 90%) in all cases.
12. i-Connect onboarding now exceeds over half of employers. Officers are in regular contact with several key larger employers, such as Swindon Borough Council, to resolve the remaining issues preventing them from onboarding. There are also some minor improvements in the member service portal take up rate.

### **Scheme, Regulatory and Legal Update (Appendix 3)**

13. There are no material changes in this area but officers have added minor updates to the appendix.

### **Budget Monitoring**

14. In this reporting cycle, budget monitoring is included in the report to set the budget and business plan for 2022/23, elsewhere on this agenda.

### **Training**

#### *LPB Recommendation – Minute 82*

15. To recommended that:

- a) the Fund's breach policy be reviewed every three years, instead of every year
- b) To request that reminders be sent to Members who had not completed their mandatory tPR toolkit training.

### **Financial Implications**

16. No direct implications.

### **Legal Implications**

17. There are no known implications from the proposals.

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

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

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

19. There are no known implications currently.

### **Proposals**

20. The Committee is asked to:

- a) use the information in the report as a basis for monitoring the Fund's core activities
- b) use the report as a basis to discuss training requirements, discuss whether any additional training needs to be arranged, and share feedback from any recent training events attended
- c) to approve the changes to the Risk Register and accept the recommendations for changes submitted by the Board
- d) to approve the recommendations in the training update concerning the change in review period for the Fund's breach policy.

### **JENNIFER DEVINE**

#### **Head of Wiltshire Pension Fund**

Report Authors: Richard Bullen (Fund Governance & Performance Manager), Andy Cunningham (Pension Administration Lead) and Jennifer Devine (Head of Wiltshire Pension Fund)

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

### **Appendices:**

- Appendix 1 – Risk register – background and “red” risks
- Appendix 1.1 – Full risk register
- Appendix 2 – Administration KPIs
- Appendix 3 – Scheme, Legal, Regulatory and Fund updates

## **Risk Register – Appendix I**

### **Red Risks**

Risks remaining “red”, high risk:

- **PEN018: Failure to set in place appropriate Cyber Security measures:** (From Amber to Red) In accordance with Committee Minute 90, dated 16 December 2021, the Fund’s cyber security risk rating was increased to red until the Fund receives sufficient assurance from the Council’s IT Dept. that this risk is being fully managed. Whilst measures are believed to be in place, active assurance is still required. An external consultant is to be appointed in order to provide members with an independent professional opinion on how this risk should be managed.
- **PEN022: Rectification of records with GMP issues – Time-consuming, costly & may causes reputational damage:** (From Red) Potentially incorrect liabilities being paid by the Fund as a result of GMP and other pension component values missing, incorrectly recorded or incorrectly valued. Consequently, progress with the Pensioner Payroll Database reconciliation project may impact on the Fund’s liabilities and its reputation.
- **PEN042: Significant retrospective legislation changes related to the McCloud case:** (Red) Following the release of the Government’s consultation document in July 2020 analysis of the Scheme’s members who may be affected was undertaken. 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. Final regulation is expected by October 2023 and officers have put in place a project plan to gather the data required to fulfil the regulations. 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. An independent audit has been conducted in 2021 and has been presented to the Board & Committee for consideration. A further audit has been commissioned for 2022.

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Ref.	Risk	Cause	Impact	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent risk score	Controls in place to manage the risk	Impact	Likelihood	Residual risk score	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion of action
<b>Horizon Risks</b>																	
PEN061	Failure of auditors to conduct audits commissioned by the Committee in accordance with an agreed terms of reference	The Committee & Board must ensure that audits they commission are being executed as originally prescribed in terms of their scope, quality and timeliness. Both groups need to satisfy themselves that all audits are being carried out on a best value basis, by auditors appropriately skilled to conduct those audits and that any signing off of audits are not being unduly delayed	Commissioned audits which are delayed, whether they be financial, procedural, compliance or otherwise driven can carry significant risk to the integrity of the Fund. New processes require robust review by suitably skills auditors and 3rd party delays whether arising from the audit partnerships themselves, or secondary approvals can create a consequential impact on the operational effectiveness of the Fund. Both the Committee & the Board require robust independent assurance to ensure that their oversight can remain comprehensive	Jennifer Devine	Medium	2	3	6	Commissioned audit plans by the Fund should not just cover the scope and content of the audit, but require auditors to submit a clear process and timescale to the Committee and the Board who can reassure themselves that audits are being carried out to the standards believe.	1	1	1		Low	↑	Jennifer Devine	On-going
PEN060	Failure to manage potential conflicts of interest between the Fund and its Administering Authority	Wiltshire Council is experiencing a period of immense strain on its services, exacerbated by limited central government funding and the pandemic. In response to this strain it has undertaken a review of its services and formulated a strategy of restructure	Areas of potential conflict include 1) Senior AA officers not recognising that they may be conflicted when taking a decision 2) Not ensuring the AA has in place protocols to manage a conflict of interest with its Pension Fund 3) Not ring fencing the services paid for by the Fund from when wider AA policy changes occur, such as staff re-deployments 4) Not introducing SLAs to enable performance measurements of the AA services procured 5) Not enabling the Fund greater freedom relating to best value procurement and employment 6) Not respecting or negotiating with the Pension Fund as an equal partner concerning its own requirements & 7) Not embracing changes to improve Fund governance published by outside bodies such as SAB	Andy Brown	Medium	3	2	6	The Committee & the Board should seek to identify and address potential conflicts of interest with the Committee being willing to actively manage situations with the AA where it considers that the membership of the Fund, or the Fund itself is not being appropriately served	1	1	1	Engagement in connection with the scoping of services is seen as a priority by the Committee, along with linking the services provided to the re-charge fee requested by the Administering Authority.	Low	↑	Andy Brown	On-going
PEN059	Service disruption is created during the implementation of the Council's Evolve Programme - Pension Payroll software	Wiltshire Council intends to introduce a replacement for SAP. The intended procurement process is due to be completed by September 2021 & the implementation by December 2022.	SAPs replacement could have a significant impact on the Fund's ability to pay its pensioners, particularly where the project management of the de-implementation and implementation are not synchronised	Andy Brown	Medium	3	2	6	As part of the Fund's oversight of its Payroll, it is recommended that the Committee request periodic strategic updates during the course of 2021 & 22 from the Fund's s151 Officer to be able to assess the level of risk & whether any mitigations need to be identified. Consideration by the Fund concerning the migration of its payroll to its own separate payroll software service is being undertaken, however this may be at odds with the Council's priorities	1	1	1	The current payroll system is to be phased out and a new integrated system with the Pensions Administration database is approved & is set to be introduced. However, the Council requires the Fund to use the new payroll system which isn't necessary designed for the purpose. Auditors to be involved to oversee the reconciliations and controls to be put in place. The project plan should be discussed with the Auditor. Project management completion timelines are increasing the risk of success of this migration.	Low	→	Andy Brown	Dec-22
PEN058	Service disruption is created during the implementation of the Council's Evolve Programme - Non Pension Payroll software	Wiltshire Council intends to introduce a replacement for SAP. The intended procurement process is due to be completed by September 2021 & the implementation by December 2022	SAPs replacement will impact on multiple services areas provided by the Council to the Fund. For the Fund's non-pension payroll functions this will most notably include HR, AP & IT services. However, it could affect all service relationships the Fund has with the Council.	Andy Brown	Low	3	1	3	As part of the Fund's oversight of its IT services, it is recommended that the Committee request periodic strategic updates during the course of 2022 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	Auditors to be involved to oversee the controls being put in place concerning non-pension payroll transfers of software, notably Accounts Payable & general accounting practices. The project plan should be discussed with the Auditor. Evolve risks remain for the Fund in all aspects of the Evolve Programme.	Low	→	Andy Brown	Dec-22
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.	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.	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.		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.	<b>Administration:</b> Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. <b>Cost:</b> Higher costs for employers	Andy Cunningham	Low	2	2	4	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	GAD have indicated that the LGPS is in a strong financial position based on March 2019 information. GAD have made recommendations concerning consistency which will be reviewed by SAB. These include widening the cost corridor from 2% to 3% and a wider economic check on the outlook of the economy	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.	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
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	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.	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	An audit of the Fund's website took place against the Accessibility Regulations and a positive outcome was achieved. Officers will address a small number of technical points raised by the audit Shaw Trust, however it was felt that this risk could move to a dormant status.	Low	↓	Krystie Waterhouse	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.	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
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.	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	BPP to build resilience in their private markets team by outsourcing more, so that there is less key person risk and the portfolios are scalable. BPP want to add several members of staff to their team and do more in house as well. The best way forward might be to commission an independent review of the best model to deliver private markets via pooling, to best serve our client requirements.	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.	Andy Cunningham	Low	2	2	4	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.	2	2	4	None	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.	Jennifer Devine	Medium	3	2	6	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, with the introduction of a climate change policy, amendments to the investment strategy, a flight path to enable change and a considerable amount of training and development of members by professional advisers. Work is also being done within the Brunel pool to address this risk.	2	4	8	Additional resource continues to be required, likely by the way of specialist consultancy support.	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.	Andy Cunningham	Low	1	2	2	Senior officers to keep themselves apprised of developments and seek more detailed information as the project develops.	1	2	2	None	Low	→	Mark Anderson	N/A
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	Andy Cunningham	Medium	3	3	9	The implementation of PEN034 & PEN036 along with addressing the internal auditors comments in their 2018/19 Key Controls report should mitigate this risk. As part of the 2020/2021 budget, approval for more resource is available to help mitigate this risk although this could take time to use given the impact of COVID-19 on office based working.	3	2	6	Employer training to be enhanced to assist the provision of information to officers & efficient management of backlogs. Improving peer review policy to enhance they way work is checked.	Medium	→	Jennie Green	On-going
PEN034	Failure to implement Lean process review	Low KPI performance has been identified, particularly in relation to the disclosure requirements, as a result of inefficient processes and insufficient training and support.	An end to end processing review of all repeatable processes with the key objectives of improving the customer experience and identifying and realising efficiencies. Semi-automated work allocation is required to target key items of casework more quickly	Andy Cunningham	Medium	3	2	6	The Fund's Project team has started a programme of work over a 2 year timeframe to review repetitive processes within the dept. As at April 2020, revised processes are in place for starters, leavers/refunds, aggregation and child pension reviews. Other processes will be looked at based on priorities with the intention of completing the reviews during 2020/2021.	3	1	3	Officer training to be enhanced to assist with the efficient processing practices. Officers have introduced a 2nd line of review strategy, where experienced officers conduct internal audits at a technical level, not just at a process level.	Low	→	Samantha Wooster	On-going
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.	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	A common approach between south-west Funds has been reached with feedback from SAB. A paper was submitted to the Committee in December setting out the current situation and outlining a proposed strategy. A more detail approach will follow with additional supporting information & guidance as well as an update concerning member record reconciliation. An update will be provided to the Committee in March 2021.	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.	Andy Cunningham	Low	2	1	2	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	Legislation was introduced concerning the Exit Cap at the end of 2020, however this legislation is now in conflict with the LGPS regulations. Guidance is being sought to resolve these conflicts. A further review of resources may still be needed following a review of the final details & feedback from HR departments.	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	Andy Cunningham	High	4	3	12	Cyber security reports to be requested on an annual basis from both Wiltshire Council's IT department & the main database manager Heywood's. Following the Committee meeting on 16/12/21 a range of recommendations were approved by the Committee due to the assurance levels received. This included the appointment of an external auditor to assess the Fund's cyber security risk.	4	1	4	During 2021 Heywood's provided a suite of documents concerning their cyber security arrangements & ICT provided a report to the Committee in December.	Low	→	Andy Cunningham	N/A

## Ongoing Risks

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	Andy Brown	Medium	3	2	6	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.	3	2	6	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
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.	Andy Cunningham/ Jenny Devine	Low	2	2	4	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. 01/02/2022 - With Govt. rules relating to the pandemic being relaxed and the majority of the population vaccinated, risks to the operation of the Fund caused by the pandemic are considered reduced. Monitoring will continue, however there appears to be no immediate risk to ongoing service.	3	2	6	The series of steps have been specifically identified to manage this risk. In particular, maintaining the movement of money, communication with all stakeholders & essential operating practices; Consequently the following risks were focussed upon; Movement of money PEN001, PEN002, PEN003, PEN015 & PEN033. Communication with stakeholders PEN013, PEN030 & PEN033 & Essential operating practices PEN004, PEN010 & PEN037. A survey was also sent to Employers requesting information about their circumstances & a close monitoring of actual employer behaviour has been adopted & will continue to be in relation to their service obligations.	Medium	↓	Andy Brown/ Andy Cunningham/ Jenny Devine	N/A
PEN048	The transition to pooling of LGPS assets with BPP fails to deliver the projected savings	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of unanticipated costs and/or savings less than projected.	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	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.	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	Low	→	Jennifer Devine	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	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	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.	Jennifer Devine	Medium	3	2	6	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	Low	→	Jennifer Devine	On-going
PEN025	Further academisation of Schools, the possibility of MAT breakups and cross fund movements.	Potential for further schools to convert to academy status, MATs to breakdown	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 180 to between 400 and 500.	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	Low	→	Andy Cunningham	N/A
PEN017a	A lack of knowledge and expertise on the Pension Fund Committee	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	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	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 or existing regulations leading to breaches of legislation and reportable offences	Over reliance on officers & advisers to ensure compliance leading to a lack of oversight challenge	Andy Cunningham	Medium	2	3	6	Member attendance at conferences & seminars enables independent information sources. Update the Look forward plan to include 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	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	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	Low	→	Jennifer Devine	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	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	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.	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	Low	→	Denise Robinson/ Samantha Wooster	N/A
PEN010	Failure to keep pension records up-to-date and accurate	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc. Early indications suggest the likelihood is increased due to the impacts of COVID-19 on employers and Fund officers.	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	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	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.	Andy Cunningham	Low	2	2	4	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. Ongoing 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	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	Jennifer Devine	Low	2	2	4	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	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.	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.	Andy Cunningham	Low	2	2	4	Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	2	4	None	Low	→	Andy Cunningham	On-going
PEN005	Loss of funds through fraud or misappropriation	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	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	→	Jennifer Devine	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.	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	→	Jennifer Devine	On-going

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## Appendix 2

# 1. Disclosure Requirements (CIPFA template) – Quasi-legal performance measures

Disclosure Regulations for the period 01/10/2021 to 31/12/2021

Process name		Disclosure Requirement	Current % (Last quarter %)	Change since last quarter	No. cases within Legal Timeframe
Deaths - initial letter acknowledging death		2 months	100%	+17%	87
Deaths - letter notifying amount of dependants pension		2 months	100%	+35.9%	42
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	100%	0%	37
Refund - process and pay a refund		2 months	100%	+0.8%	138
Retirements - letter notifying estimate of retirement benefits		2 months	100%	+2.1%	206
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	Active	2 months	98.9%	+7.3%	281
	Deferred		99.4%	-0.2%	179
Transfers in – Letter detailing transfer in quote		2 months	100%	No measure	19
Transfers out – Letter detailing transfer out quote*		2 months	87.9%*	No measure	107
Joiners - notification of date of enrolment**		2 months	79.9%**	-4.5%	653
Deferment - calculate and notify deferred benefits		2 months	98.8%	+23.8%	753

### Explanatory notes

The table above is based on a template produced and updated by CIPFA for insertion within LGPS Funds annual report. It is based on what are collectively known as the 'disclosure requirements' which broadly means that the Fund is required to supply certain information to members (or their next of kin).

\* **Transfers out quote and estimates:** We have included this measure as it is part of the template but members have instant access to figures through MSS too.

\*\* **Joiners:** This measures the time taken to confirm to a member that we have set them up in the Scheme. However, it is an employer responsibility to begin the deduction of contributions with effect from the member's start date and also to inform the member of their start date.

We have also removed very low volume task as percentages are not a good measure of performance.

**Performance commentary for the quarter**

The table shows either 100%, or close to 100% completion, in all areas except joiners and transfer out quotes.

For joiners, some technical difficulties have persisted whilst updating processes which have led to joiners still being lower than hoped. We continue to work to resolve this issue.

For transfer out quotes, we had previously excluded these as member have self-service access but we have included again for completeness.

## 2. tPR Data performance measures

*(Note: There is no change since the last meeting, but data has been included for completeness)*

Measure	Score	Change since last period
Common Data	98.7% (at 1 Nov 2021)	-0.5% since July 2021
Conditional (Scheme Specific) Data	95.0% (at 1 Nov 2021)	+0.1% since July 2021
Annual Benefit Statement production rate	99.5% (at 31/08/2021)	+2.6%

### Explanatory

The Pension Regulator (tPR) helps regulate each LGPS's Fund compliance with various legislation. It has various enforcement powers such as setting improvement plans and fining.

In respect of administrative performance, tPR focuses on two types of measures as explained separately below. The Fund is required to submit its scores against these measures each year as part of its Scheme Return.

tPR target's for all of these scores is 100% although there is an informal acceptance that scores are likely to often be slightly less.

#### a). Common and Conditional/Scheme Specific data scores

Common data scores test the Fund's data quality (existence and accuracy of data) against various data measures it expects all Pension Funds to hold (e.g. name, address etc). Conditional/Scheme Specific data scores are those data types which are needed for the administration of that specific scheme. For the LGPS, the Scheme Advisory Board (SAB) has determined the relevant data items.

Note: It was somewhat onerous and costly to do this analysis so at present the Fund only revisits these scores annually, normally in August-October, in order to complete its annual return to the tPR.

#### b). Active Annual Benefit Statement (ABS) production

The Fund is required under the LGPS Regulations to produce active ABSs by the 31 August of each year (related to the member's pension as at 31 March of that same year). The Fund currently uploads all ABSs to the MSS member portal (My Wiltshire Pension). It only sends out paper statements to members who have opted in to receiving paper statements.

Both sets of scores are reviewed annually

### Performance commentary for the year

The **common and conditional scores** for this year have remained close to last year.

The Fund is already above average and some of the remaining gap to 100% is hard to fill due to factors outside of the Fund's control.

For the Common Data metric, virtually all the remaining data issues relate to missing postal addresses, where the member has failed to keep us up to date when they have changed address. Furthermore, as the Fund's main form of communication is now electronic, the member's postal address is becoming less important and it is more difficult to identify if it is correct.

For the Scheme Specific measure, many of the errors are of a technical nature due to the way the metric is calculated but these require further review.

The active Annual Benefit Statement score for this year has exceeded the business plan target of 99% and it follows a pattern of steady improvement since 2018 (2020: 96.9%, 2019: 95.0%, 2018: 93.9%). Due to improved systems (e.g. i-Connect) and processes, and despite additional checks being added, this has also been achieved using reduced levels of resources from previous years.

### 3. Internally set targets (Fund)

While the figures in appendix 1 outline the (quasi) legal requirements using a CIPFA template, and appendix 2 outlines the tPR's own metrics against which it may take action, appendix 3 outlines internally set, aspirational service level targets.

The Fund's administrative performance priority is its performance against the targets in appendices 1 and 2 but the following sets of information set's out internally set targets to help met the goals of the Fund's business plan.

#### **a). Administration payment processing scores (higher priority administrative tasks): 1 October 2021 – 31 December 2021**

The following table shows the Fund's process times against the timeframes set out in the administration strategy. It covers the high priority tasks, processing data on lower priority administrative tasks (such as deferrals and aggregations) will be shared at a later date. The tasks which are deemed as higher priority are the ones which relate to making a payment to the member (or a beneficiary).

Members are now able to instantly access benefits estimates and therefore there is no longer a disclosed target related to this.

KPI Category	Description	Target (in working days)	Complete at End of Period	% Complete Within Customer Target
Active to Retirement	Time from retirement form received to case complete less time out of office (with member/employer)	10	185	70.8% (-7.2%)
Deferred to Retirement	Time from instruction to pay out deferred benefits to case completed (less out of office time)	10	156	98.7% (+1.7%)
Processing of Death cases - Death Grant	Time from family questionnaire returned to case completed (less out of office time)	10	17	70.6%*
Processing of Death Cases - Dependant Pension	Time from family questionnaire returned to case completed (less out of office time)	10	42	81.0%*
Processing of Death cases - Notification	Time from informal notification of death until family questionnaire sent out + time to set up any follow on work (death grant/dependant pensions)	5	104	80.8%*
Refund of contributions	Time to process refund from the date of instruction from the member (less query time)	10	138	100% (+1.0%)

\*There is no comparative measure as the process has changed since the last quarter to break down the process into its component parts.

**b). i-Connect onboarding progress (23 March 2022)**

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- as soon as possible.

	Number onboarded	Number left to onboard	Completion rate
Active members	13,043	c10,000 (total = 23,099)	56.5%
Employers	109	70 (total = 179)	60.9%

Outstanding employers updates (major employers)

\***Swindon Borough Council and FS4S** joined and then left i-Connect initially due to reporting issues and then to changing payroll system.

Officers are still working closely with both organisations to resolve the remaining issues. If these two organisations were added again, this would add an additional 21 employers, as they provide payroll services for other employers, and around another 25% of active members.

\***New College** has also merged payroll systems, which has delayed onboarding and officers are escalating matters with **Wiltshire Police** over the delays to date.

\***Other smaller employers** are gradually being onboarded but each one requires a significant amount of support and hence progress is slow.

**c). MSS (My Wiltshire Pension) take up**

RECORDS	
ACTIVE	23 March 2022
Registered	8,572
Total	19,291
Percentage	<b>44.4% (+ 0.5%)</b>
DEFERRED	
Registered	8,235
Total	23,665
Percentage	<b>34.8% (+ 0.5%)</b>
TOTAL	
Registered	16,807
Total	42,956

The table to the left shows the number of registered members as at 23 March 2022 (the comparison is to 8 February 2021)  
**Note:** There are no comparative figures included for this quarter as the methodology has been updated to show figures based on persons rather records (although there is likely to be little difference).



Percentage 39.1% (+ 0.6%)

### d). 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 define a backlog for a process where there are more than 300 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.

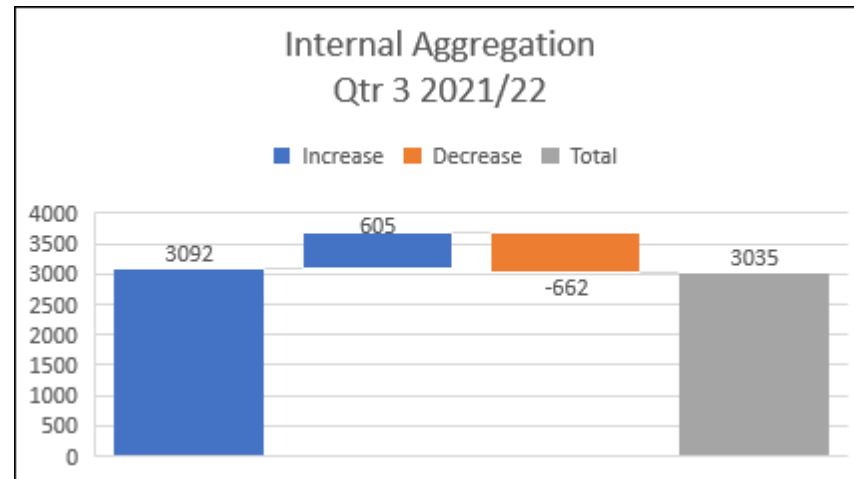
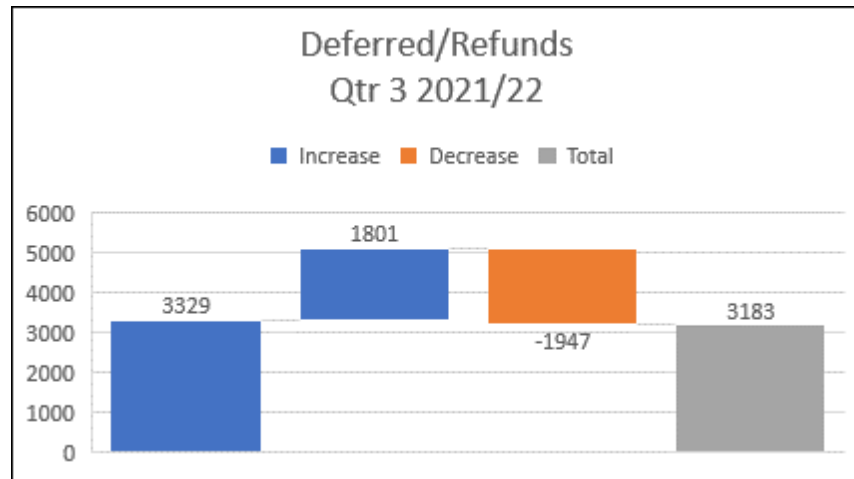
At present, there are two areas which meet this criteria and current situation in respect of these processes are outlined:

#### i). 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.

#### ii). 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.



**Commentary:**a). Administration Strategy KPIs – Fund

Table 1 shows the Fund is now approaching the desired performance levels of over 85% of cases meeting KPIs. With time, this table will be expanded to show lower priority case types as well.

b). & c). i-Connect and My Wiltshire Pension (MSS) onboarding

i-Connect take up amongst small employers has improved although difficulties encountered with onboarding large employers such as Swindon Borough Council, FS4S, Wiltshire Police and New College remain and officers continue to work closely with those organisations to onboard them as soon as possible. The main issue is their ability to produce the data in the format required, particularly whilst changing, or having changed, payroll system.

MSS sign-ups are broadly in line with industry-norms after successful attempts to encourage more members to sign up and these figures are unlikely to change materially in future now, although some small improvements are still evident in the last few months.

d). Backlog monitoring

Some progress has been made in both areas but only to a limited extent. Officers are looking at options for external support to make a step improvement in numbers.

## 4. Internal targets - Employers

### a). i-Connect submission performance

**Note:** Newly onboarded employers are not included with the performance statistics as typically more support is needed in the initial months and therefore the normal deadlines do not apply.

### i). Timeliness measure of submissions

All employers onboarded on to i-Connect are required to submit their return by the 19<sup>th</sup> of the month following the month the data relates to.

Month		Dec			Jan			Feb		
		On-time	Late		On-time	Late		On-time	Late	
iConnect Submissions	Large (250>)	5	1	83%	6	0	100%	6	0	100%
	Medium (50-250)	13	4	76%	15	2	88%	18	2	90%
	Small (10-50)	26	5	84%	28	1	97%	28	1	97%
	X Small (<10)	29	10	74%	34	2	94%	36	0	100%
<b>Total</b>		<b>73</b>	<b>20</b>	<b>78%</b>	<b>83</b>	<b>5</b>	<b>94%</b>	<b>88</b>	<b>3</b>	<b>97%</b>

### ii). Quality measures

**Data quality gradings:** The Fund categorises each employer into one of three quality measures depending on the quality of the returns being produced. The middle category of Silver is the starting category. Gold means good quality returns are consistently produced, Silver means that good quality returns are mostly produced by some issues and errors occur while Bronze means that there are a number of concerns with the quality of data produced which requires frequent intervention, more checks and escalation with the employer. These categories are regularly monitored internally but not reported here.

**Contributions vs data comparisons:** Additionally, as part of its control checks, officers undertake a cross comparison between the data and the contributions received. A failure of this check for an employer indicates that either the contribution payment or the membership data submitted was incorrect (or both are incorrect) and further investigation with the employer is required.

The current breakdown of employers against this measure is as follows:

Month		Oct				Nov				Dec			
		Incorrect, Underpayment	Incorrect, Overpay	Correct	Accuracy %	Incorrect, Underpayment	Incorrect, Overpay	Correct	Accuracy %	Incorrect, Underpayment	Incorrect, Overpay	Correct	Accuracy %
Monies Received Contributions total Comparison	Large (250>)	3	3	0	0%	1	1	4	67%	1	3	2	33%
	Medium (50-250)	0	0	13	100%	1	0	14	93%	1	1	15	88%
	Small (10-50)	0	7	18	72%	2	3	23	82%	0	5	26	84%
	X Small (<10)	3	2	26	84%	1	1	29	94%	4	2	33	85%
<b>Total</b>		<b>6</b>	<b>12</b>	<b>57</b>	<b>76%</b>	<b>5</b>	<b>5</b>	<b>70</b>	<b>88%</b>	<b>6</b>	<b>11</b>	<b>76</b>	<b>82%</b>

**b). Timeliness of contributions payments**

Below is a breakdown showing the timeliness of employer contribution payments (i-Connect employers only).

Month		Dec			Jan			Feb		
		On-time	Late	% on time	On-time	Late	% on time	On-time	Late	% on time
Monies Received on time	Large (250>)	6	0	100%	5	1	83%	6	0	100%
	Medium (50-250)	17	0	100%	17	0	100%	19	0	100%
	Small (10-50)	30	1	97%	28	1	97%	28	1	97%
	X Small (<10)	36	3	92%	36	0	100%	34	1	97%
<b>Total</b>		<b>89</b>	<b>4</b>	<b>96%</b>	<b>86</b>	<b>2</b>	<b>98%</b>	<b>87</b>	<b>2</b>	<b>98%</b>

### Appendix 3 - Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.		No change since the last meeting	After revoking the Restrictions on Public Sector Exit Payment Regulations in early 2021 but promising replacement legislation, we are yet to hear what type of replacement regulations will be implemented or when this may apply.	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	No movement on this since 2019 although we understand that changes are still planned.  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 2022.	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	<b>Scope:</b> 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. <b>3). Proposals for flexibility on exit payments.</b> <b>4). Proposals for further policy changes to exit credits</b> 5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees)  <b>Reform progress:</b> 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 a paper revising the Fund's cessation policy in the December 2020 committee pack. We are unaware of any further developments on the other areas.	PEN044
	Consultation: Taking action on climate risk	<a href="https://www.gov.uk/government/consultations/taking-action-on-">https://www.gov.uk/government/consultations/taking-action-on-</a>	No change since the last meeting	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	PEN041

Organisation	Subject	Link	Status	Comments	Risk Ref
		<a href="#">climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations</a>		<p>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>	
<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>	Updated	<p>DWP consulted on draft regulations earlier this year, and the consultation closed on 13 March 2022.</p> <p>The consultation raises some issues due to the different rules that apply in the LGPS in comparison to other schemes. Such as: excluding deferred refunds, issues around missing starter notifications and the value of benefits if the vesting period is not met etc.</p> <p>The public sector staging date is April 2024.</p> <p>The Fund's software provide, Aquila Heywood, is designated as an 'Integrated Service Provider' and is part of the national working party to help deliver the Pensions Dashboard. The Fund intends to work with Aquila Heywood to provide the data required.</p>	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, by 30 April 2022.</p>	
<b>Scheme Advisory Board (SAB)</b>	Cost cap mechanism & McCloud case		<b>Updated</b>	The Fund's software provider is currently releasing software updates in stages in anticipation of the final remedy legislation being laid before parliament. Primary legislation is currently being finalised but no draft changes to the LGPS Regulations have been released.	PEN042

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>It is anticipated that the remedy legislation will apply from 1 October 2023, with backdated affect across the remedy window of 1 April 2014 to 31 March 2022.</p> <p>In preparation of this, as part of i-Connect onboarding, 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 in force (even if the administration software is fully updated). Correcting part-time hours histories remains a Fund priority.</p> <p>As part of the 2022 Triennial Valuation, there will be an assumption about the impact of remedying legislation and therefore the financial impact will be 'baked in'. At Fund level, the financial impact is likely to be small but the employer level impact will vary depending on each employer's membership profile.</p> <p>The cost cap floor, which was breached, is likely to be remedied by McCloud although that is currently being disputed by the Unions.</p>	
	Goodwin Case		No change since the last meeting	<p>With some similarities to McCloud, another discrimination case affecting public service schemes including the LGPS, this time on the grounds of sexual orientation whereby it has been shown that it is discriminatory for female partners of members who are in a same sex or opposite sex marriage to receive different survivor benefits from one other.</p> <p>Although the funding costs will be small, this will be a further administration and communication burden to address.</p> <p>Little information has still been provided of the impact on the LGPS, but the DfE has started a consultation in relation to the Teacher's Pension Scheme to start the process of altering the scheme rules. It is expect MHCLG will undertake a similar process for the LGPS in due course.</p>	PEN056

Organisation	Subject	Link	Status	Comments	Risk Ref
	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	<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 and a proposal is going to MHCLG to implement the proposals.</p> <p>The timeframes for implementation are still unclear.</p>	PEN039
The Pension Regulator (tPR)	Single code of practice		No change	<p>tPR have released a consultation concerning its intention to produce a single code of practice covering all pension schemes (rather than over 15 at the moment).</p> <p>Whilst some of the exercise is merely one of administrative consolidation, tPR have also used this as an opportunity to make some changes.</p>	PEN050
	Finance Act 2022		New	<p>The normal minimum pension age will increase from 55 to 57 from 6 April 2028 (the general intention was the minimum age would always be 10 years less than the state pension age).</p> <p>Act allows certain pension age protections to apply but DLUHC are yet to advise how these might apply in the LGPS.</p> <p>The Stage Pension Age is due to be reviewed again next year (under the Pensions Act 2014, it should be reviewed every 6 years). As a reminder, the LGPS normal pension age for post 2014 service is set as being equal to the State Pension Age.</p>	



## Wiltshire Council

### Wiltshire Pension Fund Committee

5 April 2022

*Includes LPB Recommendation – Minute 90*

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## Wiltshire Pension Fund Budget 2022/23

### Purpose of the Report

1. This report seeks Members' approval for the 2022/23 Business Plan and Budget for the Wiltshire Pension Fund, as shown in the attached Appendices.

### Background

2. In order to set the direction of travel for the Wiltshire Pension Fund over the next few years, various pieces of work have been carried out, to identify priority areas to focus on, and what resource might be required:
  - a) Aon (an independent actuarial firm) were commissioned to conduct a review of the administration function, looking at performance and resourcing. Representatives from Aon will attend the meeting to present their findings.
  - b) SWAP have now carried out their annual internal audit review into the Fund's key financial controls. Officers also highlighted to SWAP areas of concern which had not previously been looked at as part of the internal audit. This has led to an increased number of recommendations. In addition, the report contains two "priority 1" recommendations. One is around monitoring, and includes recommendations on improved performance reporting, and use of integrated payment systems. The other is around the ongoing situation with the backlogs of work. The additional recommendations, and the fact that there are two "priority 1" recommendations, has contributed to an overall assurance level of "No assurance". SWAP's full report is attached as Appendix 3. Representatives from SWAP will attend the meeting to present their findings.
  - c) As part of Aon's review, a staff engagement survey was carried out, which identified other recommendations.
  - d) Heywoods, the provider of Altair, the Fund's administration system, have also reviewed the Fund's use of the system, and made some recommendations around support which can be provided to help the Fund progress with implementing integrated payment systems etc.
3. At the current time, there are significant improvements needed, as identified by the Aon review and internal audit, and summarised below. A business plan for the coming year has been developed (Appendix 4), incorporating the recommendations from these recent reviews, as well as other known actions for the coming year. The business plan focusses on delivering the required improvements, and highlights the budgetary impact for each action. The business plan has been set for one year only,

in order to tackle immediate service priorities, but also contains information on the desired longer-term deliverables.

4. The budget for 2022/23 is based on the assumption that the Committee will want to deliver the recommended improvements, and approve the business plan as drafted. Detail explaining how the 21/22 budget has evolved to the 22/23 budget, including the improvements noted in the business plan, is shown below, as well as the effect of several of these one-off costs falling away in later years.

### **Setting a new vision for the Fund**

5. In order to focus the team on delivering improvements and outcomes for the Fund's customers (i.e. the scheme employers and members) a new vision for the Fund has been included in the business plan: **"Our vision is to deliver an outstanding service to our scheme employers and members"**. The vision will be delivered by targeting 16 strategic vision goals, which are focussed on outcomes for the employers and members. The goals and the vision are supported by a set of seven values, which define how the team needs to work to deliver these outcomes. The business plan contains the vision, goals, and values in full.

### **Key findings and recommendations of the Aon review and SWAP report**

6. As mentioned above, the Aon review looked at the priority areas for focus, and the resourcing of the team. In general, the review concluded that based on the ongoing work coming in, the Fund does appear to have an appropriate level of resource. However, Aon commented that this was an unexpected finding, given the level of backlogs and some of the KPI performance statistics. Investigation therefore needs to be done to determine why performance isn't better – part of the solution to this will be **action 7** in the Business Plan 22/23, launching weekly KPIs, and **action 3**, developing a plan to hit 100% of KPI targets. Overall team resource will be reviewed in **action 6**.
7. Both the Aon review and the SWAP report commented on the backlogs, with SWAP rating this as "priority 1". In order to clear the backlogs within a "reasonable" timeframe, defined by Aon as 2 years, the Fund would need an additional 2-6 FTEs. Continuing at the current rate, the backlogs will take around 6 years to clear, possibly longer, since some of this work is currently done on overtime, which is optional for staff, who may choose to stop doing this in light of proposed changes by Wiltshire Council to reduce overtime payments to be at time (not time and a half). Steps to tackle this area are included in the Business Plan 22/23 as **action 5**, with proposals to outsource this area of work.
8. It is critical that the backlogs are cleared. Backlogs of work create inefficiencies in the way that officers are able to run the Fund, but also impact on the members. Although the backlogs do not exist in high priority areas (such as retirements), falling behind on updating records with aggregations can impact on members. Records not being up to date mean that members may not have an accurate view of the value of their benefits, which could affect their ability to financially plan for their future.
9. The Aon review recommended that work should be done to progress and complete the ongoing pensioner payroll reconciliation project, which is not progressing as fast

as expected with the current level of resource. The best approach here is likely to be taking a simplified approach to cases with lower value (under £5 per month) differences, and obtaining additional support for the cases with higher value differences. **Action 4** in the Business Plan 2022/23 tackles this issue with a plan to outsource part of the work.

10. Resolving the pensioner payroll reconciliation project is another critical action. At the current time there is still not a conclusive assessment of the financial impact that this project has on the Fund. For every month that goes by where cases are still unresolved, overpayments may be made which it will not be possible to recover, and members may continue to receive underpayments. Correction of these cases is time-sensitive, particularly during the current squeeze in living standards, meaning that receiving a correction of a prior underpayment could have a significant impact on a member.
11. The SWAP report (section F) discusses ways to mitigate against this issue re-occurring, with “priority 1” actions around reconciling between systems going forward, and also implementing the integrated payment modules in Altair. This has already been pre-approved by Committee in June 2021, and the plan is that this should now go ahead as a phased approach. The integrated systems should be implemented shortly, and the payroll will go live for new pensioners only. This will help with the migration to Oracle, the Council’s new general ledger system, as the migrating payroll will be static. The Fund can then collaborate with the Council teams to migrate the rest of the payroll over to the integrated Altair payroll once the reconciliation work is complete, at a mutually convenient time. **Action 8** in the Business Plan 22/23 addresses this piece of work, with a recommendation for consultancy support to ensure the success of the project.
12. Successfully implementing the integrated payments systems (including payroll) is critical to strengthening controls, and minimising the risk that members are paid incorrect benefits going forwards.

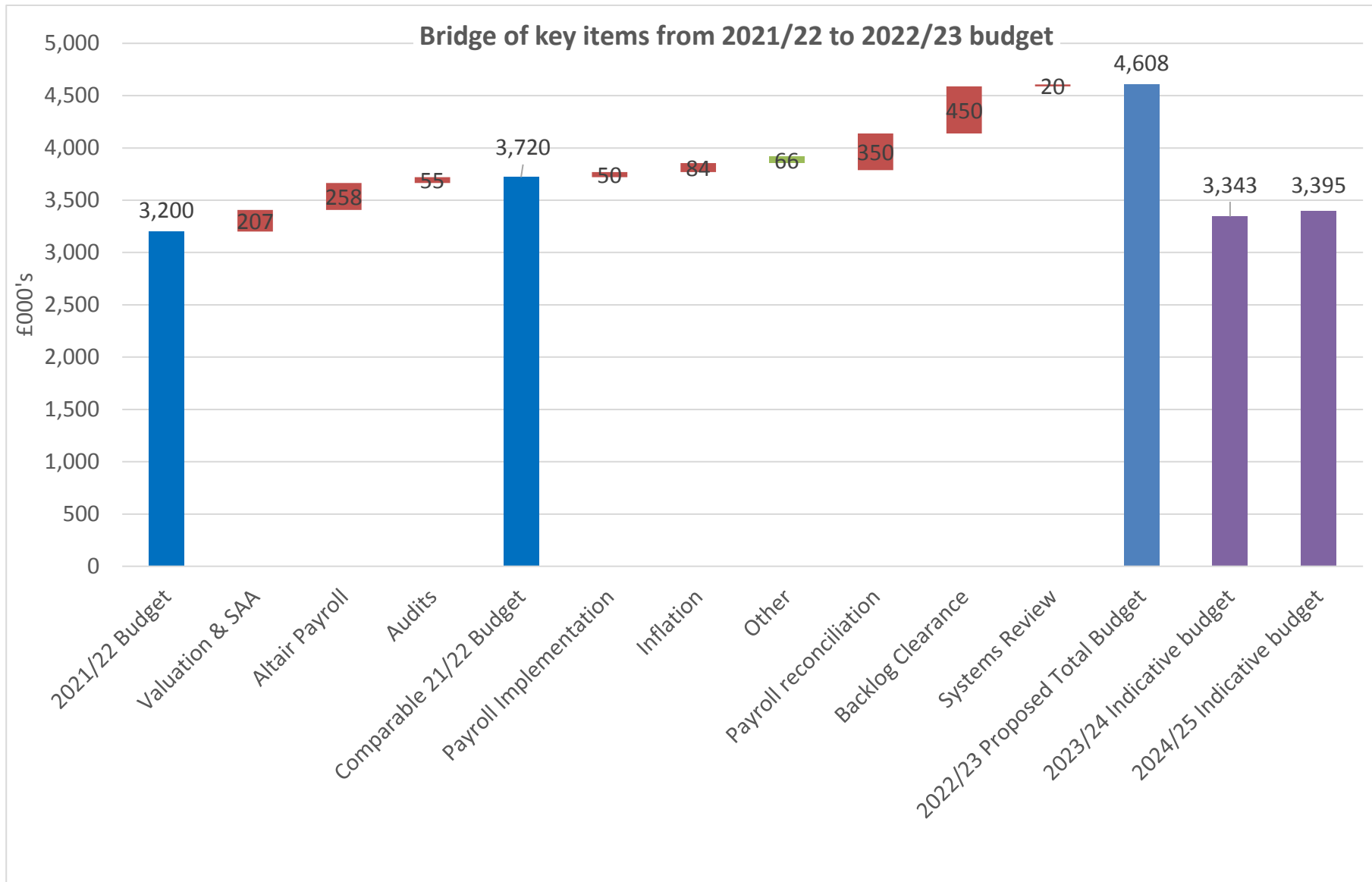
**Key improvement areas (i.e. Actions 4 & 5, to outsource certain pieces of work)**

13. In general, it would be lower risk to outsource large problem areas rather than recruit new staff to the team. The outsourcing provider would retain the responsibility to resource the project and deliver against pre-agreed timescales and costs. However, this option can be more expensive. Comparisons of internal vs external cost are shown below:
14. Using the assumptions from the Aon review of how many staff would be required, the number of productive hours per year, and the time taken to complete cases, it would likely cost around £400k to set up an in-house team of staff on fixed-term contracts to clear the backlogs. Based on a previous quote obtained, the backlogs would cost around **£450k to outsource**. Therefore, this amount has been used in the budget, as although it is higher there would be more certainty over the cost and less risk of the project not being delivered successfully.
15. Using similar assumptions as above for the pensioner payroll reconciliation, additional staff to complete this project would cost around £300k. An estimate of the cost from an external provider was around £350k for the higher value cases, and

£550k-£700k for all cases including the lower value ones. As mentioned above the best value option would be to outsource the higher value cases, and develop a vastly simplified methodology for the lower value cases, which could be completed internally. Therefore, an amount of **£350k for outsourcing higher value cases** has been included in the budget.

### **Key features of the proposed 2022/23 budget**

16. The chart on the following page shows a summary of the 2021/22 budget, and how this has been developed to arrive at the 2022/23 budget. The full budget is shown in Appendix 1.
17. The first blue bar, £3,200k, shows the budget from 2021/22, plus additions which were approved during the year by Committee. The main changes from last year's budget are as follows:
  - a) The addition of £207k to deliver the triennial actuarial valuation and the review of the strategic asset allocation – both mandatory exercises.
  - b) £208k to purchase the integrated Altair payroll and one-off payment systems, which was already approved by Committee in June 2021.
  - c) £55k to cover the cost of the specialist audits, including the cyber security audit, which have been commissioned by the Committee.
18. The second blue bar incorporates these 3 items, and shows a comparable figure based on last year's budget plus necessary and/or preapproved additions, of £3,720k. This then bridges to the proposed budget for 22/23 as follows:
  - a) £50k addition for consultancy support to implement the integrated payment systems, and ensure this is successfully completed.
  - b) £84k addition for inflation (including cost of living pay increases).
  - c) Less other net savings of £66k.
  - d) £350k addition for outsourcing part of the payroll reconciliation.
  - e) £450k addition for outsourcing the backlogs.
  - f) £20k addition for a review to help identify key areas of focus and resourcing for the Fund's systems team.
19. This arrives at the final blue bar, the proposed budget of £4,608k. Although this budget is significant, it incorporates several pieces of one-off expenditure. The purple bars show indicative budgets for 23/24 and 24/25 to illustrate this non-recurrent expenditure.
20. It is likely to be the case that the costs of the large, outsourced projects (i.e. the payroll reconciliation and the backlogs) may partially end up falling into the following year depending on the exact timings of the work, but this will not affect the total spend being proposed.



**Investment management fees and related costs**

- 21. The fees and costs for managing the investment portfolios are reported separately, following the year end (i.e. in the next cycle of Committee meetings). These costs are dependent on asset values and so are difficult to predict and budget. The costs and savings of pooling are monitored regularly and reporting to the Committee on a quarterly basis.
- 22. The costs of implementing investment pooling are set out in the Brunel Pension Partnership budget. This budget developed in consultation with clients, reviewed by the Brunel Oversight Board, and then formally approved by a Special Reserve Matter (requiring signature by all 10 shareholder funds). The Brunel budget was discussed and supported by Committee at the meeting on 16 December 2021.

**Summary**

- 23. The proposed business plan for 22/23 aims to deliver some significant improvements to service delivery. The budget has been set to support this. The budget for 22/23 therefore contains several large, one-off pieces of expenditure, and represents a large increase compared to recent years. The internal audit report and the Aon review contain several recommendations for improvements, ranging from top priority to less significant. Completing the large improvement projects, specifically outsourcing the backlogs and part of the pensioner payroll reconciliation, will enable staff to focus on delivering the other recommendations.
- 24. A comparison of the 2022/23 and 2021/22 budgets on a cost per member basis is shown below:

	<b>2022/23</b>	<b>2021/22</b>
Administration	£38.80	£24.11
Oversight and Governance	£14.59	£10.85
Investment administration	£2.50	£2.63

**Budget Monitoring 2021/22**

- 25. The forecast outturn for 2021/22 is for an underspend against the budget of £130k (4%). The key items of underspend versus plan have been within admin staffing, legal fees and administration costs. The underspends have offset the additional cost for the Aon review of fund performance which was not included in the original budget (but which was instructed under authorisation from the Committee chair and Treasurer of the Fund). The fund budget report incorporates additional costs approved by Committee in the year, including costs for affordable housing and renewable infrastructure portfolio construction. Appendix 2 contains a detailed schedule of costs versus budget.

**Environmental Impact of the Proposal**

- 26. There are no direct, known environmental impacts from these proposals, although the effect of climate risk on the Fund’s investments, and steps to mitigate this risk for the financial benefit of the Fund, is dealt with as part of the business plan.

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

27. There are no known implications at this time.

### **Risk Assessment**

28. The approval of this budget is essential to continue the good governance of the Fund, and to deliver improvements which have been identified as high priority by independent assessments. When viewed in relation to the overall value of assets, these controllable costs represent 0.15% of the total Fund value.

29. If the proposed budget is not approved, then there will be significant delays in working through the Fund's backlogs and in completing the pensioner payroll reconciliation project. This could result in reputational damage and/or an increased number of complaints.

30. In line with good governance practice, officers will bring budget monitoring reports back to Committee quarterly.

### **Proposals**

31. The Committee is asked to:

- a) Approve the Business Plan 2022/23, including the vision, strategic vision goals, values, and actions for the year.
- b) Approve the Pension Fund budget for 2022/23 shown in Appendix 1 totalling £4.608m (0.15% of total fund value).

**ANDY BROWN**

**Treasurer to the Pension Fund**

Report Author: Jennifer Devine, Head of Wiltshire Pension Fund

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

### **Appendices**

Appendix 1 – Pension Fund Budget 2022/23

Appendix 2 – Budget monitoring for 2021/22

Appendix 3 – SWAP internal audit recommendations

Appendix 4 – Pension Fund Business Plan 2022/23

## Appendix 1 - Pension Fund Budget 2022/23

### Wiltshire Pension Fund Budget

	2019/20	2020/21	2021/22		2022/23	2023/24	2024/25
£000's	Actual	Actual	Forecast	Budget	Budget	Budget	Budget
Investment administration staffing costs	119	114	205	210	198	202	206
Investment administration travel/conferences/training costs	0	2	5	8	8	8	8
<b>Total investment administration costs</b>	<b>120</b>	<b>116</b>	<b>210</b>	<b>217</b>	<b>206</b>	<b>210</b>	<b>214</b>
Pension scheme administration staffing costs	996	1,036	1,150	1,208	1,267	1,293	1,319
Staff training	19	22	23	23	28	29	30
Corporate charges	311	311	311	311	311	317	311
Pension administration systems and data cleansing	310	354	350	357	622	415	427
Other administration costs	107	51	54	89	970	91	94
<b>Total scheme administration costs</b>	<b>1,743</b>	<b>1,775</b>	<b>1,888</b>	<b>1,988</b>	<b>3,199</b>	<b>2,144</b>	<b>2,181</b>
Oversight & governance staffing costs	246	180	221	221	238	243	248
Training and conferences	8	0	24	27	28	24	25
Subscriptions, memberships and levies	34	32	46	48	36	37	38
Actuarial services	214	154	129	153	319	146	151
Audit	10	37	27	27	83	29	29
Legal fees	13	11	30	48	49	51	52
Advisory fees	142	196	323	298	279	287	287
Corporate charges & other costs	149	165	146	146	146	147	146
<b>Total oversight &amp; governance costs</b>	<b>815</b>	<b>775</b>	<b>947</b>	<b>969</b>	<b>1,178</b>	<b>964</b>	<b>976</b>
<b>Local Pension Board costs</b>	<b>14</b>	<b>14</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>26</b>	<b>24</b>
<b>Total operational running costs</b>	<b>2,692</b>	<b>2,679</b>	<b>3,070</b>	<b>3,200</b>	<b>4,608</b>	<b>3,343</b>	<b>3,395</b>
<b>Number of Members</b>	<b>80,824</b>	<b>82,454</b>	<b>82,454</b>	<b>82,454</b>	<b>82,454</b>	<b>82,454</b>	<b>82,454</b>
<b>Total Running Cost per member (Admin &amp; Governance)</b>	<b>£ 31.83</b>	<b>£ 31.09</b>	<b>£ 34.69</b>	<b>£ 36.17</b>	<b>£ 53.39</b>	<b>£ 38.00</b>	<b>£ 38.57</b>



## Appendix 2 – Budget Monitoring 2021/22

### Wiltshire Pension Fund Budget 2021/22

£000's	Prior Year		2021/22			
	2019/20	2020/21	Forecast	Budget	Variance	% Variance
Investment administration staffing costs	119	114	205	210	5	2%
Investment administration travel/conferences/training costs	0	2	5	8	3	34%
<b>Total investment administration costs</b>	<b>120</b>	<b>116</b>	<b>210</b>	<b>217</b>	<b>8</b>	<b>3%</b>
Pension scheme administration staffing costs	996	1,036	1,150	1,208	58	5%
Staff training	19	22	23	23	0	0%
Corporate charges	311	311	311	311	0	0%
Pension administration systems and data cleansing	310	354	350	357	8	2%
Other administration costs	107	51	54	89	34	39%
<b>Total scheme administration costs</b>	<b>1,743</b>	<b>1,775</b>	<b>1,888</b>	<b>1,988</b>	<b>100</b>	<b>5%</b>
Oversight & governance staffing costs	246	180	221	221	0	0%
Training and conferences	8	0	24	27	3	12%
Subscriptions, memberships and levies	34	32	46	48	1	3%
Actuarial services	214	154	129	153	24	16%
Audit	10	37	27	27	0	0%
Legal fees	13	11	30	48	18	38%
Advisory fees	142	196	323	298	(24)	-8%
Corporate charges & other costs	149	165	146	146	0	0%
<b>Total oversight &amp; governance costs</b>	<b>815</b>	<b>775</b>	<b>947</b>	<b>969</b>	<b>23</b>	<b>2%</b>
<b>Local Pension Board costs</b>	<b>14</b>	<b>14</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>0%</b>
<b>Total operational running costs</b>	<b>2,692</b>	<b>2,679</b>	<b>3,070</b>	<b>3,200</b>	<b>130</b>	<b>4%</b>
<b>Number of Members</b>	<b>80,824</b>	<b>82,454</b>	<b>82,454</b>	<b>82,454</b>		
<b>Total Running Cost per member (Admin &amp; Governance)</b>	<b>£ 31.83</b>	<b>£ 31.09</b>	<b>£ 34.69</b>	<b>£ 36.17</b>	<b>£ 1.48</b>	<b>4%</b>

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Finding	Action												
<p><b><u>A: New Enrolments</u></b></p> <p>We reviewed a sample of 25 new joiners to the scheme and determined if they had been enrolled in line with the agreed process. 14 of the selected sample were enrolled outside of the i-Connect system, 11 were enrolled using i-Connect. We noted the following issues:</p> <ul style="list-style-type: none"> <li>1 of the 14 new joiner spreadsheets received from the employer outside of i-Connect had not been saved in the SharePoint repository and 2 of these were entered into the Altair system after the expected SLA deadline.</li> <li>12 of the 25 new joiner enrolments were sent activation keys and new joiner letters after the expected SLA deadline.</li> </ul> <p>We reviewed 3 new enrolment reconciliations from May, August and October 2021. The reconciliations should be signed off by the Employer Services and Systems Manager however none of the reconciliations were. We also noted that the reconciliations were time-consuming, taking up to 2 weeks to complete. This is mainly because many false errors are produced as the data used is not like for like.</p>	<p>We will remind staff to ensure new joiner spreadsheets are saved in the SharePoint repository.</p> <p>We will monitor the timeliness of the distribution of new joiner letters and activation keys and take further action if this is not improved.</p> <p>We will ensure reconciliations are appropriately signed off. We will also review the reconciliation process itself to see if efficiency improvements can be made.</p> <table border="1"> <tr> <td>Priority</td> <td>2</td> <td>SWAP Reference</td> <td></td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Wiltshire Pension Fund</td> </tr> <tr> <td>Timescale</td> <td colspan="3">31<sup>st</sup> May 2022</td> </tr> </table>	Priority	2	SWAP Reference		Responsible Officer	Head of Wiltshire Pension Fund			Timescale	31 <sup>st</sup> May 2022		
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Finding	Action												
<p><b><u>B: Contributions</u></b></p> <p>The Fund is currently establishing a schedule which states the contribution rates each employer should pay. This process needs to be finalised and the Fund needs to develop a mechanism to ensure the correct rates are recorded and controlled going forward.</p> <p>It was also noted that there was not clear ownership within the Fund for resolving contributions issues.</p>	<p>We will ensure the employer contribution rates schedule is finalised and procedures are put in place to make sure it is well controlled going forward.</p> <p>We will discuss roles and responsibilities with the team to ensure there is clear ownership with raising and resolving issues.</p> <table border="1"> <tr> <td>Priority</td> <td>2</td> <td>SWAP Reference</td> <td></td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Wiltshire Pension Fund</td> </tr> <tr> <td>Timescale</td> <td colspan="3">31<sup>st</sup> May 2022</td> </tr> </table>	Priority	2	SWAP Reference		Responsible Officer	Head of Wiltshire Pension Fund			Timescale	31 <sup>st</sup> May 2022		
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Finding	Action												
<p><b><u>C: Lumpsum Payments</u></b></p> <p>We reviewed a sample of members in receipt of lumpsum payments because of death, transfers out of the scheme or retirement and determined if the agreed process had been followed. See summary of issues below.</p> <p><b><u>Death Payments:</u></b></p> <ul style="list-style-type: none"> <li>• 8 out of 10 letters requesting supporting information were sent out after the SLA deadline</li> <li>• 3 out of 10 final payment authorisations were processed after the SLA deadline</li> <li>• 1 out of 10 payments did not have a death grant decision form on file</li> <li>• 1 out of 10 of the payments signed off were processed by the same person involved in the calculation</li> </ul> <p><b><u>Transfers Out:</u></b></p> <ul style="list-style-type: none"> <li>• 5 out of 10 letters of calculation were generated after the SLA deadline</li> <li>• 1 out of 10 letters of calculation were not peer reviewed</li> </ul> <p><b><u>Retirements:</u></b></p> <ul style="list-style-type: none"> <li>• 1 out of 10 members were contacted after the SLA deadline</li> <li>• 2 out of 10 payments were not followed up in a timely manner when documents had not been received from the member</li> <li>• 2 out of 10 payments were authorised by the same person that was either involved with producing the actual calculation or peer reviewing the actual calculation</li> <li>• Members can submit requested documents through the My Wiltshire Portal. However, this functionality is currently not working as there is a bug in the system. We noted 1 instance where the forms from the My Wiltshire Portal were filled out and returned to the Fund via email. However, these forms do not require signatures and subsequently were not appropriately signed by the member, but the payment was still processed.</li> <li>• We were advised that bank details will soon be auto populated to the Altair database from information filled out by the member using the Member Self Service System (MSS), but this is not yet in place.</li> <li>• It was noted that it isn't clear what date should be used for retirement calculations, the retirement date, or the date payable.</li> </ul>	<p>We will monitor the timeliness of processing lumpsum payments and take further action if this is not improved.</p> <p>We will remind staff of the importance of saving necessary documentation to support transactions on members files.</p> <p>We will review the payments approval process and structure to ensure payments are always approved independently by someone who has not been involved in calculating the payment.</p> <p>We will investigate the bug in the My Wilshire Portal which is preventing members from submitting documents and ensure any forms received from members via email are signed.</p> <p>We will advise staff which date should be used when processing retirement payments and update process notes accordingly.</p> <table border="1" data-bbox="1339 1008 2121 1200"> <tr> <td data-bbox="1339 1008 1451 1056"><b>Priority</b></td> <td data-bbox="1451 1008 1720 1056" style="background-color: #FFD700; text-align: center;">2</td> <td data-bbox="1720 1008 2121 1056"><b>SWAP Reference</b></td> <td data-bbox="2121 1008 2121 1056"></td> </tr> <tr> <td data-bbox="1339 1056 1720 1129"><b>Responsible Officer</b></td> <td colspan="3" data-bbox="1720 1056 2121 1129">Head of Wiltshire Pension Fund</td> </tr> <tr> <td data-bbox="1339 1129 1720 1200"><b>Timescale</b></td> <td colspan="3" data-bbox="1720 1129 2121 1200">31<sup>st</sup> October 2022</td> </tr> </table>	<b>Priority</b>	2	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> October 2022		
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Finding	Action												
<p><b><u>D: Transfers into the Fund</u></b></p> <p>Money received from members previous funds is recorded in the SAP system on the general ledger as an asset, but the corresponding liability is not always recorded on the members file in the Fund's Altair system. This can result in a false representation of assets and liabilities in the Fund's accounts.</p>	<p>We will carry out a reconciliation to identify transfers in that have been processed in the SAP system but not in Altair. We will ensure Altair is updated with any missing liabilities and embed the new process to monitor transfers in are accurately processed going forward.</p> <table border="1" data-bbox="1344 446 2134 598"> <tr> <td data-bbox="1344 446 1456 502"><b>Priority</b></td> <td data-bbox="1456 446 1736 502">2</td> <td data-bbox="1736 446 2134 502"><b>SWAP Reference</b></td> <td data-bbox="2134 446 2134 502"></td> </tr> <tr> <td data-bbox="1344 502 1736 550"><b>Responsible Officer</b></td> <td colspan="3" data-bbox="1736 502 2134 550">Head of Wiltshire Pension Fund</td> </tr> <tr> <td data-bbox="1344 550 1736 598"><b>Timescale</b></td> <td colspan="3" data-bbox="1736 550 2134 598">31<sup>st</sup> May 2022</td> </tr> </table>	<b>Priority</b>	2	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> May 2022		
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Finding	Action												
<p><b><u>E: Amendments</u></b></p> <p>We reviewed a sample of amendments made to members files and determined if the correct process was followed; this included changes to the members name, address and nominated beneficiary. See summary of issues noted below:</p> <p><b>Name change:</b></p> <ul style="list-style-type: none"> <li>1 of the 7 name changes did not have a marriage certificate saved on the file to evidence the name change.</li> </ul> <p><b>Nomination change:</b></p> <ul style="list-style-type: none"> <li>5 of the 12 nomination changes were processed after the expected SLA deadline.</li> </ul> <p><b>Address change:</b></p> <ul style="list-style-type: none"> <li>1 of the 25 address changes were processed after the expected SLA deadline.</li> <li>A tracing agency called Target is used when the Fund is not able to contact a member using the address recorded. Target help locate the member, and they notify the Fund of a change of address. 3 out of the 25 address changes reviewed were because of a notification from Target, however the notification was not saved on the members file as evidence.</li> </ul>	<p>We will remind staff of the importance of saving evidence to support any changes made in Altair.</p> <p>We will monitor the timeliness of processing amendments and take further action if this is not improved.</p> <table border="1" data-bbox="1344 1165 2134 1339"> <tr> <td data-bbox="1344 1165 1456 1220"><b>Priority</b></td> <td data-bbox="1456 1165 1736 1220">2</td> <td data-bbox="1736 1165 2134 1220"><b>SWAP Reference</b></td> <td data-bbox="2134 1165 2134 1220"></td> </tr> <tr> <td data-bbox="1344 1220 1736 1292"><b>Responsible Officer</b></td> <td colspan="3" data-bbox="1736 1220 2134 1292">Head of Wiltshire Pension Fund</td> </tr> <tr> <td data-bbox="1344 1292 1736 1339"><b>Timescale</b></td> <td colspan="3" data-bbox="1736 1292 2134 1339">31<sup>st</sup> October 2022</td> </tr> </table>	<b>Priority</b>	2	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> October 2022		
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Finding	Action												
<p><b>F: Monitoring</b></p> <p>The Fund’s Altair system has a workflow functionality which can be used to automatically distribute and monitor tasks for the team to carry out. We reviewed the workflow and noted there is a backlog of tasks going back to 2013, see further details under finding H below. The Fund was unable to quantify how much work was in the backlog or clarify if the status of tasks was correct. This makes managing deadlines difficult and prevents the Fund from producing forward looking KPIs.</p> <p>A monthly performance dashboard is currently being produced to record reconciliation checks between the Altair and SAP systems. This needs to be finalised and updates should be reported to the Pensions Committee. The Fund should also consider if the one-off payments module should be purchased so BACs payment runs can be directly produced out of the Altair system. This would reduce the risk of errors between SAP and Altair and eliminate the need to carry out as many checks. In our previous reports we have raised actions to carry out a full reconciliation between Altair and SAP, this has not been done.</p> <p>No quality assurance over the Fund’s processing is conducted by management to ensure work is carried out correctly.</p> <p>The Fund maintains its own operating budget. Some services are provided by the Council and then recharged to the fund, for example, payroll, legal, internal audit etc. However, the Fund do not receive underlying data from the Council to substantiate the amounts recharged.</p>	<p>We will review the process of distributing tasks to team members and ensure there is a robust process to monitor SLAs and team capacity / backlog. KPIs will be reported to the Pensions Committee regularly.</p> <p>We will finalise the monthly performance dashboard and report updates to the Pensions Committee regularly.</p> <p>We will carry out a full reconciliation between Altair and SAP and ensure this is done on a regular basis.</p> <p>We will consider if the one-off payments module in Altair should be purchased.</p> <p>We will review and embed the formal quality assurance process to help ensure work is carried out by the team correctly.</p> <p>We will liaise with the Council to obtain underlying data to support the amounts recharged to the Fund by the Council yearly.</p> <table border="1" data-bbox="1344 901 2123 1074"> <tr> <td><b>Priority</b></td> <td><b>1</b></td> <td><b>SWAP Reference</b></td> <td></td> </tr> <tr> <td><b>Responsible Officer</b></td> <td colspan="3">Head of Wiltshire Pension Fund</td> </tr> <tr> <td><b>Timescale</b></td> <td colspan="3">31<sup>st</sup> July 2022</td> </tr> </table>	<b>Priority</b>	<b>1</b>	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> July 2022		
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Finding	Action												
<p><b><u>G: Projects</u></b></p> <p>In addition to the Fund’s everyday tasks, there are currently two main projects; i-Connect Enrolments and Pensions Payroll Reconciliations. We reviewed the project methodology for both and noted the following issues:</p> <ul style="list-style-type: none"> <li>• There is not a formal project plan, issues or risk log for the i-Connect Enrolments project and further work could be done to proactively bring the project to a close.</li> <li>• The Pensions Payroll Reconciliation project is more formally managed however the project Gantt chart does not include task statuses, so you are unable to get a clear picture of project slippage and the subsequent impact on key milestones and dependencies. Meeting actions are not formally captured, and update progress reports are not produced or communicated to the Pensions Committee.</li> </ul>	<p>We will review the project methodology used to manage the Funds projects and implement changes to help improve oversight and efficiency.</p> <p>We will consider ways to proactively progress the i-Connect project, for example employer site visits.</p> <table border="1" data-bbox="1346 544 2123 710"> <tr> <td data-bbox="1346 544 1458 587"><b>Priority</b></td> <td data-bbox="1458 544 1733 587">2</td> <td data-bbox="1733 544 1960 587"><b>SWAP Reference</b></td> <td data-bbox="1960 544 2123 587"></td> </tr> <tr> <td data-bbox="1346 587 1733 667"><b>Responsible Officer</b></td> <td colspan="3" data-bbox="1733 587 2123 667">Head of Wiltshire Pension Fund</td> </tr> <tr> <td data-bbox="1346 667 1733 710"><b>Timescale</b></td> <td colspan="3" data-bbox="1733 667 2123 710">31<sup>st</sup> July 2022</td> </tr> </table>	<b>Priority</b>	2	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> July 2022		
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Finding	Action												
<p><b>H: Operational Backlog</b></p> <p><b>Aggregations:</b></p> <ul style="list-style-type: none"> <li>As noted in our previous report, the Fund has accumulated processing backlogs for aggregations. Progress has been made to clear the backlog, but it remains an ongoing issue. We note that regular progress updates are reported to the Pensions Committee but an improvement plan to help clear the back log has not been drafted (as recommended in our previous report).</li> </ul> <p><b>Frozen refunds:</b></p> <ul style="list-style-type: none"> <li>If a member leaves the scheme in the vesting period (this is currently 2 years but was previously 3 months after joining the scheme), they are entitled to a refund of their contributions. The Fund write to members to inform them of their refund entitlement, and until refunded their fund sits as a frozen refund on the Altair system. There is a back log of frozen refunds amounting to circa 2 million pounds and dating back to 1974 which have not been followed up on since the initial letter was sent to the member.</li> </ul> <p><b>Retired members:</b></p> <ul style="list-style-type: none"> <li>There are 107 members on the Altair system who are over 75 years old and therefore have reached an age that their pension must be paid. The Fund are currently looking at the ones overdue and determining the next steps required.</li> </ul> <p><b>Status 3 members:</b></p> <ul style="list-style-type: none"> <li>Status 3 members are ex members that no longer have any liability in the Fund because they have received a refund or because they have transferred out of the Fund, but the members personal is still recorded in the Altair system. This is a breach of data protection regulations as the Fund should only keep personal data when it is necessary. In the Funds Data Retention Policy, it is stipulated that members’ personal data should be minimised after 7 years of leaving the Fund and deleted after 15 years. There are 4652 member files where the information should be minimised and 14809 member files which should be deleted.</li> </ul>	<p>We will review the backlog of aggregations, frozen refunds and retired members and take necessary steps to ensure this is progressed where possible.</p> <p>We will develop controls to monitor backlog in these areas going forward and report updates to the Pensions Committee regularly.</p> <p>We will review the data stored for status 3 members and determine a way to remove any personal data which is no longer necessary.</p> <table border="1" data-bbox="1332 1029 2128 1203"> <tr> <td data-bbox="1332 1029 1720 1082"><b>Priority</b></td> <td data-bbox="1720 1029 1982 1082">1</td> <td data-bbox="1982 1029 2128 1082"><b>SWAP Reference</b></td> <td data-bbox="2128 1029 2128 1082"></td> </tr> <tr> <td data-bbox="1332 1082 1720 1157"><b>Responsible Officer</b></td> <td colspan="3" data-bbox="1720 1082 2128 1157">Head of Wiltshire Pension Fund</td> </tr> <tr> <td data-bbox="1332 1157 1720 1203"><b>Timescale</b></td> <td colspan="3" data-bbox="1720 1157 2128 1203">31<sup>st</sup> May 2022</td> </tr> </table>	<b>Priority</b>	1	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> May 2022		
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Finding	Action												
<p><b>I: System Access Review Follow Up</b></p> <p>The Fund carried out an internal review of pension systems access in January 2020 and several actions were raised. We reviewed the progress of the actions raised in the report and found all actions apart from one had been implemented. Issue 1.6 of the report remains outstanding, this states that the Fund should create a schedule of software licenses for systems used within the Fund.</p>	<p>We will create a schedule of software licenses for systems used within the Fund. Going forward the results of the annual access review will be reported to the Head of Service.</p> <table border="1" data-bbox="1326 375 2123 518"> <tr> <td data-bbox="1326 375 1440 418"><b>Priority</b></td> <td data-bbox="1440 375 1720 418">2</td> <td data-bbox="1720 375 1982 418"><b>SWAP Reference</b></td> <td data-bbox="1982 375 2123 418"></td> </tr> <tr> <td data-bbox="1326 418 1720 483"><b>Responsible Officer</b></td> <td colspan="3" data-bbox="1720 418 2123 483">Head of Wiltshire Pension Fund</td> </tr> <tr> <td data-bbox="1326 483 1720 518"><b>Timescale</b></td> <td colspan="3" data-bbox="1720 483 2123 518">31<sup>st</sup> May 2022</td> </tr> </table>	<b>Priority</b>	2	<b>SWAP Reference</b>		<b>Responsible Officer</b>	Head of Wiltshire Pension Fund			<b>Timescale</b>	31 <sup>st</sup> May 2022		
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### **Vision and Long-term Plan**

Wiltshire Pension Fund (WPF) administers the pensions for the >80,000 members of our scheme, for our c.180 employers. It is our responsibility to ensure that the members' records are kept accurate and up to date, and that the correct benefits are paid on time. We need to responsibly manage the Fund's investments in order to ensure that we generate sufficient investment returns to help maintain the employers' contributions rates at stable and affordable levels. For our members, their pension represents a significant asset, which will help secure their financial future into retirement.

The purpose of the WPF Business Plan 2022/23 is to set out the Fund's vision, goals, culture, improvement plan and actions for the coming year, and longer-term strategic direction.

The Fund has undertaken many improvements over the last 3-year business planning cycle, prioritising process improvement and efficiency, and promoting the use of self-service options for both scheme employers and members. In the next phase, the Fund needs to focus on further improving service delivery, by clearing backlogs of work and achieving service standards.

The Fund has commissioned various pieces of independent work in order to identify areas for improvement, and help highlight the priorities for this Business Plan. Part of the improvements needed involve developing standard weekly KPI reporting. Until this is properly underway, delivering regular and reliable data, it will be challenging to prepare a detailed plan looking ahead over 3 years. For this reason, this Business Plan looks at the next 12 months in terms of detailed actions, and sets out the longer-term direction of travel below. A new business plan will be developed in a year's time, and consideration at that point will be given as to whether a 3-year plan can be created.

The Fund's focus needs to be firmly set on achieving outcomes for our customers, i.e. the scheme employers and members. Everything that we do needs to keep this in mind, and decisions need to be made with an eye to the end goal of delivering an outstanding service, as set out in the Fund's vision:

## **Our vision is to deliver an outstanding service to our scheme employers and members**

Everyone's role in the team either directly contributes to the vision, or creates the foundations and environment which make it possible. We will measure success against the vision by monitoring our progress against various service-related KPIs, targets, and actions.

Over the next three years, the Fund needs to build on previous improvements, and achieve the following key deliverables:

- Resolve the differences in the pensioner payroll reconciliation (i.e., the differences between the pension payable on the administration system, and the payroll system)
- Completely remove the backlogs of work

- To be reliably delivering against the legal requirements and service level targets (KPIs)
- Complete the on-boarding of all employers onto the iConnect system
- Fully implement integrated payment systems, for the pensioner payroll and other one-off payments (for example lump sums, refunds etc), to realise stronger controls and efficiencies
- Improved governance around the Fund’s relationship with the administering authority

**Strategic Vision Goals**

The vision is supported by 16 strategic vision goals (SVGs), which are focussed on outcomes. The goals broadly map to outcomes for employers, members, investments, and governance, but across the team staff are encouraged to think about how their work maps to different goals.

The SVGs run through everything that we do. In order to maintain a focus on achieving the vision, all actions in this Business Plan are mapped to SVGs. SVGs will also be used when setting goals and objectives for the teams and staff at an operational level.

<p>1 Stable and affordable contributions</p> 	<p>2 Straight-forward administration</p> 	<p>3 Clear service measures and responsibilities</p> 	<p>4 Employers are advocates for the scheme</p> 
<p>5 Correct pension, paid timely</p> 	<p>6 Accurate up-to-date records</p> 	<p>7 Service administered effectively and cost-efficiently</p> 	<p>8 Members understand their benefits</p> 
<p>9 Safeguard the assets</p> 	<p>10 Strong risk-adjusted returns</p> 	<p>11 Responsible ownership and stewardship</p> 	<p>12 Positive impact</p> 
<p>13 Robust processes, controls and risk management</p> 	<p>14 Widely adopted self-service solutions</p> 	<p>15 Transparency and information sharing</p> 	<p>16 Compliance and best practice</p> 

**Our Culture**

In order to help us achieve our strategic goals, and deliver our vision, we need to adopt certain outlooks and ways of working. We aim to demonstrate the following values, and embed them firmly in our culture:

<p>Working together as One Fund</p> <p><b>1</b></p> <p>We work together as One Fund, demonstrating the values of transparency, accountability, ownership, critical thinking, respect, and agility</p>	<p>High performing team</p>  <p>We aspire to be role models and leaders, through our commitment to develop knowledge and training</p>	<p>Data driven decisions</p>  <p>We use data to inform and evidence our decision making, and to measure our progress and successes</p>	<p>Efficiency through technology</p>  <p>We collaborate, and challenge our systems and processes, to create innovative solutions and drive continuous improvement</p>	<p>Long term thinking</p>  <p>We always act with the long term in mind, whether we are setting our investment strategy, planning improvements, or working towards our net zero by 2050 goal</p>	<p>Clear communications</p>  <p>We communicate with all our stakeholders in a clear, concise, relevant and effective way</p>	<p>Smarter working</p>  <p>We maintain focus on our core objectives, and work in a proactive and disciplined way, to promote simplicity and efficiency in everything we do</p>
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As well as having goals and objectives set which map to the SVGs, annual staff appraisals will look at ways that the values have been modelled. As part of team meetings, staff will take part in several activities throughout the year to encourage them to think of their work in terms of the SVGs and values, and to fully incorporate them in the way the team works.

### Identifying Priority Areas

As part of developing this Business Plan, various independent reviews have been commissioned in order to identify the priority areas, set out as follows:

Review	Supplier	Purpose of review	Date done
Administration review	Aon	To identify the key areas of focus for Fund administration, and on the levels of resourcing required	Jan-Mar 2022
Staff engagement survey	Aon	To identify areas where improvement is needed in terms of staff engagement, training, communications etc.	Feb 2022
Key Financial Controls audit	SWAP	To review the processes and controls across the whole fund as part of the approved internal audit programme	Feb-Mar 2022
Systems Overview	Heywoods	A review of the Fund's use of the administration system (Altair) with a view to determining whether the Fund is making best use of the system	Jan-Mar 2022

As a result of these reviews, an improvement plan has been developed and is attached as Annex 1. High priority improvements are mapped to a specific Business Plan action, and lower priority improvements are wrapped up in a single action (25) to follow and complete the improvement plan. The Business Plan actions identify key non-business-as-usual pieces of work for the coming year, and so by their nature focus on high priority projects and pieces of work.

**Business Plan Actions for 2022/23**

	Action	Description	Target SVGs	Budgetary Impact	Priority	Resource Impact
1	Actuarial valuation	The triennial actuarial valuation of the Fund, as at 31 March 2022, needs to be carried out over the next year.	1, 9, 10, 16	£177,000	Mandatory	High
2	Strategic Asset Allocation (SAA) review	A review of the SAA needs to be carried out triennially, in conjunction with the actuarial valuation, in order to ensure that the Fund is set to deliver the required investment returns for an appropriate level of risk.	1, 9, 10, 11, 12	£30,000	Mandatory	High
3	Hit as close to 100% as possible of legal requirements and develop improvement plan for achieving KPI targets	Once the standardised weekly KPI reporting (action 7) is up and running, we will be able to identify specific processes to focus on and develop a detailed plan. The focus will initially be on aiming to achieve 100% of the legal requirements, and prioritising cases like retirements and deaths.	5, 6, 7, 16	nil	High	Low
4	Complete the payroll reconciliation project	The long-running reconciliation project between the administration system and the ledger needs to be concluded, so that we have assurance that all pensioners are being paid the correct amount.	5, 6, 7, 16	£350,000	High	High
5	Outsource the backlogs	The Aon review indicates that the backlogs could take 6 years to clear at the current rate. Additional resource is needed to clear these, and outsourcing would be the preferred option (i.e. not recruitment).	2, 6, 7, 16	£450,000	High	High
6	Review the resourcing of the team	The Aon review carried out analysis of resourcing levels and made various recommendations. Further internal	1-16	Unclear at this stage	High	Medium

	Action	Description	Target SVGs	Budgetary Impact	Priority	Resource Impact
		analysis is required here, taking into consideration actions 8 and 14 at the same time.				
7	Launch weekly KPIs	The Fund has historically produced KPIs for admin processes on a quarterly basis. Moving to weekly will be a key driver in improving performance. Weekly stats will show performance and movements in caseloads, and aging of open cases. Forward looking KPIs will identify cases about to go out of date, so that preventative action can be taken. Stats will be used by managers to identify issues and plan workloads, and shared with teams for awareness of their impact on the Fund's vision.	5, 6, 7, 16	nil	High	Low
8	Implement integrated payments	Adopting integrated payroll and one-off payments (e.g. lump sums, refunds etc) systems will create efficiencies and improve controls.	2, 5, 7, 9, 13, 16	£50,000*	High	High
9	Implement renewable infra and affordable housing portfolios	The Fund has made strategic allocations to renewable infrastructure and affordable housing, which need to be implemented over the next year in consultation with advisers.	1, 9, 10, 11, 12	£65,000	High	High
10	Complete iConnect onboarding	Onboarding of all employers onto iConnect was targeted to complete by 31 March 2022, but there are still several employers outstanding. Although the Fund does not have full influence over this, we will work collaboratively with employers to ensure all are onboarded by 31 March 2023 and that we can realise the control and data benefits of iConnect.	2, 3, 6, 7, 13, 14	nil	High	Medium



	Action	Description	Target SVGs	Budgetary Impact	Priority	Resource Impact
11	Treasury management (TM) strategy implementation	The new TM strategy needs to be fully implemented, and a new liquidity portfolio implemented.	9, 10, 13	nil	Medium	Low
12	Performance measurement reporting improvements	In order to improve visibility of the Fund's overall performance for Local Pension Board, Committee, and senior officers, a new whole Fund performance report will be developed, to show standardised, concise information on KPIs, projects, key financial controls, customer service measures etc.	3, 5, 6, 7, 10, 13, 16	nil	Medium	Low
13	Become signatories of the 2020 Stewardship Code	The Fund developed plans for reporting in line with the 2020 Stewardship Code during 2021/22, and will make a submission to achieve signatory status during 2022/23.	9, 10, 11, 15, 16	nil	Medium	Low
14	Systems review	The Aon review recommended that a detailed review is carried out to determine the exact responsibilities of the Systems and Data team, which should also incorporate a review of all systems procedures and controls and the Fund's overall objectives in this area.	2, 5, 6, 7, 13, 16	£20,000	Medium	High
15	Participate in Brunel climate stocktake	The Brunel climate stocktake will help inform the partnership's approach to climate risk, including how the portfolios are shaped going forward. We will be actively involved in this review in order to represent Wiltshire's position.	9, 10, 11, 12	nil	Medium	Low
16	Collaborating with investment managers to ensure climate risk is appropriately addressed	Collaborating with legacy managers and the Brunel pool to ensure that portfolios are fit for purpose from a perspective of sustainability and climate risk, can be aligned to our broader climate objectives, and that data provision is adequate to allow for a meaningful assessment of progress against targets.	9, 10, 11, 12, 15, 16	nil	Medium	Low

	Action	Description	Target SVGs	Budgetary Impact	Priority	Resource Impact
17	Employer report cards	Employer report cards will address the quality and timeliness of data submitted via iConnect and in relation to contributions, as well as timeliness of payment of contributions. The full member experience is partly our service KPIs, but also partly determined by the employer's provision of the relevant data in a timely manner - this will also be covered by the report cards. This will help to clarify roles and responsibilities.	2, 3, 5, 6, 15, 16	nil	Lower	Low
18	Risk monitoring and reporting improvements	The framework around risk monitoring and reporting needs improving, to improve ownership taken for specific risks, to integrate consideration of risks more fully operationally, and to improve clarity in reporting risks to Committee and the Local Pension Board.	13, 15, 16	nil	Lower	Low
19	Review internal audit arrangements	The Committee has approved various specialist audits as part of the audit plan. We will investigate potential providers to deliver these audits, as well as any other high-priority areas where we need specialist advice. Action 23 is part of this, so the potential budgetary impact for that review is included under that action.	3, 6, 7, 9, 13	£20,000	Lower	Medium
20	Complete Member Self Service (MSS) sign-up campaign	The Fund's strategy is to write out to members who have not signed up to MSS every 3 years. We will complete this campaign, and investigate options to further promote MSS through use of email signatures, the website, and campaigns through the scheme employers.	4, 8, 14, 15	£10,000	Lower	Medium
21	Customer service excellence review	An independent customer service assessment will provide evidence of good practice and recommendations for improvement.	2, 3, 4, 5, 6, 7, 16	£2,000	Lower	Low

	Action	Description	Target SVGs	Budgetary Impact	Priority	Resource Impact
22	Employer training and engagement (carried forward)	We will develop the training materials on the employer website, including videos, simple guides etc. We will expand the approach to direct interaction with employers, to proactively address issues with fulfilling requirements, welcome new contacts, and help with any iConnect issues.	2, 3, 4, 14	nil	Lower	Low
23	Good governance review compliance	In advance of the recommendations of the Good Governance Review becoming mandatory, an independent review will map current arrangements to the new requirements, and make recommendations to ensure compliance.	16	£10,000	Lower	Medium
24	Collaborate with partner funds to define the direction of travel for the Brunel Pension Partnership	We will be actively involved in setting the direction of travel for the Brunel pool, to ensure that Brunel delivers the intended fee savings and investment performance in a cost-efficient way, evidenced through meaningful reporting in line with client requirements, and retains a focus on ensuring that all activities deliver value and map to positive outcomes for the partner funds.	9, 10, 11, 12	nil	Lower	Low
25	Complete lower priority actions from the improvement plan	The improvement plan (Annex 1) sets out recommendations from the Aon review and SWAP's latest internal audit. High priority actions have been mapped to specific Business Plan actions, however all actions need to be completed.	5, 6, 7, 9, 13	nil	Lower	Low

\*£50k to assist with implementation. The systems costs were already approved by Committee during 2021/22.

Annex 1 – Improvement Plan

	Improvement	Source	Mapping to Business Plan Action
<b>Data/Systems</b>			
1	<b>Systems review</b> – the Aon review recommended that a detailed review is carried out to determine the exact responsibilities of the Systems and Data team, which should also incorporate a review of all systems procedures and controls and the Fund’s overall objectives in this area.	Aon review	14
2	<b>Pensioner payroll reconciliation</b> – Aon recommend that a pragmatic approach to resolving lower-value differences is adopted, and that additional resource is considered to complete the project in a timely manner. SWAP recommend that a full reconciliation is carried out on a regular basis.	Aon review and SWAP internal audit review	4
3	<b>Amendments</b> – staff should be reminded to save evidence for amendments on the file, and ensure they are processed in a timely manner.	SWAP internal audit	25
4	<b>Immediate payments</b> – consider purchasing this module to improve processes and controls.	SWAP internal audit	8
5	<b>iConnect</b> – consider ways to proactively progress the iConnect project, for example site visits.	SWAP internal audit	6, 10
6	<b>Status 3s</b> – review the data stored for status 3 members (i.e. those where the Fund has no liabilities, e.g. members who have transferred out) and determine a way to remove any personal data which is no longer necessary.	SWAP internal audit	25
<b>Controls</b>			
7	<b>Reconciliations</b> – the movement in the payroll reconciliation needs to be reviewed and signed off by a manager.	SWAP internal audit	25
8	<b>Contributions</b> – a central schedule for employer contribution rates needs to be developed, and roles and responsibilities for resolving contributions issues needs to be clarified with staff.	SWAP internal audit	25
9	<b>Lump sums</b> – issues around meeting deadlines, peer review and adequate evidence/data need to be resolved.	SWAP internal audit	25
10	<b>Transfers in</b> – the process to ensure that transfers in funds which are received (and posted to the ledger)	SWAP internal audit	25

	<b>Improvement</b>	<b>Source</b>	<b>Mapping to Business Plan Action</b>
	are also posted to the members account on Altair needs to be properly embedded and followed.		
11	<b>Recharge</b> – ensure this is provided by the Council on a costed basis.	SWAP internal audit	25
<b>Performance</b>			
12	<b>KPIs</b> – reconsider what information is included in the current KPIs and ensure consistency of presentation. Review the process of distributing tasks to team members and ensure there is a robust process to monitor KPIs and team capacity / backlog.	Aon review and SWAP internal audit review	7, 12
13	<b>Disclosure requirements</b> – address areas where performance is lowest and target 100% achievement	Aon review	3, 7
14	<b>Performance</b> – investigation of processes where performance against internal targets is poor.	Aon review	3, 7
15	<b>Older cases</b> – consider whether additional information is required.	Aon review	7
16	<b>Backlogs</b> – consider how these can be cleared in a timely manner. Review the backlog of aggregations, frozen refunds, and members over 75 who are not yet in receipt of benefits, and take necessary steps to ensure this is progressed where possible.	Aon review and SWAP internal audit	5, 7
17	<b>Leavers</b> – for leavers under the normal pension age, the assumption should be deferred benefits, to avoid inefficiencies in sending out retirement packs and then terminating these cases when the member elects deferred benefits.	Aon review	25
18	<b>Joiners</b> – investigate the reasons why a significant number of joiners are not receiving their notification of joining within the timeframe, which may in part be resolved by continued iConnect onboarding.	Aon review and SWAP internal audit	10, 25
19	<b>Transfers out</b> – recommence monitoring of the timeliness of transfer out quotes.	Aon review	25
<b>Team</b>			
20	<b>Resourcing</b> – various recommendations around resourcing, which will be picked up in the round.	Aon review	6
21	<b>Communication</b> – improve communications between management and officers, via regular, relevant meetings.	Aon review	25
22	<b>Targets</b> – implementing targets and objectives for all admin staff.	Aon review	25

	<b>Improvement</b>	<b>Source</b>	<b>Mapping to Business Plan Action</b>
23	<b>Training</b> – improve training and development opportunities for administration officers.	Aon review	25
24	<b>Workload meetings</b> – regular meetings for employer services and member services officers to understand challenges and constraints across the whole team.	Aon review	25
25	<b>Sharing KPIs</b> – to emphasise the impact officers have on member experience.	Aon review	7
26	<b>Projects</b> – review the project methodology used to manage the Funds projects and implement changes to help improve oversight and efficiency.	SWAP internal audit	6

## Wiltshire Council

### Wiltshire Pension Fund Committee

5 April 2022

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#### Key Financial Controls Report

##### Purpose of the Report

1. The purpose of this report is to highlight the significant issues in relation to the Fund's key financial controls.

##### Background

2. Officers in the investments and accounting team have been reporting on various key accounting measures for some time and have developed a program of planned improvements to various processes and controls. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas, and monitor progress against planned improvements. This report will be an evolving format, with the aim that it will develop into a dashboard over time.

##### Key Considerations for the Committee / Risk Assessment / Financial Implications

###### Accounts and Annual Report

3. Final audit sign off of the full Wiltshire Council Accounts for 2019/20 and 2020/21 continues to be delayed, the Pension fund accounts form a part of the full Council accounts and the delay, which is due to an issue within the Wiltshire Council figures, has meant the pension fund accounts have not received their final audit opinion for inclusion in the annual report.
4. All work has been completed by the auditors on the Pension Fund accounts for 2019/20 and 2020/21. To ensure we comply with The Pensions Regulator (TPR) requirement to publish the report, it is available on the website with a note stating the audit opinion will be included when available.
5. Officers have continued to monitor progress towards final publication and sign off of the Wiltshire Council Accounts through dialogue with the Council Finance team. It is currently understood that final sign off for the 2019/20 accounts is expected in March 2022. The Wiltshire Council Audit Committee of 1 March 2022 delegated authority to Officers and the Chair of the Audit Committee to sign off the accounts once final outstanding items have been completed. Once this has been completed audit work can be completed on the 2020/21 accounts which are planned to be signed off at the same time as the 2021/22 accounts, which is planned for 23 November 2022.
6. The first planning meeting for the 2021/22 accounts have been held with the Auditors (Deloitte). The scope and dates for interim work were agreed and timescales for the final audit set out. The Fund had been planning for the final accounts and annual

report to be taken to the 28 July 2022 Committee meeting for sign off. To meet this publication date the auditors agreed to accelerate their work programme. Publication in July will ensure the accounts and annual report are relevant and up to date for all stakeholders. As with the 2021/22 report this would make Wiltshire one of the first funds in the UK to publish.

7. Following agreement of this audit timeline Deloitte have written to delay the audit work until September / October 2022, due to staffing shortages. This is very disappointing as it will delay audit work and finalisation of the accounts. Officers plan to complete work on the accounts and all supporting papers in line with original timescales. This will allow publication of an unaudited set of accounts with a suitable note setting out this caveat, this will ensure relevant and timely information can be available to stakeholders.
8. To improve engagement with members Officers plan to produce another graphically designed one pager with relevant information engagingly presented to share with members, this was well received last year.

#### Payroll reconciliations

9. Work is still ongoing within the administration team to reconcile and correct discrepancies between the Altair pension admin system and SAP payroll records. A full update on work undertaken on this important project is available in a separate update.
10. The £8.25m provision made for this discrepancy was disclosed in the accounts for 2020/21 and accounted for as an extra cost in year. This represents a worst-case estimate, the final position is likely to be lower than this. Calculation of the final value requires completion of all steps by the admin team to review cases.
11. A review is underway of this provision to provide a revised figure for the 2021/22 annual accounts expected to be much lower, due to many corrections to future payments now having been made.
12. New payroll elements and accounting system codes have been established to track reconciling payment values and amounts being reclaimed. The first payments were made in February 2022.

#### Integrated Systems

13. Project Evolve is ongoing within Wiltshire Council, this will deliver a replacement to the existing SAP payroll and accounting software by December 2022. The pension team are members of implementation working groups.
14. Officers are working with the payroll and Evolve implementation teams to transfer existing pensioners to the new payroll system. At the same time Officers will prepare plans to implement an integrated payroll and one-off payments system within Altair, to initially be utilised for new pensioners.



15. Following implementation of the systems a plan will be prepared to transfer pensioners from the evolve system onto the new integrated payroll within Altair. This would take place once the reconciliation process between Altair and payroll is completed and post implementation of Evolve when the Council payroll team would have available resources. Pensioners would be transferred in batches to the new system. More detail on these plans are included in the business plan and future papers.

#### Internal Audit and Specialist Reviews

16. SWAP have completed their internal audit, covered in Item 10 on this agenda.
17. Following the recent restructure of the management of the pension fund team, the Head of Wiltshire Pension Fund has commissioned an audit into the key issues and resourcing of the admin function, which has been carried out by Aon. This report will help to inform the business plan and budget for 2022/23. Aon will attend this meeting to present their report alongside the Business Plan presented at this Committee.

## Quarterly Financial Performance Dashboard

Wiltshire Pension Fund - Key Financial Controls Dashboard				
Control Area	RAG	Items reviewed under this control area	Comments on Performance	Ongoing Actions
	Dec-21			
1. Employer Contributions	Green	Timely and accurate payment of employer contributions each month.	See summary performance table for full details. Almost all employers paying on time and with the correct rate. One small employer with an outstanding payment who has been contacted.	Work ongoing to tie together i-connect data submissions and contributions receipts to provide a single consistent record of employer information and payments.
2. Payroll	Yellow	Monthly payroll sign off process checking starters and leavers plus reconciliation of Altair to Payroll	Monthly sign off process for the payroll working as planned, number of pensioners on payroll in December 21 - 16,797. Improved monthly reconciliation of new starters and leavers each month implemented	Improvement required to the monthly Altair to SAP payroll reconciliation process to ensure ongoing accuracy of payroll payments.
3. Cashflow, banking and capital calls	Green	Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details. One instance of treasury limit being exceeded to facilitate a large capital call. Low cash balance maintained to minimise cash drag on fund performance.	New treasury management policy in development for review and approval at March 22 Committee.
4. Balance Sheet Reconciliations	Green	All balance sheet control codes are reviewed for accuracy and outstanding issues.	All control codes have been reviewed and checked, minor items being resolved prior to year end accounts process.	New process for VAT reconciliation is being implemented with the central council finance team following reconciliation which identified £300k owed to the pension fund.
5. Altair Checks	Yellow	Check between the ledger and pension admin system (altair) that any transactions, such as payments or receipts match the admin system.	All reconciliations have been undertaken and discrepancies have been found across all items. The largest area of variance is within transfers in where £2.2m of payments received have not been recorded in the admin system.	New process to review each reconciliation discrepancy between the finance and admin teams is being established to clear historic items and stay on top of new issues. Implementation of a payments module in the admin system could eliminate the need for these time consuming reconciliations.
6. Financial Budget Reporting	Green	Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Forecast expenditure for the fund remains on track with the operating budget, next detailed report expected at Committee in March 2022.	None
No material concerns	Green			
Minor issues outstanding	Yellow			
Major issues outstanding	Red			

18. The following table provides further details for performance dashboard item 1. Employer contributions.

Quarter	Payroll Month	Paid contributions £000's				Average late and overdue contributions total days		Number of employers payments status		
		Total Payment	On Time Payment	Late Payment	Late Payment %	Days Late Recd	Days Overdue	On time	Late	Not Received
Q1	Apr-21	34,641	7,625	18	0.2%	20.0	-	161	14	-
Q1	May-21	7,707	6,912	794	11.5%	18.5	-	160	15	-
Q1	Jun-21	7,613	7,606	7	0.1%	28.0	-	169	6	-
Q2	Jul-21	7,700	6,880	820	11.9%	15.1	-	165	7	-
Q2	Aug-21	7,538	6,766	772	11.4%	8.1	-	165	8	-
Q2	Sep-21	7,513	7,137	72	1.0%	9.6	-	162	13	-
Q3	Oct-21	7,634	6,936	698	10.1%	6.4	-	167	7	-
Q3	Nov-21	7,644	6,856	788	11.5%	14.8	-	162	13	-
Q3	Dec-21	7,628	7,474	154	2.1%	6.8	-	166	9	-
Q4	Jan-22	7,620	4,616	3,004	65.1%	4.6	30.0	157	16	2
<b>Total</b>	<b>Q1</b>	<b>49,961</b>	<b>22,143</b>	<b>819</b>	<b>3.7%</b>	<b>22.2</b>	<b>-</b>	<b>490</b>	<b>35</b>	<b>-</b>
<b>Total</b>	<b>Q2</b>	<b>22,750</b>	<b>20,783</b>	<b>1,664</b>	<b>8.0%</b>	<b>11.0</b>	<b>-</b>	<b>492</b>	<b>28</b>	<b>-</b>
<b>Total</b>	<b>Q3</b>	<b>22,907</b>	<b>21,266</b>	<b>1,640</b>	<b>7.7%</b>	<b>9.4</b>	<b>-</b>	<b>495</b>	<b>29</b>	<b>-</b>

19. Two payments remain outstanding as at 21<sup>st</sup> March 2022, both payments relate to one employer with the outstanding payment being chased and expected soon. The large late payment for January 2022 related to an employer who experienced difficulties with their payroll following a new system implementation which affected payment and data submission to the fund.

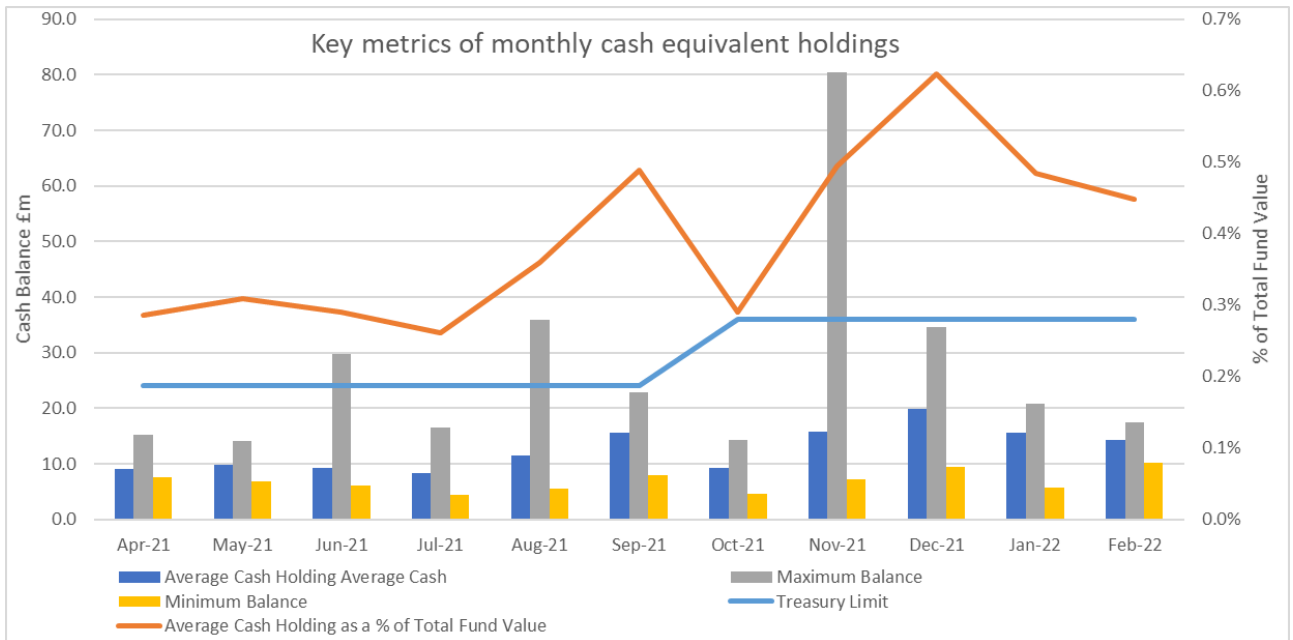
20. The majority of late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer relationship manager for resolution or further training.

21. The following table provides further details for performance dashboard item 3. Cashflow, banking and capital calls. This table sets out the actual and forecast cashflow movements each month for 2021/22. The table separates the cashflow between operating cashflow, such as income from employers and payment of pensions and investing which includes rebalancing strategies or meeting private markets capital calls.

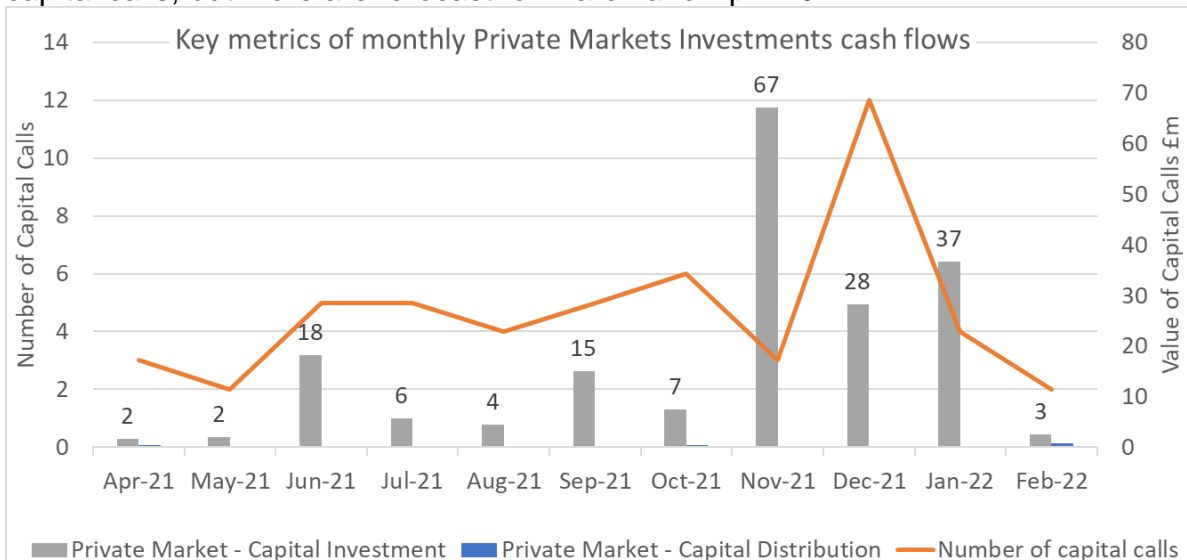
Summary Cashflow statement for Wiltshire Pension Fund													
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	
£m equivalent	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	2021/22
<b>Opening Cash Balance</b>	<b>6.8</b>	<b>9.9</b>	<b>7.1</b>	<b>7.6</b>	<b>8.4</b>	<b>20.0</b>	<b>8.0</b>	<b>7.7</b>	<b>11.7</b>	<b>20.3</b>	<b>15.5</b>	<b>10.5</b>	<b>6.8</b>
Operating Income	37.1	8.9	8.5	8.5	8.5	8.3	8.3	9.1	9.3	8.7	7.2	12.0	134.4
Operating Expenditure	(9.5)	(11.7)	(9.8)	(10.1)	(9.8)	(11.0)	(11.0)	(9.3)	(12.6)	(9.0)	(10.3)	(10.4)	(124.4)
Investing Private Market - Capital Investment	(1.7)	(2.1)	(18.2)	(5.7)	(4.4)	(14.9)	(7.4)	(67.2)	(28.3)	(36.6)	(2.6)	(4.6)	(193.5)
Investing Private Market - Capital Distribution	0.5	0.0	0.1	0.0	0.3	0.0	0.4	0.3	0.0	0.0	0.7	0.0	2.3
Investing Listed Market - Capital Withdrawal	0.0	2.0	20.0	8.0	63.0	5.6	9.3	71.1	40.0	32.0	0.0	119.0	370.0
Investing Listed Market - Capital Investment	(25.0)	0.0	0.0	0.0	(46.0)	0.0	0.0	0.0	0.0	0.0	0.0	(100.4)	(171.4)
Investing Other	1.7	(0.0)	0.0	0.1	(0.0)	0.0	0.1	0.0	0.1	0.0	(0.0)	(1.0)	1.0
<b>Closing Cash Balance</b>	<b>9.9</b>	<b>7.1</b>	<b>7.6</b>	<b>8.4</b>	<b>20.0</b>	<b>8.0</b>	<b>7.7</b>	<b>11.7</b>	<b>20.3</b>	<b>15.5</b>	<b>10.5</b>	<b>25.2</b>	<b>25.2</b>
<b>Maximum Balance</b>	<b>15.3</b>	<b>14.1</b>	<b>29.7</b>	<b>16.6</b>	<b>35.9</b>	<b>22.8</b>	<b>14.4</b>	<b>80.5</b>	<b>34.7</b>	<b>20.9</b>	<b>17.4</b>	<b>36.7</b>	
<b>Minimum Balance</b>	<b>7.5</b>	<b>6.8</b>	<b>6.2</b>	<b>4.4</b>	<b>5.5</b>	<b>7.9</b>	<b>4.7</b>	<b>7.2</b>	<b>9.5</b>	<b>5.7</b>	<b>10.2</b>	<b>10.3</b>	
<b>Average Cash Holding</b>	<b>9.1</b>	<b>9.9</b>	<b>9.3</b>	<b>8.4</b>	<b>11.5</b>	<b>15.7</b>	<b>9.3</b>	<b>15.8</b>	<b>20.0</b>	<b>15.5</b>	<b>14.3</b>	<b>23.6</b>	
<b>Average Cash Holding as a % of Total Fund Value</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.3%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.7%</b>	
<b>Number of capital calls</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>12</b>	<b>4</b>	<b>2</b>	<b>3</b>	
<b>Number of listed market withdrawals</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>3</b>	
<b>Net Cashflow from Operating</b>	<b>27.6</b>	<b>(2.8)</b>	<b>(1.3)</b>	<b>(1.6)</b>	<b>(1.3)</b>	<b>(2.7)</b>	<b>(2.7)</b>	<b>(0.3)</b>	<b>(3.3)</b>	<b>(0.2)</b>	<b>(3.1)</b>	<b>1.6</b>	<b>10.0</b>
<b>Investing</b>	<b>(24.5)</b>	<b>(0.1)</b>	<b>1.9</b>	<b>2.4</b>	<b>12.9</b>	<b>(9.3)</b>	<b>2.4</b>	<b>4.2</b>	<b>11.9</b>	<b>(4.6)</b>	<b>(1.8)</b>	<b>13.0</b>	<b>8.3</b>

22. The fund has been holding a higher level of cash equivalent assets since the treasury limit was raised in October 2021 to ensure capital calls can be met in a timely manner. The average cash equivalent holding as a % of total fund assets remains small at around 0.5% to minimise the detrimental effect of cash drag on overall performance.

23. In the last quarter there was a single day breach of the treasury limit in November 2021 which was flagged to Committee ahead of it happening, the cash balance reached £80.6m. This was due to a single £66m capital call for the secured income portfolio. The cash was held for a single day with our custodian.



24. Cashflow activity for private markets capital calls have steadily increased over the year as commitments made to Brunel Cycle 2 portfolios (Private Debt, Private Equity, Infrastructure & Secured Income) begin to be called. December saw a record number of capital calls (12) prior to the Christmas break, with a smaller number of higher value capital calls in January, maintaining the pace of capital being deployed into the private markets portfolios. February has seen a reduction in volume and value of capital calls, but more are forecast for March and April 2022.



25. Officers are working on an updated treasury management policy and strategy for ensuring sufficient liquid assets are available to facilitate the investments into the private markets portfolios. The increased treasury limit of £36m approved in September 21 has assisted the fund to hold sufficient cash to meet the calls, however this is not a sustainable long-term solution. The fund is disinvesting from other investments to provide cash to meet the calls, this disinvestment process has a lead time which is very close to the time period available to meet the capital call, which is a contractual obligation. This increases the risk of missing the deadline which would be bad for the fund's reputation and for future access to investment opportunities. Currently cash is held in money market funds which are highly liquid but offer negligible returns. Holding cash here lowers returns for the overall fund, acting as a 'cash drag'. Other liquid options are being explored by officers to provide a suitably sized liquid source of funds to meet capital calls whilst minimising cash drag, this could include Exchange Traded Funds (ETF's).
26. Officers have well progressed proposals for a revised treasury management policy however due to a procurement issue Officers plan to bring this to the July 2022 Committee for review and approval.

Planned improvements and key items to monitor

27. The team has been making improvements to accounting processes in several areas. A summary of planned improvements, current issues and progress to date, is shown below:

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
Payroll reconciliation			<p>Work is still ongoing to complete payroll reconciliation process by the admin team. New system codes have been established to track historic under payments being made and over payments being recovered.</p> <p>The first payments for historic underpayment have been made and no requests for repayment of overpayments have been made yet.</p>
Integrated systems			<p>New plans are now being worked on to implement an integrated payroll for new pensioners only, and a one-off payments system within Altair. Existing pensioners would transfer to the new Evolve system and be moved to the Altair payroll in batches when the reconciliation work is complete and the payroll team have capacity.</p>
Evolve			<p>SAP financial system will be replaced by Q1 2023.</p> <p>The pension fund is now a member of the finance implementation working group. The</p>

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
			new system is in development to meet the Council and pension fund needs.
Completeness and timeliness of invoicing			Ensuring processes are in place such that all pension strain costs, added years and FRS102 items are charged to employers in a timely manner and paid promptly. New process being implemented to ensure FRS102 invoices are raised.
An overall review of reconciliations, and improved management information			Reconciliations are being reviewed and where required redesigned. Summary performance measures for each reconciliation are reviewed monthly and a new feedback process to address discrepancies will be established with the administration team.
Private markets investment transactions			<p>Inconsistent information is being received from Brunel regarding the accounting detail of the private markets drawdowns and distributions. This could affect the accuracy of data being recorded on State Street, which in turn could impact the Pension Fund's annual accounts.</p> <p>Examples were provided to Brunel who were able to review and correct and update their processes. Ongoing checks being undertaken by WPF of Brunel reporting via new cashflow model.</p>
Cashflow forecasting and monitoring			New cashflow forecasting model implemented. Outcomes being used to support new treasury policy strategy.
Treasury management			<p>New cashflow forecasting model and private markets cash flows provide the information required to model a new solution.</p> <p>Revised strategy well progressed and expected to be brought to the July 2022 Committee.</p>
Committee reporting dashboard			Performance summary included in this report.

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
*RAYG = Red/Amber/Yellow/Green			
			Significant concern
			Not started
			Work has commenced
			Significant progress made
			Completed/situation under control

### Environmental Impacts of the Proposals

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

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

29. There are no known implications at this time.

### Proposals

30. The Committee is asked to use this report to monitor progress against resolving the issues which have been identified, and the progress made to develop accounting and control improvements.

**Jennifer Devine**

**Head of Pension Fund**

Report Author: Chris Moore, Pension Fund Accounting and Investments Officer

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

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Wiltshire Council

Wiltshire Pension Fund Committee

5 April 2022

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## Treasury Management Strategy

### Purpose of the Report

1. This report seeks Members' approval for a revised Treasury Management Strategy and approval for the associated procurement process to appoint an investment manager to provide a liquidity sleeve.

### Background

2. The primary purpose of the Treasury Management Strategy at Wiltshire Pension Fund is to ensure sufficient cash is available to pay liabilities when they fall due whilst minimising lost investment returns from holding assets outside of strategic investment allocations.
3. The existing Treasury process has been suitable for managing operational cash flow, payment of pensions and receipt of contributions, however the increased allocations to private market investments have changed this cashflow pattern. Private market investment capital call notices, which can be a large value, come with short notice for payment, c10 working days. This can be shorter than the time it takes to redeem cash from investment assets. Therefore, to ensure sufficient cash is available to meet the increasingly frequent capital calls the fund has been holding a higher level of cash in money market funds.
4. An increase to the holding limit, from £6m to £10m for the two money market funds and the call account was approved by Committee on 30th September 2021. This has helped to ensure cash is always available to meet capital calls in a timely manner. At the same meeting Officers committed to review the existing process and come back with a revised Treasury policy, which is presented here.

### *LPB Recommendation – Minute 88*

5. The Local Pension Board reviewed the process for updating the Treasury Management Strategy at their meeting on 17 February 2022 and agreed to endorse the process for approval of 2020 Stewardship Code reporting, and the Treasury Management Strategy.

### Main Considerations

6. The proposed new treasury management strategy splits the main components of the Fund cashflows into Regular Operational or Investment and defines an appropriate strategy for each. The strategy will ensure cash is always available to meet liabilities as they fall due, whilst minimising the 'cash drag', the foregone investment returns from holding assets outside of the strategic asset allocation for a period of time.
7. The greatest change is the introduction of a 'Liquidity Sleeve', this is an investment portfolio which provides liquidity within 1 working day whilst matching the overall

investment return of the whole portfolio. It aims to achieve this through combining a series of Exchange Traded Funds (ETF's), which provide the fund with exposure to a wide range of asset classes with short term liquidity. In researching options, this is a solution in use by another Brunel client LGPS fund to manage their own liquidity requirements.

8. The liquidity sleeve would eliminate cash drag currently experienced on cash held to meet capital calls whilst matching overall fund returns. Cash would be readily available at short notice to fund capital calls, greatly reducing the risk of having insufficient funds to meet the contractual payment date.
9. It would have the further benefit of simplifying the treasury process for operational cashflow, reducing the number of money market funds from 3 to 1 and lowering the value of funds held in such investments from a maximum of £36m to £10m. This would also deliver the benefit of reducing the volume of administrative work to approve and input transactions to move funds between these accounts to our custodian and then onto the investment funds.
10. To run a liquidity sleeve a financial institution would need to be appointed by the Fund. Given the value of investment and long term period it would be in operation, even with modest annual fees the Fund must conduct a procurement process. Officers have spoken with Brunel who do not currently offer such a solution for clients. Therefore, Officers request delegated approval to conduct a procurement exercise to identify and appoint a manager to run a liquidity sleeve to enact the Treasury Management Strategy.
11. The procurement exercise will ensure the fund attains best value with a focus on fees, quality of service, alignment with the Fund's investment strategy and ability to meet the needs of the treasury strategy. It will be supported by the Wiltshire Council procurement department.
12. Existing treasury management arrangements would remain in place until the procurement exercise is complete and a suitable manager has been appointed to run the liquidity sleeve. Regular reporting of cashflow performance will continue to be provided in the key financial controls report provided to Committee quarterly.

### **Fund Strategy Alignment**

13. The proposed new Treasury Management Strategy achieves business plan action 11 and aligns with the following strategic vision goals.



## **Environmental Impact of the Proposal**

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

## **Proposals**

15. The Committee is asked to:

- a) Approval that officers through the Head of Wiltshire Pension Fund conduct a procurement exercise to appoint an investment manager to provide a Liquidity Sleeve to fulfil the Treasury Management Strategy.
- b) Approve the attached Treasury Management Strategy
- c) Approve that the attached Treasury Management Strategy should be implemented when the procurement exercise is completed.

**Jennifer Devine**  
**Head of Pension Fund**

Report Author: Chris Moore – Accounting and Investment Officer

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

## WILTSHIRE PENSION FUND TREASURY MANAGEMENT STRATEGY

### 1. Introduction

- 1.1. The primary purpose of the Treasury Management Strategy at Wiltshire Pension Fund is to ensure sufficient cash is available to pay liabilities when they fall due whilst minimising lost investment returns from holding assets outside of strategic investment allocations.
- 1.2. The Fund has two key categories of cashflows to consider when setting the strategy;
  - **Regular Operational Cashflows (*Members payments*)**
    - o Monthly pension payments (paid on the 25<sup>th</sup> of each month) and twice weekly one-off payments (lump sums, transfers out etc)
    - o Monthly employer and employee contributions (due by 19<sup>th</sup> of each month)
    - o Running costs of the pension fund
  - **Investment Cashflows**
    - o Private market capital calls and capital distributions
    - o Strategic asset allocation rebalancing
- 1.3. Over a financial year the fund has a small net inflow from the operational cashflows, with income received from contributions and transfers in marginally exceeding the cost of pensions paid, transfers out and fund running costs. Employer contributions are received by the 19<sup>th</sup> of each month increasing the cash balance ahead of the payroll being paid on the 25<sup>th</sup> of each month. Average operational cash inflow per month in 2021/22 was £11.1m and outflow was £10.4m.
- 1.4. The investment cashflows come from commitments to private markets portfolios with Brunel (Private Equity, Private Debt, Infrastructure), Partners Group (Infrastructure), and two new portfolios being run by the Fund (Affordable Housing and Renewable Infrastructure). These investments have an initial period where capital is called then after time these start to pay out capital distributions at the end of the fund life.
- 1.5. There are ad-hoc movements between investment portfolios to rebalance the investments in line with the strategic asset allocation. These are often completed through divestment and reinvestment with another manager.

### 2. Investment Strategy

- 2.1. The two cashflow categories (Regular Operational and Investment) require different approaches to meet the strategy aims. The Regular Operational cashflows are more predictable, to some extent within the funds control, are forecastable and much lower in value. The Investment cashflows are irregular in timing, have a short notice period and are often very large

values. To accommodate these differences each has a strategy best suited to the cashflow type.

2.2. Despite the differences there are a few overriding principles that will apply to strategies.

2.2.1. The investments must have short term liquidity, within 1 working day.

2.2.2. Suitable levels of investment return should be achieved.

2.2.3. Reputable and highly rated financial institutions will be used.

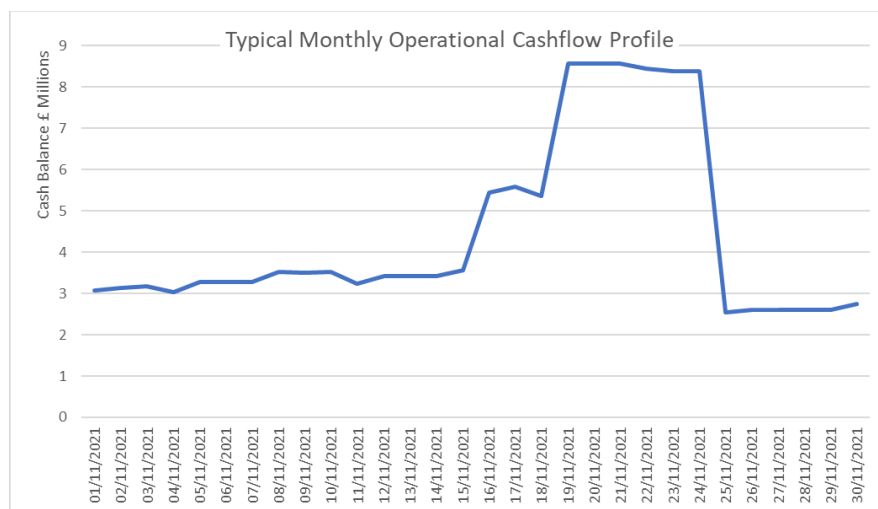
2.2.4. Investments must be in Sterling.

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

2.2.6. Investments must take into account wider fund objectives, e.g. Net Zero by 2050.

### 3. Operational Cash Flow strategy

3.1. The operational cashflow strategy is mainly driven by the receipt of employer contributions, by the 19<sup>th</sup> of each month and the payment of the pensioner payroll on 25<sup>th</sup> of each month. This results in a spike of cash of around £6m - £7m for the period of time between these two dates. As set out below in the typical monthly profile.



3.2. Outside of the spike in cash sufficient cash must be held to ensure any large payments can be met. Payment runs for these are made twice weekly and are on average £300k - £400k.

3.3. Given the short-term cyclical nature of the cash surplus on these funds this surplus cash will be managed in line with the following principles.

3.3.1. A maximum balance of £10m to be held at any point.

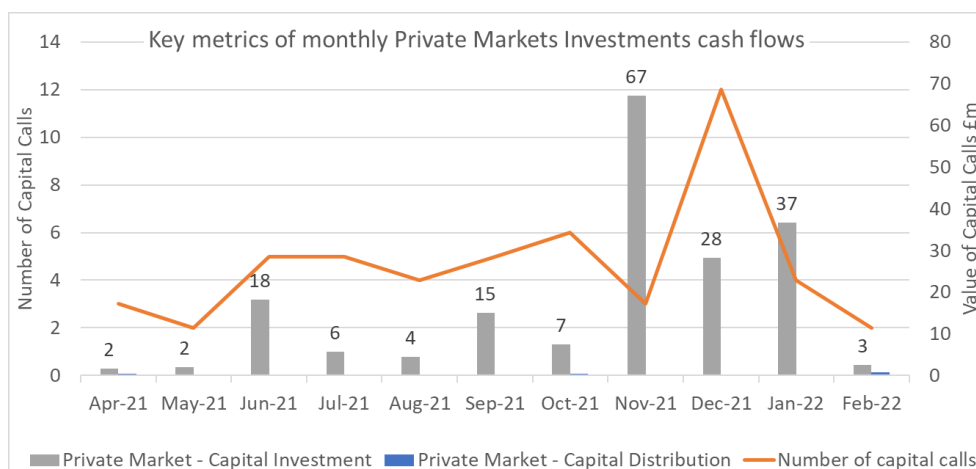
3.3.2. The cash balance will be maintained as low as possible throughout the month.

3.3.3. The cash balance will never become overdrawn.

- 3.3.4. Surplus cash will be invested in a AAA-rated Money Market Fund managed by an approved investment manager with daily liquidity.
  - 3.3.5. A maximum of £10m to be held with a single counterparty.
  - 3.3.6. Any cash forecast to exceed the maximum balance will be reinvested into the Funds investment portfolios.
  - 3.3.7. Any forecast shortfall in cash will be topped up from cash withdrawn from the Funds investment portfolios.
  - 3.3.8. No investment will be made in the same funds used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
- 3.4. The fund will apply these principles across two accounts used to manage operational cash, a current account for making and receiving payments, supported by a separate Money Market Fund to hold any short-term surplus cash.
- 3.5. Money market funds provide negligible levels of return but will ensure cash is available to pay key liabilities when they fall due. Minimising the value held within this strategy is key to lower the negative impact of lost investment returns. The very short period of time when a surplus of cash will be held also lowers this risk.

#### 4. Investment Cashflow Strategy

- 4.1. The Investment Cashflow strategy is driven by the need to meet high value short notice capital calls. The following table shows recent capital calls and distribution cashflows. Average monthly capital investments have been £17.2m, with a range of between £1m and £67m. Capital calls typically have 10 working days' notice for payment to be made.



- 4.2. The value and volume of capital calls will increase over the next few years as the fund builds up investments in these asset classes to meet the

strategic asset allocation. Once the target allocation has been reached activity will remain high as new calls will be required to offset distributions being received. Forecasting of these cashflows on an annual basis is shown below, anticipating an average monthly outflow of £14m - £17m. This will increase as allocations to affordable housing and renewable infrastructure have been made.

WPF Private Markets Calls and Distributions Forecasting					
Portfolio	21/22	22/23	23/24	24/25	25/26
<b>Drawdowns</b>					
Private equity	(31.5)	(47.3)	(59.5)	(65.5)	(61.0)
Brunel infrastructure	(16.0)	(30.0)	(44.0)	(58.0)	(64.0)
Private debt	(63.0)	(87.0)	(83.0)	(80.0)	(80.0)
Secured income (Greencoat)	(66.0)	0.0	0.0	0.0	0.0
Partners infra	(15.0)	(10.0)	(5.0)	(2.0)	0.0
<b>Total</b>	<b>(191.5)</b>	<b>(174.3)</b>	<b>(191.5)</b>	<b>(205.5)</b>	<b>(205.0)</b>
<b>Distributions</b>					
Private equity	0.9	3.5	9.6	18.4	33.0
Brunel infrastructure	0.0	0.0	2.0	4.0	9.5
Private debt	0.0	9.0	18.0	26.0	52.0
Secured income (Greencoat)	3.4	3.4	3.5	3.6	3.7
Partners infra	8.0	14.0	17.0	18.0	17.0
<b>Total</b>	<b>12.2</b>	<b>29.9</b>	<b>50.1</b>	<b>70.0</b>	<b>115.2</b>
<b>Total net cashflow</b>	<b>(179.3)</b>	<b>(144.3)</b>	<b>(141.4)</b>	<b>(135.5)</b>	<b>(89.8)</b>
<b>Average Monthly Drawdowns</b>	<b>(16.0)</b>	<b>(14.5)</b>	<b>(16.0)</b>	<b>(17.1)</b>	<b>(17.1)</b>

- 4.3. Given the high value and irregular nature of these cashflows, funds will be managed in line with the following principles;
- 4.3.1. An allocation of between 0% and 2% of the total Fund value will be held in a Liquidity Sleeve. (As at March 2022 - £0m to £66m)
  - 4.3.2. The Liquidity Sleeve will utilise Exchange Traded Funds (ETF's) to broadly match the overall Fund SAA return with a low tracking error.
  - 4.3.3. The Liquidity Sleeve will provide T+1 liquidity.
  - 4.3.4. The Liquidity Sleeve will be provided by a reputable Investment Manager who will carry out dealing and fund balancing on the Fund's behalf.
  - 4.3.5. The Liquidity Sleeve will be managed through the Fund's custodian with reporting on investment performance quarterly to the Committee.
  - 4.3.6. At times it is necessary for cash to be held by the Fund's custodian, this happens when assets are moving between investment portfolios, such as when distributions are received. The Fund's custodian manages this cash in line with its own policies, making use of money market funds to provide a minimum level of return on this cash. Cash is only held in these accounts for the minimum possible duration for periods between deals.

- 4.4. The principles of this policy enable the fund to minimise the impact of ‘cash drag’ This is when the fund holds large values of cash which earn a lower or different rate to the overall strategic asset allocation, lowering overall return. A Liquidity Sleeve should ensure the investment return on any assets held here broadly match the overall return of the Funds investment portfolio, eliminating the impact of cash drag.
- 4.5. A liquidity sleeve will provide an efficient and reliable administrative process to ensure funds are available to meet capital calls and other liabilities, significantly reducing the risk any of these cannot be met which would have significant contractual implications for the Fund.

## **5. Borrowing Policy**

- 5.1. The Fund is not permitted to borrow under the regulations, except by way of a short-term loan or overdraft from a bank (repayable within 90 days), and then only in exceptional circumstances where funds are required for:
- Paying benefits due under the Scheme; or
  - Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.

## **6. Operational Implementation and Reporting**

- 6.1. Management of the Operational Cashflow strategy will be carried out by the Wiltshire Council Treasury management team under a Service Level Agreement. All assets are invested separately from the Council’s and all monies will be paid out of and received back into the Pension Fund bank account.
- 6.2. Management of the Investment Cashflow strategy will be carried out by Pension Fund Officers ensuring the allocation remains within the permitted range. They will oversee the Investment manager implementing the Liquidity Sleeve, receiving regular reporting and meeting to review performance against target.
- 6.3. Reporting of performance against this strategy will be provided quarterly to the committee via the Key Financial Controls Report and Investment Quarterly Update.

## **7. Regulatory Context**

- 7.1. In setting this strategy the Fund has taken regard of the following relevant regulations and legislation.
- 7.1.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which came into force 1 November 2016.



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

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## Wiltshire Council

### Wiltshire Pension Fund Committee

5 April 2022

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## Responsible Investment Update Report

### Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues. It is provided in summary; a full update will be reported at the Pension Fund Committee meeting on 26 May 2022.

### Key Considerations for Committee

#### *LPB Recommendation – Minute 88*

2. The Local Pension Board reviewed the process for updating the Treasury Management Strategy at their meeting on 17 February 2022 and agreed to endorse the process for approval of 2020 Stewardship Code reporting, and the Treasury Management Strategy.

#### Progress against recent decisions and the actions in the Responsible Investment Plan 2021/22

3. Actions from the recent Committee meetings are as follows. Actions which were reported as complete in the last regular update have been removed:

Recommendation	Action
Members agreed...	
That the Fund should aim to sign up to the 2020 Stewardship Code during 2021.	Officers have completed the draft stewardship report which is presented for review and approval at this 31 March 2022 Committee meeting.
That a Responsible Investment Plan for 2022/2023 would be reviewed annually.	A draft Responsible Investment Plan 2022/2023 is attached/appended to this report.
To authorise officers to work with Mercer to deliver the implementation of the affordable housing and renewable infrastructure portfolios.	Implementation of the affordable housing portfolio is complete, progress against renewable infrastructure will be reported at the 26 May 2022 Committee meeting.

4. The road map from the Responsible Investment Plan 2021/22 is shown on the following page. Progress against actions for Q4 2021 & Q1 2022 is as follows:

### Investments and strategy

5. The Fund made specific allocations to renewable infrastructure and impact affordable housing, of 5% each. Implementation of both portfolios is underway.

#### Reporting and disclosure

6. As follows:

- Officers have developed a stewardship report (**appendix 1**) in line with the 2020 Stewardship Code. This report has been brought to the Committee for approval to be published in April 2022.
- The stewardship report will be submitted to the Financial Reporting Council (FRC) to meet the 30 April application deadline. Confirmation of Stewardship Code signatory status will be confirmed later in Q2 or Q3 2022.
- A 'highlights' summary report (appendix 2) has also been produced. Whilst the main stewardship report has been designed to be informative and useful to clients and/or beneficiaries as well as the FRC, this shorter report is aimed at fund membership and wider stakeholder groups.
- It should be noted that these reports may be updated following the outcome of the LAPF Investments Awards on 29 March 2022 and the Fund's shortlisting for "Best approach to responsible investment".

#### Training and engagement

#### 7. As follows:

- At the 3 March 2022 meeting, following the proposal of adopting SDGs, discussions moved to ESG more generally and a proposal to consider fiduciary duty in the context of setting a net zero target was raised.
- Officers discussed fiduciary duty with the Scheme Advisory Board secretariat on 8 March 2022 to seek guidance on how this could be managed. It was agreed that including a net zero target in a fund Investment Strategy Statement was in line with the regulations and guidance.
- To provide wider context, the Local Government Chronicle surveyed all 86 LGPS funds and found that many had either set net zero targets or were planning to do so within the next 12 months. [Revealed: the council pension funds with net-zero target dates | Local Government Chronicle \(LGC\) \(lgcplus.com\)](https://www.localgovernmentchronicle.com/news/2022/03/29/revealed-the-council-pension-funds-with-net-zero-target-dates/).

*Continues overlead*

Responsible Investment Road Map

**Q2 2021 -**  
**Investments and strategy:** decision on sustainable equities  
**Reporting and disclosure:** TCFD reporting  
**Training and engagement:** Training on impact investing and affordable housing



**Q3 2021 -**  
**Investments and strategy:** proposals for protection assets, develop and publish Responsible Investment Policy, including climate statement and action plan  
**Reporting and disclosure:** Develop plan for Stewardship Code reporting



**Q4 2021 -**  
**Investments and strategy:** begin work to implement proposals for protection assets, begin reviewing potential work on other asset classes with respect to climate change and sustainability  
**Reporting and disclosure:** sign up to wider initiatives  
**Training and engagement:** hold membership webinars and develop the information shared on the Fund's website



**Q1 2022 -**  
**Investments and strategy:** update Investment Strategy Statement  
**Reporting and disclosure:** develop plans for reporting the year's progress in the Annual Report

## Responsible Investment Plan 2022/2023

8. All actions in the 2021/22 plan have now been completed. A new Responsible Investment Plan has been developed for 2022/23, **(appendix 3)** and is brought to this meeting for review and approval by the Committee. The 2022/23 RI Plan has been refreshed from last year's version, to include up-to-date information, and contains planned actions that will continue to develop the Fund's approach to responsible investment in order to help deliver sustainable returns into the future.

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

9. This report includes information on actions and policies which directly deal with addressing climate change risk.

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

10. There are no known implications at this time.

### **Proposals**

11. The Committee is asked to:

- use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;
- approve the draft stewardship report **(appendix 1)** and 'highlights' summary report **(appendix 2)**
- approve the Responsible Investment Plan 2022/23 **(appendix 3)**

### **Jennifer Devine Head of Pension Fund**

Report Author: Liam Robson (Accounting and Investment Officer)

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

### **Appendices**

Appendix 1 – Draft Stewardship Report 2022  
Appendix 2 – Highlights Stewardship Report 2022  
Appendix 3 – Responsible Investment Plan 2022/23



STEWARDSHIP  
REPORT  
MARCH 2022

## STEWARDSHIP REPORT 2022

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## INTRODUCTION

Stewardship is defined by the PRI (UN supported Principles for Responsible Investment) as

**“The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients’ and beneficiaries’ interests depend”.**

The Stewardship Code 2020 defines it 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”.**

We are proud to present Wiltshire Pension Fund’s first report in line with the Stewardship Code 2020.

Wiltshire Pension Fund’s investment objectives are to achieve sufficient investment returns such that there are funds available to pay the pensions as they fall due, and to meet the liabilities over the long term whilst maintaining stable employer contribution rates. As a long-term investor, the Fund recognises the value which can be generated through stewardship activities, both in terms of reducing risk and improving returns.

This mindset is demonstrated by the following investment belief:

**“Stewardship and engagement are generally more effective tools than divestment in encouraging changes that will help safeguard the Fund’s investments. The Fund values the benefits of working with other investors to strengthen these activities and achieve better outcomes.”**

The Fund was a signatory of the Stewardship Code 2012 and has long-established activities in this area. This report sets out the principles of the Stewardship Code 2020, and shows how the Fund complies with these principles, what activities the Fund undertakes in each area, and examples of the outcomes which the Fund has achieved.

We hope that our stakeholders will find this report educational and interesting. A short magazine version of this report will be published alongside this full version, to help make the information as engaging and understandable as possible for a non-technical audience.

This report has been reviewed and approved by the Wiltshire Pension Fund Committee, at the Committee meeting on 31 March 2022.

## RESPONSIBLE INVESTMENT OUTCOMES FOR THE YEAR TO 31 MARCH 2022

During the year to 31 March 2022, Wiltshire Pension Fund has continued to improve and advance the approach to responsible investment. Many of our outcomes in terms of stewardship are shared later in this report. This section shares our achievements and actions in the area of responsible investment more widely. At the start of the year, the Committee approved a **Responsible Investment Plan 2021/2022**. This established a framework for our approach and set out various ambitions which we planned to achieve during the coming year.

We are pleased to confirm that we have completed all actions set out in our plan, and more:

### RESPONSIBLE INVESTMENT ROADMAP

**Q2**  
2021

#### INVESTMENTS AND STRATEGY

- Decision on allocating to sustainable equities

#### REPORTING AND DISCLOSURE

- Task Force on Climate-related Financial Disclosures (TCFD) reporting

#### TRAINING AND ENGAGEMENT

- Training on impact investing and affordable housing

**Q3**  
2021

#### INVESTMENTS AND STRATEGY

- Proposals for protection assets
- Develop and publish Responsible Investment Policy, including climate statement and action plan

#### REPORTING AND DISCLOSURE

- Develop plan for Stewardship Code reporting

**Q4**  
2021

#### INVESTMENTS AND STRATEGY

- Begin work to implement proposals for protection assets
- Begin reviewing potential work on other asset classes with respect to climate change and sustainability

#### REPORTING AND DISCLOSURE

- Sign up to wider initiatives

#### TRAINING AND ENGAGEMENT

- Hold membership webinars and develop the information shared on the Fund's website

**Q1**  
2022

#### INVESTMENTS AND STRATEGY

- Update Investment Strategy Statement

#### REPORTING AND DISCLOSURE

- Develop plans for reporting the year's progress in the Annual Report

## OUR ACHIEVEMENTS AND OUTCOMES FOR THE YEAR TO 31 MARCH 2022

### MANAGING OUR INVESTMENT STRATEGY

- In September 2021, we published our first ever dedicated **Responsible Investment Policy**, containing new investment beliefs around RI, covering engagement, working with other investors, impact investing, and more.
- We made a strategic allocation of half our active global equities to be invested in **sustainable equities**, following climate scenario modelling which indicated this was an investment opportunity. We have implemented this via the Brunel Pension Partnership ("Brunel").
- We collaborated with other Funds and Brunel to develop a **Paris-aligned passive benchmark**, and all our passive equity exposure is now invested to match this forward-looking benchmark.
- Following an in-depth review of our protection assets, we have made strategic allocations of 5% each to **renewable infrastructure** and **impact UK affordable housing**.

### ADVANCING OUR APPROACH TO CLIMATE RISK

- Following the Committee decision in March 2021, we formally signed up to a **Net Zero by 2050** Commitment through the Paris Aligned Investment Initiative, via the IIGCC.
- Our Responsible Investment Policy contained a **climate action plan** and **interim decarbonisation targets**.
- We are undertaking ongoing work with our advisors to refine and monitor our approach, with the next piece of work focussing on more detailed targets including **setting engagement priorities**.

### REPORTING OUR PROGRESS AND TRAINING

- We published our first report in line with the recommendations of the **Task Force on Climate Related Financial Disclosures** (TCFD).
- We worked with a consultant to review a **gap analysis** of our existing reporting, compared to the 2020 Stewardship Code requirements, which enabled us to develop this stewardship report.
- We have developed plans to include more **stakeholder information** in our Annual Report and Accounts for 2021/22.
- During the year to 31 March 2022, members of our Local Pension Board and Pension Fund Committee attended **training on a variety of topics**, including impact investing workshops, affordable housing, Paris-aligned benchmarks and sustainable equities.

### ENGAGEMENT WITH OUR SCHEME EMPLOYERS AND MEMBERS

- We published the results of our responsible investment membership survey in the 2020/21 annual report, which received **2,251** responses.
- We put out a press release regarding our Net Zero by 2050 commitment.
- In August 2021, we surveyed our employers on strategic issues, including climate targets and policies, and received responses from **62** employers, representing just under **80%** in terms of contributions. As a result, we have set up a **Strategic Employer Focus Group**.
- In the run up to COP26, the UN's climate conference in November 2021, we designed a **one-page factsheet about our approach to climate risk** and launched a publicity campaign to inform our members about what we are doing in this important area. This was read by over **7,000** of our members. We also developed a dedicated climate webpage.
- We have signed up to **Institutional Investors Group on Climate Change (IIGCC)**, **Climate Action 100+**, and also to support a **Just Transition**. You can read more about our work with these (and other) initiatives later in this report.
- In February 2022, we launched our full **investment webpages**, covering what we invest in (and why), how we go about it, and lots more.



## RESPONSIBLE INVESTMENT OUTCOMES CASE STUDIES

### SUSTAINABLE EQUITIES

One of the key findings from our climate scenario modelling work was that the Fund could potentially see a **material financial benefit** from setting an allocation to sustainable equities. The modelling work looked at the risks to our investments from climate change, but also identified opportunities for the Fund, and this was one of them. The Pension Fund Committee received a detailed training session on sustainable equities, and subsequently made the decision to **allocate half of the Fund's active equity exposure** to a sustainable equities portfolio managed by Brunel. This portfolio contains a mix of managers, and has a bias towards long term growth companies, which is to be expected as this portfolio is looking to **generate sustainable returns** into the future.

Although sustainability analysis is integrated deeply into the investment process, the managers are not actively operating exclusions on ethical grounds, but instead focus on **positive inclusion**. Some of the managers have a broad sustainability strategy. Another manager is thematic, operating a global climate and environment strategy, which focuses on things like resource efficiency, environmental protection and alternative energy, targeting companies who still have a lot to gain from transitioning to a more sustainable model. The managers also generate value through the way they work with the companies they invest in, with a **strong focus on engagement activities**. This portfolio's goal is to earn **superior risk-adjusted returns** for the Pension Fund.

### SCHEME EMPLOYER SURVEY

In August 2021, following on from our successful survey of the scheme membership in February 2021, we decided to survey our scheme employers on strategic issues. We asked what topics employers were interested in, how they wanted to receive information from us, their position on climate risk, and we also asked them "Do you feel that the Fund's investment strategy, which is set in the best financial interests of the Fund, should also try to reflect where possible the wider goals and philosophy of the employer organisations (for example, reflecting a climate-related goal), or do you feel that this is not a concern for employers?"

We received 62 responses to the survey, representing almost 80% of employers (measured by value of contributions received). Just over half felt it was "important" that the Fund's investment strategy should reflect the wider goals of the employer organisations.

The full results of the survey, and our responses, are published online:

<https://www.wiltshirepensionfund.org.uk/Engagement>

In response to the survey, we have tailored our communications approach, established an **Employer Strategic Focus Group**, and set a new investment belief:

**"We seek to invest in a way that, where possible, aligns the interests of the Fund with those of the contributing employers and the Fund membership"**



## PROTECTION ASSETS REVIEW

During 2021, we undertook a review of our protection assets allocation, to ensure that the Fund was delivering this part of the strategy in the most effective way. This allocation is aiming to deliver **lower-risk, mainly sterling, income-based returns, with a link to inflation**. This helps provide some protection as the Fund's liabilities are strongly affected by inflation, as that is how future pension payments will be increased. Traditionally this allocation has been implemented via index-linked gilts, although in recent years the Fund has diversified into long-lease property and operational infrastructure.

Following a review with the Fund's investment consultants and advisers, we identified that **impact affordable housing** and **renewable infrastructure** would be areas where we should seek to make specific allocations. This also fitted in with the climate scenario modelling work which we commissioned during 2020 – the results of this indicated that there was an **opportunity for the Fund to benefit financially** by allocating to renewable infrastructure (compared to general infrastructure).

The Committee attended training on affordable housing, and subsequently made strategic allocations of 5% of the Fund each to impact affordable housing and renewable infrastructure. For the affordable housing portfolio, positive social impact is an integral part of the investment case, so we will be **monitoring impact metrics** alongside the financial performance of this portfolio. We will also investigate what additional metrics can be monitored for renewable infrastructure.

# PURPOSE AND GOVERNANCE

## PRINCIPLE 1

**Signatories' 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.**

### CONTEXT

#### Purpose

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.

The regulatory framework in which Wiltshire Pension Fund operates is covered in more detail under principle 2 on governance. In summary, Wiltshire Pension Fund is part of the Local Government Pension Scheme (LGPS), a defined benefit pension scheme for local government and associated employees.

It is funded by employee and employer contributions and maintains investment assets. Employee contributions are fixed, and 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; the extent to which the assets of the Fund are sufficient to meet 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 employers to cover past service deficits. 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**.

#### Investment Beliefs and Objectives

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

The Fund's investment beliefs have helped to inform the investment strategy. A full list of beliefs are detailed in the **Investment Strategy Statement**.

The development of the **Responsible Investment Policy** was one of the outcomes of holding the belief that "ESG factors, including Climate Change, are important factors for the sustainability of investment returns over the long term".

The RI policy sets out RI implications against each investment belief and in summary they address:

- Strategic asset allocation
- Long term time horizons
- ESG factors
- Net zero carbon ambitions
- Alignment of stakeholder interests
- Investing with impact
- Stewardship and engagement

## ACTIVITY

### Training and development

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator. The Regulator places an increased emphasis on pension committee and local pension board member training, knowledge and understanding.

The Fund training policy records training **activity** undertaken by Committee members, is kept up to date and reported on. Whilst the overarching strategy is reviewed every three years, reviews of member training are conducted annually to ensure that the strategy remains relevant.

The training policy better places Committee members to make well informed decisions to achieve good **outcomes**, consequently complying with the increased requirements of the Regulator and overarching governance requirements of the Fund.

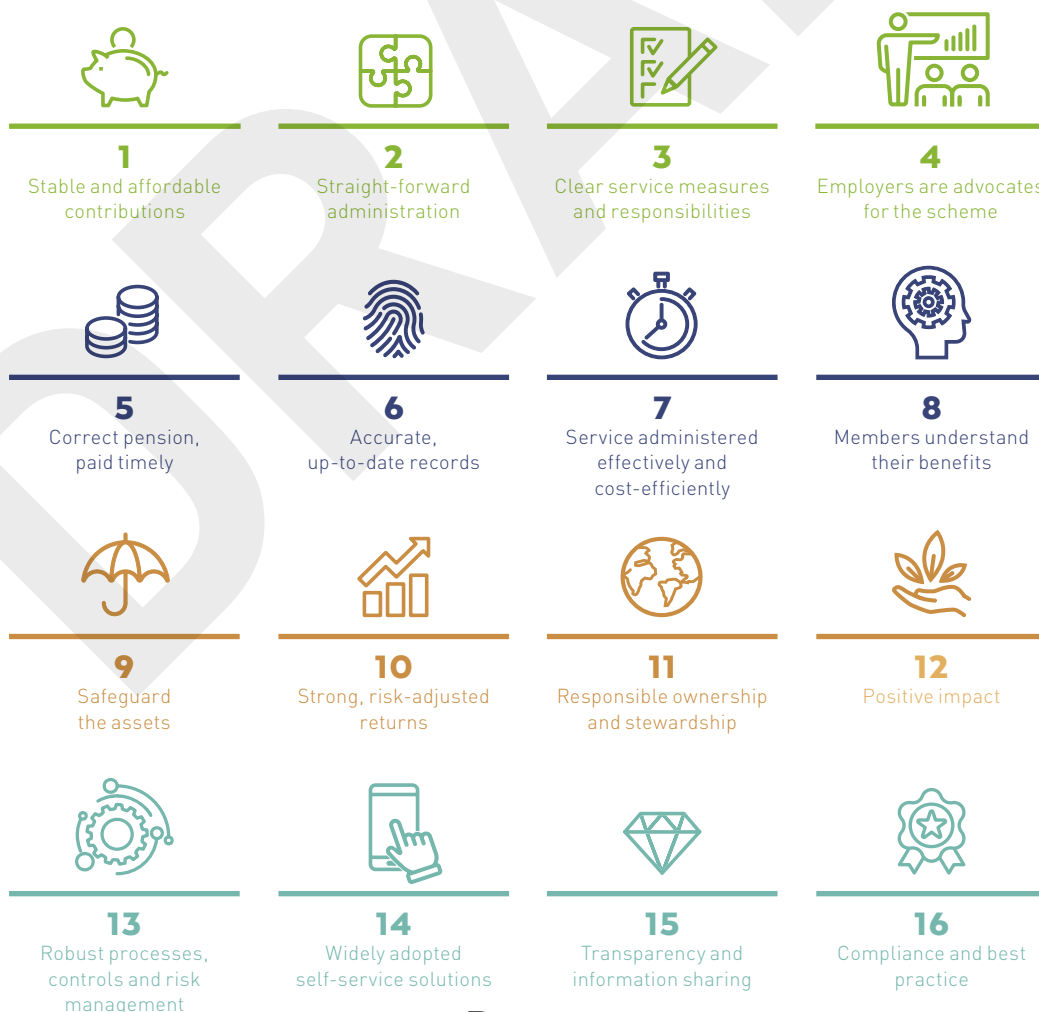
### Vision

**Our vision is to deliver an outstanding service to our scheme employers and members.**

The vision is set to focus the team on delivering outcomes for the employers and members of the pension fund. The fund will measure success against the vision by monitoring our progress against various service related KPIs, targets, and actions.

### Strategic Vision Goals

The vision is supported by 16 strategic vision goals, which are focussed on outcomes. The goals broadly map to outcomes for employers, members, investments, and governance. However, staff are encouraged to think about how their work maps to different goals.





## Our Culture

In order to help us achieve our strategic goals, and deliver our vision, we need to adopt certain outlooks and ways of working. We aim to demonstrate the following values, and embed them firmly in our culture:



### WORKING TOGETHER AS ONE FUND

We work together as One Fund, demonstrating the values of transparency, accountability, ownership, critical thinking, respect and agility



### HIGH PERFORMING TEAMS

We aspire to be role models and leaders, through our commitment to develop knowledge and training



### DATA DRIVEN DECISIONS

We use data to inform and evidence our decision making, and to measure our progress and successes



### EFFICIENCY THROUGH TECHNOLOGY

We collaborate, and challenge our systems and processes, to create innovative solutions and drive continuous improvement



### LONG TERM THINKING

We always act with the long term in mind, whether we are setting our investment strategy, planning improvements, or working towards our net zero by 2050 goal



### CLEAR COMMUNICATIONS

We communicate with all our stakeholders in a clear, concise, relevant and effective way



### SMARTER WORKING

We maintain focus on our core objectives, and work in a proactive and disciplined way, to promote simplicity and efficiency in everything we do



As part of a review of the Business Plan, the Committee and Pension Fund team adopted the vision, goals, and values as set out above. The value “Long Term Thinking” runs through everything we do. Wiltshire Pension Fund is a long term investor, and so is able to participate in stewardship activities which can add value to the Fund’s investments over the long term.

The strategic goal 11, “**Responsible Ownership and Stewardship**”, is particularly relevant to stewardship activities. The goal focusses on ensuring that our responsible investment and stewardship activities are in line with best practice (which also contributes to strategic goal 16, “**Compliance and Best Practice**”), and that these activities are a central part of delivering an outstanding service to our scheme employers and members. For these different groups this may mean different things:

- Employers will be best served by the delivery of long-term positive investment returns, which will help keep their contribution rates affordable (strategic goal 1, “**Stable and Affordable Contributions**”, is targeting this outcome), and stewardship activities can help preserve capital and enhance value.
- Members may be concerned about how the funds held to pay their pensions are invested, and goal 15, “**Transparency and Information Sharing**” contributes to this outcome. Stewardship has a role to play here in the information that is shared with members – the Fund publishes its engagement and voting records online, and also a magazine version of this report will be published alongside this full version, to help make the information as engaging and understandable as possible for a non-technical audience.



11

Responsible ownership and stewardship



16

Compliance and best practice



1

Stable and affordable contributions



15

Transparency and information sharing

### Employer Equality and Diversity and inclusion

Wiltshire Council, the administering authority, (and Wiltshire Pension Fund employer) is a public authority covered by the Public Sector Equality Duty (Equality Act 2010).

The total headcount of staff in post as of 1 October 2020 was 4,605 and Wiltshire Council publishes a detailed **Employment monitoring report** of this information to demonstrate compliance with the general equality duty. This includes information about the workforce diversity and inclusion profile and work that has been undertaken to make improvements to workforce diversity and inclusion.

The total Wiltshire Pension Fund team headcount of staff is around 35.

### New structure and innovative ways of working

As part of restructuring Wiltshire Pension Fund, a new Head of Wiltshire Pension Fund was appointed to oversee all aspects of service delivery.

A one-fund approach has been implemented, improving communication and collaboration across teams, functions and departments. Coupled with commitment to training, knowledge and development, this will lead to more opportunities for personal development, secondment and promotion from within.

In addition, the Fund has created a [LinkedIn page](#) which may be used, along with other communication channels, to broaden the demographic when recruiting new members of the team. Flexibility to work from home existed before the Covid-19 pandemic and options to compress hours etc are available where business needs allow.

### Pension Fund Committee membership

The decision-making body of the Fund is made up of members selected from a range of employers and those representing pension fund member (employee) interests. The composition of members of the authority and co-opted members is as follows:

- five voting members from Wiltshire Council
- two voting members from Swindon Borough Council
- two voting employer representatives
- two scheme member observers, one representing Wiltshire, one representing Swindon

The technical detail of the Committee responsibility for functions can be found in Part 3 of the Council constitution **Part 03 Responsibility For Functions**.

The Terms of reference of the Committee and Local Pension Board (described in more detail under principle 2) can be found in **Protocol 2 Terms of Reference Pension Fund Local Pension Board**.



## OUTCOME

The culture of the fund and its approach to stewardship has led to successful employee and employer engagement on general responsible investment and strategic issues via questionnaire and surveys.

Training and development is highly valued and considered an important aspect of the role of Committee and Local Pension Board members. Recently, Committee members proposed training sessions on impact investment in 2021 to support the strategy and move into assets with measurable impact.

Examples of the ways in which the Fund's investment beliefs have guided their stewardship, investment strategy and decision-making are shown in the above section of this report; "Achievements and Outcomes for the year".

### EFFECTIVENESS IN SERVING BEST INTERESTS OF CLIENTS AND BENEFICIARIES

The importance of secure pension provision was a common feedback theme from the Responsible Investment Survey. It is a matter of fact that many members (clients and beneficiaries) view strategic vision 5, "correct pension paid timely" as serving their best interests and most important to them. Effectiveness against this measure can be demonstrated by the achievement of the administration KPI targets.

However, this is changing, and the results and feedback from the survey suggested an increasing interest in investment and stewardship.

Currently, Brunel provide voting records and reports via its stewardship provider, EOS Hermes, which are published on the pension fund website. One area for development, and largely due to the nature of investment implementation, i.e. in pooled funds, the Fund is looking at, is ways in which it can develop its information, analysis and engagement on voting on equities before moving on to other asset classes.



**5**

Correct pension,  
paid timely

## PRINCIPLE 2

### Signatories' governance, resources and incentives support stewardship.

#### ACTIVITY

Wiltshire Pension Fund's **Governance Policy & Compliance Statement** sets out the statutory framework under which the administering authority delegates statutory functions to committees, sub-committees or to officers. The existing governance arrangements of the Fund use the following structure:

**Pension Fund Committee** – the role and responsibilities of which are set out in its own terms of reference within the Council's Constitution; the Committee meets at regular intervals to review the investment, administration and governance affairs of the Fund, review performance, and plan the implementation of policy. The Committee meets at least eight times during the year, alternating agenda focus between 'investment' and 'administration and governance'.

Historically, the Fund maintained an Investment sub-Committee (ISC) – a secondary non-decision making body reporting to the Pension Fund Committee, with its own terms of reference; this sub committee met quarterly, and the role of the ISC was to implement and monitor asset manager performance while considering and to make recommendations to the main committee on changes in the investment strategy of the Fund. This function now sits within the main Pension Fund Committee.

The ISC would discuss and propose issues to be approved at Committee meetings several weeks later. One of the key reasons for changing this part of the governance structure was **efficiency**.

**Local Pension Board** – the role and responsibilities of which are set out in the Council's Constitution; is responsible for securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, requirements imposed by the Pensions Regulator and ensuring effectiveness and efficiency.

#### General structure and background – Officers/Pension team

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

**The Investment and Accounting Team** is responsible for all matters associated with the Fund's investments and accounting for all aspects of the Fund's activities.

Investment responsibilities include development of the Fund's strategic asset allocation, **stewardship** and responsible investment issues, selection and monitoring of the Fund's asset managers, working with Brunel in setting up portfolios, transitioning assets, representing the Fund's interests and holding Brunel to account.

Accounting responsibilities include the setting and monitoring of three-year budget plans, production of the year end accounts and Annual Report and day-to-day accounting responsibilities. The team comprises of four members of staff.

**Officers and Managers of the Fund** come from a wide range of backgrounds, accountancy, communications, consulting, pensions, and information systems, bringing a wealth of experience and range of qualifications.

#### Stewardship resourcing

Work done on responsible investment issues is largely resourced by officer time. Officers have been set responsible investment and stewardship objectives as part of the annual goal setting process, and an assessment of progress against these objectives will form part of the annual appraisal performance review.

Whilst it is important that the responsible investment and stewardship strategic agenda is defined at local Fund level, a huge amount of responsible investment work is carried out by Brunel, which has a dedicated team of staff widely regarded as market leading. This resource is a real benefit of pooling, as the Fund would be unable to carry out this level of work independently. Clients engage with Brunel on responsible investment issues regularly – one of the ways this takes place is through the Responsible Investment Sub-Group, which Wiltshire officers regularly attend.

This group learns about engagement case studies, helps to develop reporting, and sets the responsible investment agenda at the pool in line with client requirements.

Through Brunel and a wider network of contacts, officers regularly share responsible investment knowledge, ideas, progress, updates etc. with other LGPS funds. The Scheme Advisory Board has recently launched a **Responsible Investment A-Z Guide** resource, which is being developed over time with the addition of applicable case studies.

The Fund's investment adviser, Mercer, have allocated a specialist responsible investment adviser to work with the Fund. This continuity of specialism will benefit the Fund as the approach is further developed.

The Fund has access to information through the various initiatives it has signed up to, including reading materials, relevant data, and access to training.

Additionally, the new structure, one-fund approach and advances in online technology that have made this possible, will see more non-investment staff invited to join and participate in training sessions on responsible investment issues.

### **Knowledge and training – Committee, Board and Officers**

Training is available for Committee members on responsible investment topics, including but not limited to conferences, webinars, asset manager presentations, Brunel investor days, circulation of reading materials, and internal training days. Responsible investment topics are given high priority when setting the training plan for Committee members each year. Local Pension Board members are also always invited to these training sessions.

Officers ensure that Committee members receive adequate training before being asked to make any strategic decisions. Training is followed up via feedback surveys to identify any follow-on training requirements.

Training needs for officers are assessed as part of the work done to set the workplan for the team and set goals and performance targets for individual team members. Officers have access to all the training opportunities open to Committee members, and additionally can build their responsible investment knowledge through regular meetings with asset managers, discussions with the Fund's investment advisers, or through more formal training, for example the CFA ESG Certificate.

### **How this enables good decisions**

Maintenance of the training policy and delivery through the plan enables well informed decisions and secures compliance with Regulator requirements and the overarching governance requirements of the Fund

### **Support from advisors and consultants**

The Fund has ongoing appointments with specialist advisors:

- Actuary
- Investment Consultant
- Independent Advisor

The Fund also appoints a range of other advisors/companies on an ad-hoc basis for additional independent assurance where needed. For example, in specialist training areas, or for one-off reports or reviews.

## **OUTCOME**

### **MIFIDII**

A good example of how the Fund supports stewardship, and invests in systems and processes, would be in its approach to MiFIDII. LGPS funds must be opted up to professional status in order to access institutional markets. The Fund's approach goes beyond routine completion of forms (previously at Investment sub-Committee only) to now include all Committee members in the ongoing/continued compliance process. The robustness and **effectiveness** of this has been commented on by independent advisors.

### **Governance review**

Fund is currently scoping an investment governance review which will highlight appropriateness of arrangements and highlight any gaps or areas to **improve** in its analysis.

### **Brunel Reporting Project**

Wiltshire Pension Fund were active in pursuing a review of Brunel's reporting to clients, using its shareholder representative, shareholder group and operations subgroup to initiate and monitor delivery of **improved** reporting of client investments.

## PRINCIPLE 3

**Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**

### ACTIVITY

#### Governance and Identification

The **Public Service Pensions Act 2013** defines a conflict of interest in relation to a person, as “a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Due to the nature of the LGPS (as a funded statutory scheme, without the same separation that would exist in a trust-based arrangement) there is a possibility that potential conflict between the Fund and the Council could occur if interests were not managed appropriately. This specific risk is detailed on the Fund risk register and is monitored on an ongoing basis.

#### Register Declaration of Interests

As Administering Authority, Wiltshire Council requires that all Councillors and co-opted members of Wiltshire Council must **register disclosable pecuniary interests** for public view.

All members of the Committee and Local Pension Board’s declared interests, including any that may affect the stewardship of the Fund’s investments, are maintained and monitored on a Register of Member Interests. These are kept up to date and published on the Council’s website under each member’s name and profile:

**Committee details – Wiltshire Pension Fund Committee, Wiltshire Council**

**Committee details – Local Pension Board | Wiltshire Council**

#### Local Pension Board Conflict of Interest Policy

The Local Pension Board has responsibility for assisting the scheme manager in relation to the following matters:

- a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
- c) such other matters as the scheme regulations may specify.

As the Local Pension Board is not established under local government, is not a committee or sub committee or under the same constitution as the Committee, it has its own **Code of Conduct and Conflict of Interest Policy Guidelines**.

#### Training, knowledge and understanding

Conflicts of interest are included in induction sessions for new Committee and Local Pension Board members as well as in the training plan of the fund.

#### Monitoring

Each member of the Committee is required to declare their interests at each meeting. (No declarations were made during the year 2021/2022).

The Investment and Accounting team, as part of their role in effective stewardship receive reports and review asset manager and third-party potential conflict declarations to ensure that they can be managed.

**Brunel** maintain a ‘Disclosure of conflicts of interest log’ which is presented to Client Group. The log of disclosures lists any interest that could potentially present a conflict, this is also monitored by internal compliance in Brunel.

### OUTCOME

Cyber security is an issue across all aspects of Wiltshire Pension Fund operations including administration, governance, investment and stewardship information.

A potential conflict could occur if cyber security arrangements were reviewed or arranged by employees of Wiltshire Council, Committee or Local Pension Board members with interests in information technology.

This potential conflict was managed by an external, third party completing a cyber security review and presenting its findings objectively and independently.

Investment in housing projects would be another area for potential conflict of interest where Councillors/ committee members sat on other boards, committees or were directors of housing associations or other parties set to be affected by positions taken by the Fund.

Any potential conflict of interest is managed by property asset management being conducted on a discretionary basis by external specialists.

## PRINCIPLE 4

**Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**

### ACTIVITY

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews and are prioritised accordingly. This forms a key element in setting strategy and is reviewed at least annually.

A full commentary on risk identification and response is given in the Investment Strategy Statement, but provided in summary form below:

#### (a) Investment Risks

##### 1. Liability related interest rate and inflation risks

##### 2. Equity associated risks

##### 3. Active manager risk

Mitigated by reduced concentration on single managers, due diligence on appointment combined with regular monitoring.

As an example; if in extremis, an active asset manager failed to:

- maintain confidentiality and manage cyber security risks,
- achieve returns/performance objectives over successive periods,
- communicate effectively, answering questions, giving credible reasoning and sufficient background on investment case/rationale,
- remain competitive in fees and cost; or
- take sufficient action to mitigate other risks, such as governance and reputational,

and after escalating concerns and seeking appropriate advice, the action taken by the Fund may include termination of the IMA.

##### 4. Liquidity risk

##### 5. Exchange rate risk

The Fund has a currency hedging policy in place to hedge c.50% of overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis, depending on objective and desired outcome

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 risk level to the extent desired.

#### (b) Cashflow management risks and (c) Demographic risks (pension liabilities)

Delegated responsibilities assist in managing this risk. There is also additional governance risk from the Fund's participation in the Brunel Pension Partnership (BPP) and the ways this can be mitigated and managed were developed.

#### (d) Governance risks

Conflicts of interest are included in induction sessions for new Committee and Local Pension Board members as well as in the training plan of the fund.

The Fund was an active participant in a review undertaken by Brunel of its governance arrangements. Successful **outcomes** of this review were the introduction of a shareholder forum, which will help align shareholders requirements for the direction of travel for the pool, shareholder involvement in the non-executive director appraisals, and introduction of a shareholder vote to reappoint non-executive directors at the Annual General Meeting (AGM).

#### (e) Financial ESG risks

Fiduciary duty includes consideration of Environmental, Social and Governance (ESG) issues, including climate change. These risks are dealt with in detail in the Responsible Investment Policy, which is an integral part of the Investment Strategy Statement.

## EXAMPLE/CASE STUDY: COVID 19

The coronavirus pandemic meant that the operations of the Wiltshire Pension Fund needed to adapt quickly to ensure key activities were not compromised:

- continuity of service for pension fund members and employers;
- meetings of the Committee and Local Pension Board continued effectively;
- and that management of Fund investments took account of associated risks.

Guidance was provided from the Pensions Regulator (for public service schemes) and [Covid-19 Q&A from the Local Government Pension Committee](#) (specifically for the LGPS).

Flexibility was built around working from home and dispensation for conducting Committee meetings virtually was granted temporarily. As at April 2022, pension fund processes have been operating on this new basis for two years and disruptions to service delivery have been very minimal.

In terms of overall funding, robust cashflow management over the short term meant that financial risks were mitigated. The Investment team are cognisant of new trends, disruptive technologies and macro-economic factors which are discussed at asset manager meetings. For example, in the Fund's property portfolio, the industrial sector has been a major contributor to performance.

Early indications are that mortality factors, where trends are long term, have not changed dramatically over the course of the pandemic. The investment and funding outlook of the LGPS is cautiously optimistic.

## CASE STUDY: PROPERTY

Wiltshire Pension Fund holds pooled property funds. The portfolio is diversified, with assets held across property sectors including industrial, residential, office, retail and other exposures which are expected to benefit from structural and demographic trends.

For example, the Osborn Triangle is a three building, office/laboratory complex located directly adjacent to the Massachusetts Institute of Technology (MIT), Cambridge. Tenancies are held by multinational pharmaceutical companies. Research suggests that scientific research and development is well supported, **especially following Covid-19 and the Pfizer vaccine**, and receives significant funding from venture capital and governments. The asset is fitted to a high specification ensuring longevity and features highly efficient HVAC equipment, rainwater filtration systems and reflective rooves to assist with temperature regulation.



Harrison Street US Osborn Triangle Office Co Investment  
Boston, MA 02109, United States

## INITIATIVES

Wiltshire Pension Fund is a member of several initiatives which address corporate governance, stewardship and climate change risks. Officers will be reviewing effectiveness of membership over 2022, with a view to concentrating efforts in those that offer the most beneficial and efficient outcomes.

INITIATIVE	DESCRIPTION	OUTCOME
	<p><b>Climate Action 100</b> is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. This initiative will enable the Fund to support and/or take part in engagement activities with companies it is invested in and help to deliver the Fund's net zero by 2050 target.</p>	<p>Through our membership the Fund is able to access information on key engagement companies and their progress towards achieving net zero. This information is used when working with asset managers running our portfolios to understand the investment case for the company. Through our membership we can also request our asset managers join the engagement initiative to align their goals with that of the Fund.</p>
	<p>The <b>IIGCC</b> is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 330 members, mainly pension funds and asset managers, across 22 countries, with over €39 trillion in assets under management.</p>	<p>Through IIGCC, the Fund has made a PAII (Paris Aligned Investment Initiative) net zero commitment. The PAII goes beyond simply making commitments and supports investors to achieve their goals. The Fund has also been using the IIGCC net zero framework. This valuable tool helps us to define a path to net zero across various asset classes – you can read about our progress in setting decarbonisation targets in our <b>Responsible Investment Policy</b>. The IIGCC also offers webinars and working groups, so investors can learn about specific areas, for example what net zero means in different asset classes.</p>
	<p><b>LAPFF</b> (Local Authorities Pension Fund Forum) enables collaboration 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.</p>	<p>LAPFF works on behalf of Wiltshire Pension Fund and other LGPS funds on a wide variety of issues including climate change, workers' rights, reporting and disclosure. Through attendance at regular business meetings and review of topical reports into stakeholder issues, the Fund is able to influence and stay up to date on engagement activity being undertaken.</p>
	<p>The Fund publicly supports the <b>Transition Pathway Initiative (TPI)</b>, a global, asset owner led initiative, which assesses companies' preparedness for the transition to a low carbon economy. The TPI tool assesses progress against companies and sectors to measure the level of management quality and carbon performance, to aid in risk assessment.</p>	<p>The Investment team have used the tool to investigate and analyse holdings held within the Fund's listed market equity portfolio. For example, the tool provided an assessment of an oil sands company according to the management of its GHG emissions and of risks and opportunities related to the low-carbon transition within its own sector and against other sectors. This information allowed the team to question external asset manager rationale and gain reassurance and understanding of the investment case despite relatively high GHG emissions.</p>



## OUTCOME

The Fund takes action by a combined approach – on its own initiative at a strategic level and through Brunel. Brunel is well resourced in this area, and the Fund views the work Brunel carry out on behalf of all clients as one of the key benefits of pooling.

The Fund commissioned scenario modelling of the investment strategy against temperature rise scenarios in response to climate risk. This led to the development of the Responsible Investment Plan and Policy which includes a **specific section directly addressing climate risk and the Fund's path to net zero.**

### CASE STUDY: PALESTINE OCCUPIED TERRITORIES – A JOINED UP LGPS

Wiltshire Pension Fund were made aware of a letter circulated by Michael Lynk, UN Special Rapporteur on the Palestine Occupied Territories, to Chairs of some LGPS pension committees regarding investments with companies on the UN database of companies with operations in the Palestine Occupied Territories.

This was raised by officers attending the Brunel Responsible Investment Sub Group to check that the position previously stated by Brunel and Hermes had not changed. The Scheme Advisory Board (SAB) also gave consideration to publishing advice or guidance to assist administering authorities in responding to Freedom of Information (FOI) requests. The **outcome** of this was that a joint meeting with the Chairs of LAPFF and SAB with Michael Lynk would be held to discuss further.

### CASE STUDY: MARKET WIDE RISKS – RISING INFLATION

The Investment and Accounting team meet with asset managers on a quarterly basis to review performance and discuss forecasts for the relevant portfolios and mandates, considering both micro and macro economic factors.

During the first quarter of 2022, Officers had kept well-informed of inflationary measures both in the UK and in other major economies, noting that they had risen significantly relative to recent years. At meetings with fixed income and gilt portfolio asset managers, questions on transitional pressures were raised in context, with the aim of confirming that risks were mitigated were possible and diversified across non-correlated assets so that the overall effect and outcome on funding position could be managed appropriately.

### Stability in systems and processes

The Strategic Asset Allocation sets tolerances on each portfolio which are rebalanced when specific limits are met. Early awareness of market movements and efficient cashflow planning reduces the need to trade in bulk and the volatility that might create.

Brunel have systems in place to identify crossing opportunities when partner funds trade within the pooled funds, which creates efficiency and lowers transaction cost.

## PRINCIPLE 5

**Signatories review their policies, assure their processes and assess the effectiveness of their activities.**

### ACTIVITY

The annual report and accounts links and brings together many statutory disclosures and documents pertinent to the governance, investment strategy and stewardship of the fund.

Each of these statutory disclosures and policy documents have their own review period and new policies or updated documents approved by the Committee during each scheme year are listed in the fund **Annual report and accounts**.

When reviewed, the pension team use both internal resources and collaboration with peers to ascertain best practice, in addition to using relevant advisors to guide the process, benchmarking current processes against industry standards.

Activities and objectives for each year are outlined in the **Business Plan**. Each objective is set against fund visions and categorised by theme, required actions with set target dates.

The Responsible Investment Policy of the Fund developed by the Committee was drafted by the Head of Investment, one of the earliest graduates of the CFA ESG certificate, a program recognised by the UN Principles for Responsible Investment (PRI). Further review by the Committee, Investment Consultant and Independent Advisor ensured that the beliefs reflected Fund

views accurately and that the principles described would be understood by stakeholders and the wider industry.

#### **Just transition – balancing the cost**

A "just transition" means not transitioning to a low carbon economy at any cost, but doing so whilst also ensuring that this is done in a socially responsible way. The Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science have put together a comprehensive guide as to what this means for investors, and what action can be taken. The Fund has signed a statement of support and uses the guide to help embed this goal within the Fund's policies and help hold our asset managers to account.

#### **Responsibility**

In drafting and developing content, senior managers (the Communication manager and Investment and accounting officers) take responsibility for ensuring that webpages, documents and reports are appropriate for target audiences and involve other members of the pension team, within and outside their specialism, in checking and reviewing material for publication.

### OUTCOME

#### **CASE STUDY: CYBER SECURITY**

Wiltshire Pension Fund participated in a benchmarking survey conducted by Aon. This survey looked at information governance and cyber security arrangements of a large sample of LGPS funds, highlighting trends, areas of strength and areas for development.

The output of this survey has been considered by the Committee and will inform decisions and priorities in the Business Plan.

#### **CASE STUDY: STEWARDSHIP REVIEW AND GAP ANALYSIS**

Following publication of the substantially revised and strengthened UK Stewardship Code 2020, the Fund commissioned a review of its stewardship reporting to include a gap analysis of where the Fund had provided appropriate disclosures in line with the Code.

This work was completed by Minerva and provided a clear view of areas where the Fund did not comply with the requirements of the Code as well as areas for potential improvements.

The output of this report was presented to the Investment team. Where disclosures that were missing or partially compliant, recommended actions were discussed to either; formalise the reporting of those processes where disclosure was absent; plan for activity to take place in order to comply; or to explain the reasons for non-compliance, where applicable.



### Commitment to accessible communication

The Fund is committed to ensuring its communications are clear, concise and accurate. To monitor this and steer improvements, the Fund has introduced more effective tools to capture feedback from our digital users, also instructing an independent external accessibility audit.

### Feedback

The Fund is proactively and continuously seeking feedback from readers on the website and ensuring processes are understandable. Feedback is reviewed on a regular basis with reports based on engagement levels, readability, simplicity, as well as areas for improvement. For example, if a user has difficulty understanding a page on our website, they are able to complete a survey linked to that specific web page, letting us know how we can improve.

### Accessibility

Having recently commissioned an external accessibility report to be carried out on the website by the Shaw Trust, the Fund is working with the Trust to become Level AAA compliant. This will ensure our website and its content is accessible to all visitors.

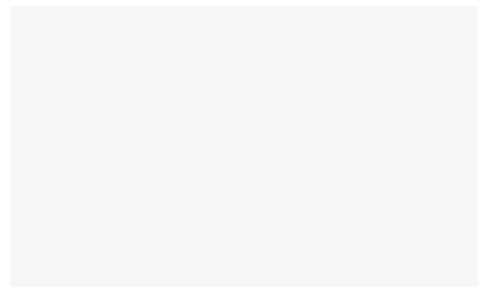
### Stewardship webpage under development

The Fund maintains a [stewardship webpage](#) and publishes quarterly voting records. This is under development and along with other webpages, will utilise web analytics to gather user acquisition and behaviour data, visitor insights and other metrics to improve the user experience.

## INDUSTRY RECOGNITION

Wiltshire Pension Fund's approach to responsible investment has been recognised by the Local Authority Pension Forum LAPF magazine, and shortlisted for its Best Approach to Responsible Investment award.

Our engagement with stakeholders is also featured as a Local Government Association - Climate Case Study, an example of an innovative programme and best practice for other authorities. The Fund is also very active in collaborating with peers and sharing ideas in this developing area.



LAPF Awards 29 March 2022  
event photograph pending

# INVESTMENT APPROACH

## PRINCIPLE 6

**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

### CONTEXT

Regulations specify the type and amount of pension and other benefits payable in respect of Scheme members and member contribution rates.

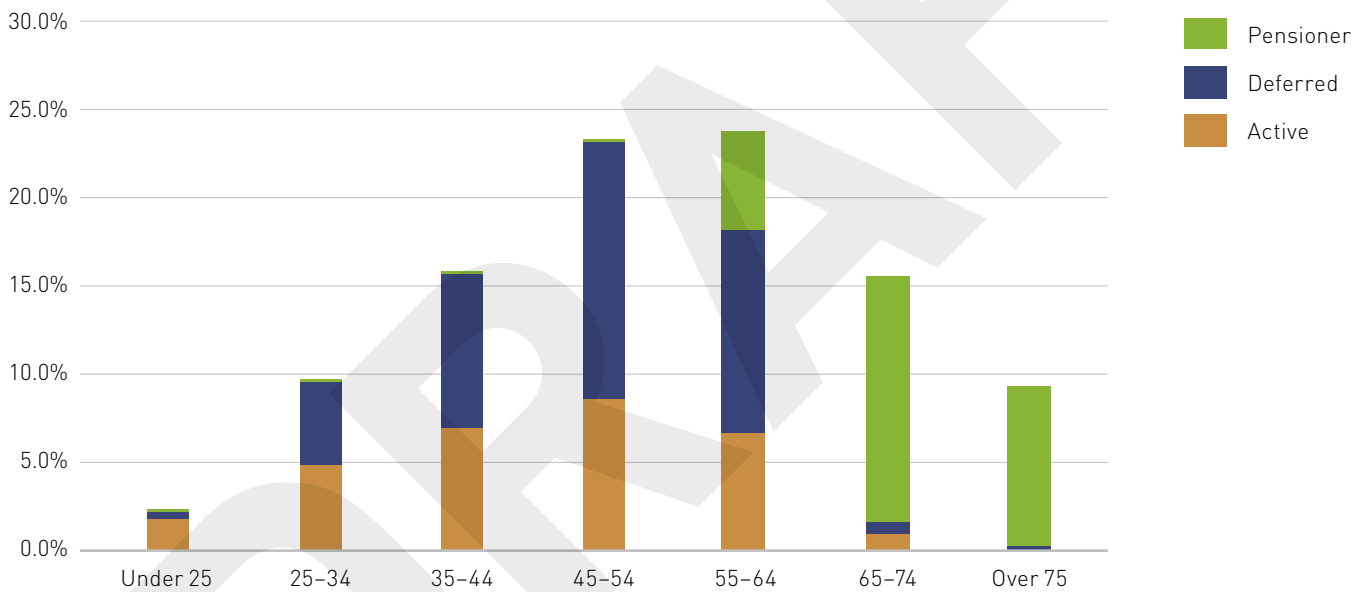
Unlike other Public Service Schemes, the LGPS is funded. The applicable rules on investment are set out in the LGPS (Management and Investment of Funds) Regulations 2016.

#### Investment Beliefs and Objectives

The Fund maintains a £3bn portfolio of assets, managed by a range of managers across diversified asset classes and geography. Full information can be found in the [Annual report and accounts](#).

#### Membership (Employee) profile

The membership details are as follows:



Age	Active	Deferred	Pensioner	Grand Total
Under 25	1.7%	0.4%	0.2%	2.3%
25-34	4.8%	4.9%	0.0%	9.6%
35-44	6.9%	8.9%	0.0%	15.8%
45-54	8.5%	14.7%	0.2%	23.5%
55-64	6.6%	11.6%	5.6%	23.9%
65-74	0.9%	0.8%	13.9%	15.6%
Over 75	0.0%	0.2%	9.2%	9.3%
<b>Grand Total</b>	<b>29.4%</b>	<b>41.4%</b>	<b>29.2%</b>	<b>100.0%</b>

**Table footnote:** The Deferred category includes 'undecided leavers', i.e. members with the option of a refund or transfer out. The Pensioner category includes members in receipt of a dependant pension benefits. Proportions of membership in each category will differ from annual report as membership is reported by employment record rather than individual member basis.

**The average age (unweighted) across all membership categories was 53.8 years.**

**The average pension paid to pensioners in the year was £5,044 p.a.**

### Funded scheme

As required under 62 of the LGPS Regulations 2013 (“the Regulations”) the Wiltshire Pension Fund completes an actuarial valuation triennially.

This is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the Fund’s participating employers. The most recent valuation was completed on 31 March 2019, which set contributions for the period from 1 April 2020 to 31 March 2023. The next valuation will take place with an effective date of 31 March 2022 and will be published by April 2023.

Technical information on the benefits accrued by membership category and weighted average ages can be found in Appendix 1 of the [Actuarial Valuation](#).

### Employer profile

The LGPS is available to all employees in local government, and whilst the majority of members will be local authority (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: such as academy schools, contractors, housing associations and charities, etc. Some of the larger employers after Wiltshire Council as administering authority include Swindon Borough Council, Town and Parish Councils as an employer group, and further education colleges.

A list of participating scheme employers is provided in the [Annual report and accounts](#), and at last count, the total was 179.

## ACTIVITY

### Communication Strategy

The [Communication Strategy](#) provides a comprehensive policy setting out the approach to communication to clients and beneficiaries and the methods through which feedback is sought.

Wiltshire Pension Fund has embraced advances in available technology and encouraged innovative ways of working and communicating. The pandemic has accelerated development in these areas, for example the introduction of a member self service portal “[My Wiltshire Pension](#)”, and employer contribution submission interface “iConnect”.

However, the needs of members are paramount, and in line with the strategic vision goal 8 “**members understand their benefits**” and 7 “**Service administered effectively and cost-efficiently**”, members are able to obtain quotes and information in real time using online calculation tools but also write, email or speak to pension team staff to talk through any aspects of the fund in detail, ask questions and confirm understanding.

## OUTCOME

### Member and Employer engagement

Wiltshire Pension Fund are committed to **data driven decisions** to steer change and improvement, regularly reviewing the Communication Strategy ensuring it remains up to date and in line with the vision of the Fund. Part of the most recent review has been the introduction of regular wide-ranged feedback gathering via surveys, and in depth website activity monitoring including the member self-service portal. This data has helped the Fund identify and establish clear member demographics and tailor engagement style to ensure communications are effective, clear and appropriate.



8

Members understand their benefits



7

Service administered effectively and cost-efficiently



## DATA DRIVEN DECISIONS

We use data to inform and evidence our decision making, and to measure our progress and successes

## Funding

Employers have strong views about receiving information on the Fund: **85%** preferred short communication and newsletters.

Source: Wiltshire Pension Fund – Scheme Employer Strategic Engagement Survey Results August 2021

Member (or employee) benefits are set out in LGPS Regulations and guaranteed by statute. Employee contributions are fixed in Regulations at a level which covers part of the cost of their benefits. Employer contributions cover the remainder of the cost of delivering benefits.

The Funding Strategy Statement focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions
- transparency of processes
- stability of employers' contributions, and
- prudence in the funding basis

## Interdependencies

The basis and reasoning for the Fund adopting a long term investment horizon in terms of the needs of clients and beneficiaries runs consistently through the Investment Strategy Statement and Responsible Investment Policy.

### CASE STUDY: INDIVIDUAL EMPLOYER NEEDS AND CONCERNS

Whilst there are many similarities in employer views, particularly on stability of employer contribution rates, individual employers will have unique circumstances and differing preferences in terms of:

- affordability of employer contribution rates and sensitivity to changes
- maturity of membership profile and level of risk appetite
- solvency level and time horizons
- the relevance of net zero carbon within the scope of employers' own pathways

Good communication is especially important in balancing these conflicting aims, especially as contribution rates for individual employers depend on a range of factors, including those above.

**Outcomes** following the employer survey included establishing an Employers Strategic Focus Group. This proved a very beneficial means for employers to engage with the Fund informally.

Employer Communications were further improved with the introduction of quarterly newsletters outlining recent activity and upcoming events.

## Investment

Members had not seen much information already: **13%** had seen the annual report.

Members were keen to know more: **56%** wanted more information

Source: Wiltshire Pension Fund - Responsible Investment Survey Results March 2021

### CASE STUDY: SHORT FORM ANNUAL REPORT

The full Annual report and accounts is published annually and made available on the Fund website. It provides comprehensive statutory information for a range of audiences. But it can extend to over 90 pages and not all information shown is relevant to members.

In July 2021, a short, 'one pager', was created that featured high level facts and statistics, presented in an appealing graphically designed form.

This short form summary annual report document was emailed to all members via a marketing campaign platform which allowed statistics to be collected on the number of emails opened (12k, representing over 70% of those emailed) and interaction with content. The document had hyperlinks to the full annual report for those seeking more detail. This was highly effective and will be repeated in 2022.

## PRINCIPLE 7

**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

### CONTEXT

The Fund has made significant progress in developing its approach to responsible investment and has set a goal to be an example of best practice in this area.

In June 2021, the Committee approved a Responsible Investment Plan for 2021/22 setting out commitments and actions for the year ahead, including the development of a dedicated **Responsible Investment Policy**.

The intention of the Responsible Investment Policy is to bring all information on the Fund's responsible investment activities into one place and to promote transparency and engagement with stakeholders.

The Responsible Investment Policy also specifically addresses the high-priority risk of climate change, how this is being managed, and the targets and metrics which the Fund reports against.

The Responsible Investment Policy will be reviewed annually and the Responsible Investment Plan will be updated each year for approval by the Committee.

Examples of recent actions and developments are as follows:

- Setting a target of net zero by 2050 for the Fund's investment portfolios.
- Making a specific strategic allocation to sustainable equities.
- Reporting against the **Task Force for Climate-related Financial Disclosures** (TCFD) recommendations in the Annual Report for 2020/21.
- Developing a programme of engagement with pension fund members and employers.

### ACTIVITY

ESG integration is set out in detail in the **Responsible Investment Policy** in order to ensure that all relevant risks (including climate change risk) are considered and acted upon. The Fund needs to integrate responsible investment issues across the whole investment process:

- i. Investment Strategy Statement (ISS)
- ii. Strategic Asset Allocation (SAA)
- iii. Monitoring of managers and the pooling company
- iv. Stewardship and engagement
- v. Internal reporting and accountability
- vi. Reporting externally
- vii. Stakeholder engagement

#### CASE STUDY: PASSIVE EQUITIES - PARIS ALIGNED BENCHMARK

The Fund collaborated with other LGPS funds as part of Brunel, to create a new FTSE Russell Paris-aligned benchmark series, which looks at, and invests in, companies' abilities to transition to a low carbon economy. Some companies are excluded if they invest significantly in coal, oil and gas, while the rest are weighted based on a number of criteria that relate to how environmentally progressive their operations and policies are. This forward-looking portfolio will help the Fund achieve the Net Zero by 2050 goal.



Wiltshire Pension Fund Investment team attend market open launch event of Paris-aligned benchmarks at the London Stock exchange, 2 November 2021.

## Integration across geographies and asset classes

### Equities

#### UK and developed markets

Traditionally, diversification of assets across geographical regions was relatively easy; mandates could be defined by market as UK, Europe, US, Asia etc. The rate of globalisation over recent years has been dramatic. It is increasingly difficult to categorise companies by geography with operations, revenues and exchange/currency listing not isolated to one country, but many across the world. Big tech companies are good examples that dominate both capital and consumer markets.

Apart from emerging markets, the Fund does not implement its equity mandates by region, instead it takes thematic positions in pooled funds and has long term target allocations as follows:

- Active global equities 5%
- Sustainable active global equities 5%
- Paris-aligned passive equities 12%
- Emerging market equities 5%

#### Emerging markets

As demonstrated in the disclosure charts shown in the **TCFD report**, larger, more established markets with greater reporting obligations and regulations appear to have moderate ratings. Setting targets and making quantifiable assessments against climate factors is more difficult in smaller cap, emerging, developing markets. For example, disclosures in the Emerging Markets Multi Asset Fund, where practices may need time to evolve.

Regular, active dialogue with asset managers has been met positively, and plans to begin reporting carbon metrics have commenced. Sovereign carbon intensity with exposure split across portfolio and benchmark allocations can be obtained as a starting point. These early reports will form part of Wiltshire Pension Fund's future TCFD reporting, where possible, and proposed sustainability reporting will further support the Fund's responsible investing agenda.

#### Other asset classes

At the asset class level, there are varying degrees of data availability, consistent methodologies and transparency around climate factors.

## Gilts, Property, Infrastructure and Private Markets

The Fund's other portfolios are predominantly invested in developed markets in the UK, US and Europe. Management of a large proportion of Fund assets is delegated to Brunel.

**Brunel's Stewardship Policy** outlines the integration across all asset classes in more detail. It also sets out how the process of manager selection includes requirements to integrate stewardship and investment, aligning with the investment time horizons of client funds.

## OUTCOME

### Climate progress performance monitoring

Wiltshire Pension Fund's specific monitoring actions are below:

#### Brunel 2020–22 Climate Change Policy Objectives

Brunel's Climate Change Policy sets out a plan to build a financial system which is fit for a low carbon future by:

- having significant direct influence over asset managers appointed,
- exerting broader influence in the investment industry and with policy makers; and
- ability to influence company practice and performance,

The Committee support these objectives on climate change and are supportive of Brunel's approach to not issue exclusion lists as this will not compel asset managers to develop capacity on climate change or drive change.

#### Monitoring of Climate Change Policy and Reporting Progress

The Fund has undertaken climate change scenario analysis and carbon footprinting to understand opportunities and risks. To monitor progress, the Fund will be asking whether Brunel's decision to engage with asset managers has been effective in driving climate change strategy improvements so that corporates are on a trajectory to be aligned with the transition to a 2°C economy.

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.



## PRINCIPLE 8

### Signatories monitor and hold to account managers and/or service providers.

#### ACTIVITY

##### Asset manager monitoring

The Investment and accounting team hold quarterly meetings with asset managers, and the Committee meet with each manager at least annually on a rota basis.

During these meetings, in addition to receiving an appraisal of performance over the quarter, asset managers are questioned on responsible investment matters.

Where awareness is raised by pressure groups (or asset managers) on contentious issues, a balanced view of the Committee is taken following presentation of topics by research reports, analysis and/or discussion papers. The subjects of fiduciary duty in the context of future energy policy, power sources, transition risks and opportunities have recurred frequently during Committee meetings, leading to informed and considered investment decision making in that regard.

##### Investment Consultant monitoring

The Competition and Markets Authority, CMA, published an "Investment Consultants Market Investigation" report that concluded, among other matters, that certain features of the investment consultancy market may have an adverse effect on competition and the CMA would implement some of the remedies by an Order.

The order came into force as the "[Investment Consultancy and Fiduciary Management Market Investigation Order 2019](#)" and ensures that Investment Consultants must be set objectives.

#### OUTCOME

Wiltshire Pension Fund complied with the CMA Order and went further by adopting an undertaking to review performance against these objectives at least every 12 months. One of the outcomes of this activity was that an objective previously out of scope was highlighted. This meant that plans were put in place to strengthen asset manager monitoring by drawing on external resources that the Investment Consultant could provide as an additional service.

##### Voting records

As investors in pooled funds, and clients of Brunel, all voting is guided by a single set of [voting guidelines](#) for all assets managed by Brunel and undertaken in the active listed equity in which Brunel invests (held in segregated accounts).

The largest proportion of these votes are in passive or index funds and as with most pooled funds, the provider, Legal & General Investment Management (LGIM) is not bound by Brunel specific voting guidelines.

However, stewardship capability and implementation were important in Brunel's selection process, and more information on LGIMs approach to [active ownership](#) can be found on their website, and in the [LGIM Stewardship Report](#).

Further detail on stewardship can be found in Brunel's [Stewardship Policy](#).

#### CASE STUDY: TRAINING IN CORPORATE ENGAGEMENT AND VOTING

Brunel provide voting records for segregated active accounts and are supported by EOS at Federated Hermes (EOS), the appointed engagement and voting services provider.

These take the form of summaries of engagement and voting activity presented in pdf form, published on both Brunel and Wiltshire Pension Fund websites. Additionally, every vote behind the summary in its entirety is provided in spreadsheet format.

Brunel were able to give guidance and training to the Investment team on navigating and interpreting the information so that it could be examined and understood.

##### Other service provision monitoring

Compliance and monitoring of other service providers, including internal delivery (Administration KPIs), audit and governance responsibilities are set out in the [Annual report and accounts](#).



# ENGAGEMENT

## PRINCIPLE 9

### Signatories engage with issuers to maintain or enhance the value of assets

#### ACTIVITY

##### Engagement expectations

When LGPS investment pooling was introduced, asset manager selection and implementation was delegated to the pool, but strong oversight and governance arrangements were put in place.

Investment strategy and asset allocation decision-making remains with LGPS funds at the local level.

The means in which investment strategy is implemented determines the opportunities to engage or influence corporations that operate a voting process. Strategic Asset Allocation comes before investment vehicle and stock selection. However, Wiltshire Pension Fund have taken relatively active positions in global equities, deliberately building a low carbon emissions criterion into passive equity holdings.

##### Objectives – net zero and transition pathway

##### How climate became a priority engagement issue

Wiltshire Pension Fund acknowledges that climate change represents a major financial risk and that action needs to be taken to manage this risk. This will not only safeguard the investments but also take advantage of the investment opportunities presented by the transition to a low carbon economy.

Investment beliefs that directly address the risk of climate change are detailed in the [Responsible Investment Policy](#). Climate change risk is included in the Fund's [risk register](#) as a "Medium" priority risk, having been downgraded from "High" during 2021/22, due to the large amount of work done to quantify, manage and mitigate the risk.

The Pension Fund team is part of Wiltshire Council, which has set its own target of net zero by 2030. The team will also be working to achieve this target for its own operations.

##### Governance and Accountability

Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. Brunel's responsible investment strategy and policy were developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client Working Groups.

The Responsible Investment Sub-Group provides an ongoing forum for all clients of Brunel to discuss, influence and hold Brunel to account on RI implementation. This is regularly attended by Wiltshire Pension Fund Investment Officers.

#### OUTCOME

Engagement activity conducted on behalf of the fund is reported and published by EOS for assets pooled by Brunel, and also by LAPFF:

##### [Stewardship – Brunel Pension Partnership](#)

##### [Engagements | LAPFF \(lapfforum.org\)](#)

##### Sustainable Development Goals

During 2021, Committee members received training on Impact Investing and UN Sustainable Development Goals. These training sessions proved very useful for the Committee in setting a framework and technical terminology that will facilitate debate and decision making in future.

The option of fully mapping the Fund's investment portfolio against the UN SDGs has been considered.

On analysis of cost and consideration that the investment strategy will be reviewed as part of the 2022 actuarial valuation, it was concluded that SDG mapping may be revisited at a later date. The Fund would also need to plot a clearer path from outcome to action (i.e. prioritising goals for engagement activity is currently via Brunel's governance processes for the pool and could not be easily implemented for individual funds separately).

## PRINCIPLE 10

**Signatories, where necessary, participate in collaborative engagement to influence issuers.**

### ACTIVITY

#### **LAPFF (Local Authorities Pension Fund Forum)**

The Fund is a member of the LAPFF. More detail on this relevant industry initiative can be found under principle 4, or on the [Local Authorities Pension Fund Forum](#).

The Fund is a shareholder and client of the Brunel Pension Partnership along with nine other LGPS funds. The Fund is involved in setting portfolio specifications, approving manager selection and monitoring ongoing performance of portfolios. Responsible investment is completely embedded and considered at each of these stages of the process.

Wiltshire Pension Fund also engage and collaborate with other funds through the Client Group, the Responsible Investment

Sub-Group, and ad hoc communications from Brunel on responsible investment initiatives, for example engagement and voting matters.

#### **Hermes EOS**

Engagement implementation at Brunel is undertaken by asset managers, Brunel's specialist provider Hermes EOS, see [Hermes EOS Engagement Plan 2021-2023](#), and via collaborative forums.

### OUTCOME

All examples are from passive equity portfolios:

**Company:** Amazon  
**Engagement partner/provider:** LAPFF  
**Engagement method:** Investor Letter  
**Subject/issue:** Company's Trade Union Practices  
**Date:** Q1 2021/Ongoing



Amazon warehouse, Bessemer, Alabama, US

**ACTIVITY:** LAPFF signed onto a letter coordinated by Folksam and Ohman to ensure that Amazon was respecting workers' rights to free association and collective bargaining at the company's facility in Bessemer, Alabama in the US. The request included reassurance that a free and fair union election will take place at the facility.

**OUTCOME:** Investors with just over US\$7.1 trillion supported this initiative. Amazon responded by letter that it had appropriate human rights and labour standards in place. The company stated that it respects trade union rights and has good relationships with its employees.

However, the investors in this collaborative engagement had not been satisfied with the company's response. This was in part due to reports that Amazon has hired a consulting company to obstruct trade union activities.

**Company:** Fujifilm  
**Engagement partner/provider:** EOS  
**Engagement method:** Ongoing meetings  
**Subject/issue:** Artificial Intelligence (AI) and data governance  
**Date:** Q2 2021



Fujifilm; healthcare, materials and imaging business fields

**ACTIVITY:** EOS first discussed the importance of the responsible use of artificial intelligence (AI) and data governance in December 2019. EOS highlighted its particular relevance to the company's imaging and healthcare businesses including medical systems, highlighting regulatory frameworks and shared investor expectations on data governance.

**OUTCOME:** Fujifilm had completed extensive work on this and understanding risks; EOS encouraged documentation and to publish a policy which addressed risks such as bias, lack of fairness and discrimination and the importance of monitoring the use of AI. The policy also discusses how the company handles personal information and how it will ensure transparency and accountability, as well as committing to providing training to relevant staff. When EOS met Fujifilm again in Q2 2021 the company expressed thanks for EOS's suggestions.

**Company:** Zoetis  
**Engagement partner/provider:** EOS  
**Engagement method:** Ongoing meetings  
**Subject/issue:** Employee engagement and retention  
**Date:** Q2 2021



(Margie) Zoetis is a global animal health company that produces medicine and vaccinations for pets and livestock

**ACTIVITY:** EOS initiated engagement on Zoetis's employee engagement and retention strategy in Q3 2018. Following this, the company explained its human resources strategy focused on fostering a highly collaborative culture and highlighted its new development programme.

Subsequently, it established more robust ESG policies and programmes and was proud of its high levels of workforce retention following a recent acquisition. EOS encouraged it to communicate its human capital management policy more actively. Bi-annual surveys allowed employees to share thoughts on the company strategy for growth, workplace climate and experience. Employee participation in these surveys increased from 81% in 2016 to 90% in 2020.

**OUTCOME:** EOS congratulated the company on significantly reducing its employee turnover rate since 2016 from over 10% to less than 2%. EOS continue to engage the company on its human capital management, including the achievement of its diversity and inclusion goals which target increasing representation by gender and ethnicity across multiple levels of the organisation by 2025.



It is difficult to measure the success of engagement activity, particularly on thematic issues. Changes in public opinion, policies, practices and regulation take place over the long term. The incremental effect of many smaller scale discussion, debate and decisions, diplomatic and activist action places pressure on governments, asset owners, asset managers and issuers in turn.

The Fund takes its fiduciary, responsible investment and stewardship duties seriously and will be developing its approach to stewardship and stewardship reporting during 2022.

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**COP26 – Officers at Wiltshire Pension Fund were **ACTIVE** independently and in collaboration with Brunel to promote the Fund’s commitment to a pathway towards the goal of net zero by 2050 and the Partnership’s Paris-aligned investment benchmark.**

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Drafting a [COP26 Press release](#), contacting journalists and using Wiltshire Council’s social media channels was very effective in achieving the **OUTCOME** of the Fund’s decisive action on

climate change being featuring in leading [pension publications](#), and investment press. This highlighted an example of an approach that other interested asset owners could take.



## PRINCIPLE 11

**Signatories, where necessary, escalate stewardship activities to influence issuers.**

### ACTIVITY

As described under Principle 9, as part of Brunel, processes to escalate stewardship activities lie primarily within the segregated active equity portfolios in which the Fund invests.

These stewardship responsibilities are managed by Brunel, in turn via underlying asset managers and dialogue between parties can be escalated where needed.

The number of engagements and voting activity within the pooled investments requires a specialist engagement provider (EOS at Federated Hermes (EOS)) to engage with companies on Brunel's behalf.

The engagement provider reports quarterly to summarise activity. The major advantage of using a specialist engagement provider is access to a network of professionals across the world conversant with local markets, governments and policies, fluent in native languages and familiar with culture and customs.

EOS present at regular client meetings, focussing on each of the themes in **Brunel's Stewardship Policy** in turn. This gives the Fund assurance that voting has been actioned in line with these priorities and opportunity to escalate any concerns.

#### **Assets and geographies implementation as principle 7**

Wiltshire Pension Fund do not have a separate escalation policy, but Brunel have set out a spectrum of escalation processes that provide a very useful frame to consider approach based on assets and geographies.

**To date, and in line with the shared approach, no events of failed engagement have led to the decision to divest.**

A simplified summary of Brunel's Client engagement pathway is below:



Through its stewardship work, Wiltshire Pension Fund has seen activity and outcomes at both ends of this spectrum, while specific asset manager engagement, as a more technical area, is better conducted with specialist resourcing.

### OUTCOME

#### **Reducing exposure to carbon intensive companies**

Investment in the Paris Aligned Benchmark may not be considered as direct engagement (with corporations either underweighted by the index or aiming to increase shareholder value and market capitalisation). However, establishing the investable index, coupled with the value of assets flowing into it and Brunel's promotional activity, sent a clear message indirectly to the market and wider industry that alignment of climate objectives matters to asset owners.

#### **Thematic and targeted engagement**

Over the last few years, the LGPS has changed from being a relatively low profile operation of local government administration, to a vehicle that can be used to drive up standards of disclosure (cost transparency initiative) raise awareness of political campaigns, and most recently, to increase funding of infrastructure and 'level up' investment locally.

This has brought challenges, but also opportunity and expectation that funds are leaders in stewardship. The Fund receives a steady stream of FOI requests which can often be answered by pointing to holdings records published routinely online.

Where information is not held, needs gathering from third parties, or existing datasets need further analysis, this may be completed by the Investment team and/or asset managers.

Public campaigns, activist movements, lobbying and topical issues gaining traction in the public consciousness are discussed with asset managers during meetings. Often these may straddle thematic by raising awareness and targeted where specific stocks or stocklists are circulated.

#### **Climate change stocktake**

Brunel will be completing a major climate stocktake in 2022. During this project the responsiveness of companies to manage climate risk will be reviewed and exclusions will be considered where companies pose a long-term financial risk.

# EXERCISING RIGHTS AND RESPONSIBILITIES

## PRINCIPLE 12

**Signatories actively exercise their rights and responsibilities.**

### CONTEXT

Wiltshire Pension Fund's **Investment Strategy Statement** sets out expectations on asset managers for exercise rights and responsibilities on its behalf:

#### Voting Policy

The Fund believes that voting is an 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 also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates. The Fund publishes the **voting carried out on its behalf** on its website.

#### Brunel as 'asset manager', Wiltshire Pension Fund 'asset owner' (shareholder)

Wiltshire Pension Fund or Brunel do not use default recommendations from proxy advisors.

Brunel's responsible investment policy and voting guidelines have been agreed by all clients and shareholders; there is no process or facility to override this on a client-by-client basis.

Wiltshire Pension Fund engages in securities lending through Brunel portfolios. Brunel has developed a stock lending policy which embeds a commitment to responsible investment. Specifically, where there is a perceived trade-off between the economic benefit of stock lending and Brunel's ability to discharge its obligations as a responsible long-term investor, the latter will have precedence.

As outlined above, Brunel may vote on behalf of partnership funds in segregated accounts. Responsible investment policies and approach of the pooled account asset manager were considered an important part of the procurement process.

### ACTIVITY

#### Voting record scrutiny

The Fund is provided with voting records, which include short voting explanations of the rationale for decisions.

As set out in the Voting guidelines, Brunel always vote either in favour or against a resolution and only to abstain in exceptional circumstances or for technical reasons. For example, where a vote is conflicted, a resolution is to be withdrawn, or where there is insufficient information upon which to base a decision.

#### Abstention

During 2021, there was only one abstention; at the 30 April 2021 AGM of Credit Suisse Group AG votes on agenda item 2 were recorded as abstain. On investigation, the reason was technical, i.e. the Agenda item was withdrawn.

#### Climate related risk example

At the 29 April 2021 AGM of Glencore Plc (United Kingdom) a vote against agenda item 14 was recorded. On investigation, the item was to 'approve Company's Climate Action Transition Plan dated 4th December 2020' and 94.36% votes were for.

Brunel were able to assure Officers that the plan had undergone rigorous analysis and provide the reason for a vote against.

#### Resource considerations

Through investigating examples and case studies of corporate entities, the Investment team have built breadth and depth of knowledge, but do not underestimate the magnitude of research required to keep up to date on voting and engagement activity.

This is an area which the Fund is keen to develop and report back in future stewardship reports.

### OUTCOME

Over the last quarter voting recommendations were made at 167 meetings (**2,364 resolutions**). Opposing one or more resolutions was recommended at 110 meetings. Voting with management by exception was recommended at 19 meetings. Supporting management on all resolutions was recommended at the remaining 38 meetings.

#### Voting reports

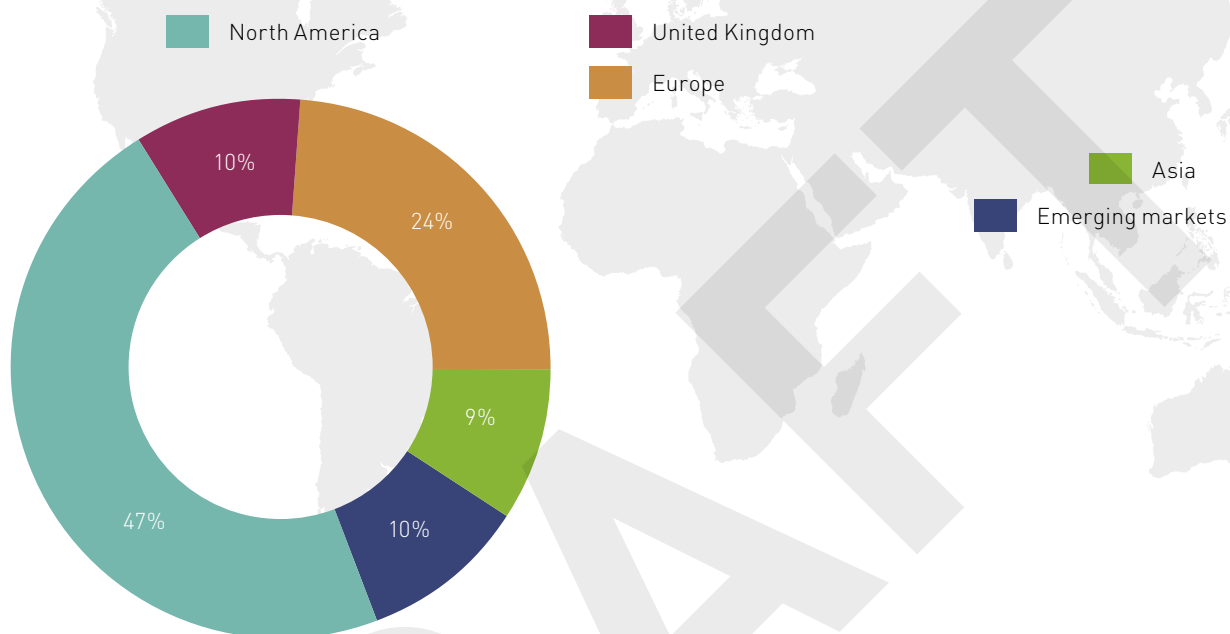
The Fund's voting records are published on the **Stewardship/Voting records** webpage

Of the 2,364 resolutions, votes were cast with support of management or by exception for 1,967 resolutions. The table and charts below show voting activity against management (or abstaining) by issue and geography.



## MEETING VOTING ACTIVITY 2021

### Meeting voting by geography



### Resolution voting activity against management

	Asia	Emerging Markets	Europe	North America	United Kingdom	Total
Board structure	12	20	27	85	10	154
Remuneration	1	12	36	54	7	110
Shareholder resolution	0	0	0	83	0	83
Capital structure and dividends	0	9	21	0	0	30
Amend articles	0	0	2	1	2	5
Audit and accounts	0	1	5	0	0	6
Other	0	1	7	0	1	9
<b>Total</b>	<b>13</b>	<b>43</b>	<b>98</b>	<b>223</b>	<b>20</b>	<b>397</b>

In general, we would want to be supportive of management, as demonstrated by this pattern of voting. We also only abstained on a single vote (which was cancelled due to a technicality), so we have upheld our goal to exercise our voting rights whenever possible.

## GLOSSARY

**Active** – an active investment is one which aims to beat an index or deliver returns based on asset manager skill. Annual charges are higher and manager selection and monitoring more important than for passive, but potential returns may be higher.

**Administering Authority** – means a body required to maintain a pension fund under the LGPS Regulations, usually this is a local authority. For the Wiltshire Pension Fund, this is Wiltshire Council.

**Annual General Meeting** – at an AGM, the directors of a company present an annual report to shareholders on performance and strategy. Shareholders with voting rights can vote on current issues, for example appointments to the company's board of directors, executive compensation, dividend payments, and the selection of auditors.

**Asset manager** – for the purpose of stewardship reporting and in the context of the LGPS, "asset manager" is inter-changeable with "investment manager" as defined in the LGPS (Management and Investment of Funds) Regulations 2016 (9)

**Benchmark** – a benchmark is used to measure the performance of a fund, or asset manager against the investment objective. The FTSE 100 is a common benchmark for UK equities, for example.

**Brunel Pension Partnership ("Brunel")** – one of eight national LGPS asset pools that bring together investments of ten partner funds, including Wiltshire.

**Discretionary** – a form of investment management where the manager is given discretion to make decisions within the parameters of client risk profile and other defined objectives

**Employee** – in general, an employee is also a member of the Wiltshire Pension Fund. The LGPS has a very low opt out rate, nearly all employees are members of the scheme

**Employer** – in general, an employer is either scheduled or admitted to the Wiltshire Pension Fund so its employees are members of the scheme

**Environmental, Social and Governance (ESG)** – a broad range of factors which investors can assess to identify risks and opportunities.

**Fiduciary duty** – the Committee's responsibility to act in the best interest of the Fund's beneficiaries.

**Freedom of Information (FOI)** – the Freedom of Information Act 2000 provides public access to information held by public authorities. It does this in two ways: public authorities are obliged to publish certain information about their activities; and members of the public are entitled to request information from public authorities.

**Governance Policy & Compliance Statement** – the Governance Policy & Compliance Statement sets out the statutory framework under which the administering authority delegates statutory functions to committees, sub-committees or to officers.

**Greenhouse Gas (GHG)** – the atmospheric gases responsible for causing global warming and climate change. The major GHGs are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O)

**Impact investing** – investing to generate a positive measurable environmental or social impact in addition to earning competitive market returns.

**Investment Management Agreement (IMA)** – a legal document that gives an asset manager the authority to manage assets on the client's behalf

**Investment Strategy Statement (ISS)** – a key document of the Fund, which sets out the Fund's investment strategy.

**Key performance indicator (KPI)** – the Fund uses key performance indicators to measure performance of services.

**Local Authority** – an administrative body in local government. A local authority may act as an administering authority for its own pension fund and those of other local authorities

**Local Pension Board** – is responsible for assisting the administering authority in securing compliance with the LGPS regulations, overriding legislation and guidance from the Pensions Regulator.

**Low carbon economy** – is defined as the activities which generate products or services which themselves deliver low carbon outputs.

**Low carbon transition** – the process of moving from using both high carbon energy and low carbon energy to just using low carbon energy.

**Member** – unless preceded or followed by reference to the Committee or Local Pension Board, member refers to a member of the Wiltshire Pension Fund

**Net Zero** – net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. Net zero is reached when the amount added is no more than the amount taken away.

**Officers** – internal Wiltshire staff that manage the investment arrangements of the Fund and support and assist the Committee with their role.

**Paris Aligned Benchmark** – developed with Brunel, FTSE Russell's Paris-aligned benchmark series aims to achieve a 50% reduction in carbon emissions over a 10-year period and integrate forward-looking metrics and governance protections from the transition pathway initiative (TPI).

**Passive** – a passive investment is one which tracks a market-weighted index. Passive management is most common in equity markets and often used by pension funds to build a diversified portfolio with a long-term investment horizon.

**Pension Fund Committee (the "Committee")** – the body running the Wiltshire Pension Fund with delegated authority to exercise the functions of Wiltshire Council as administering authority under the Local Government Superannuation Acts and Regulations.

**Pooled** – an investment term which refers to the grouping together of investment holdings. This method of investing offers significant economies of scale and is well suited to investors sharing the investment objectives.

**Scheme Advisory Board** – the function of the LGPS Advisory Board (SAB) (E&W) is to provide advice to the Secretary of State on the desirability of making changes to the Scheme and provide advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme

**Scheme Manager** – the scheme manager is a term from the PSP Act 2013 responsible for managing or administering the scheme. For the LGPS, the Administering Authority is scheme manager; the difference is nomenclatures under different legislation.

**Segregated** – an investment term which refers to the segregation of investment holdings in an individual account (as opposed to pooled with a larger group). This is quite uncommon as individual requirements related to risk and investment objectives would need to be significant enough to justify additional costs.

**Strategic Asset Allocation (SAA)** – the mix of different types of assets held in order to generate the required investment return for an appropriate amount of risk.

**Sustainability** – investing in a way that incorporates ESG criteria and active ownership, to generate superior risk-adjusted returns.

**Task Force on Climate-related Financial Disclosures (TCFD)** - reporting on climate change risk, set out under the headings of governance, strategy, risk management and carbon metrics

**Weighted Average Carbon Intensity (WACI)** – a measure of a portfolio's carbon intensity, also referred to as the carbon footprint. The WACI generally measures scope 1 and 2 emissions.





Wiltshire  
Pension Fund

RESPONSIBLE  
INVESTMENT AND  
STEWARDSHIP  
**HIGHLIGHTS**  
**2021/2022**

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# WELCOME

Welcome to Wiltshire Pension Fund's **Responsible Investment and Stewardship Highlights of 2021/22**.

This report aims to share a bit about our **activities and outcomes** in this important area, and bring it to life with some **examples** of the types of thing we do, and why.

We also publish a much more detailed and comprehensive Stewardship report on our activities in this area, which is available on the website. This shorter report is designed to share some highlights, to make the information more accessible to a wider audience.

We hope you enjoy the report!

We currently  
manage over  
**£3bn**  
of assets

## WHAT IS RESPONSIBLE INVESTMENT?

Responsible investment is the strategy to incorporate ESG (environmental, social and governance) factors into investment decisions.

## WHAT IS STEWARDSHIP?

It is 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 (as defined by the Stewardship Code 2020).

## WHAT IS WILTSHIRE PENSION FUND TRYING TO DO?

ESG factors, including Climate Change, are important factors for the sustainability of investment returns over the long term. We need to **protect the Fund's assets**, so that we have enough money to **pay pension benefits** as they fall due, and to help keep our employers' contribution rates as **stable and affordable** as possible. That's why we consider these factors – we are always trying to earn **strong risk-adjusted returns**, and ESG factors play an important role in helping us to do that.

**ESG =**  
Environmental,  
Social and  
Governance

# WHO IS WILTSHIRE PENSION FUND, AS AN INVESTOR?

We are very **long-term** investors, with a **large and diversified** mix of assets. That's why we need to think about long-term issues when we are managing our investments – we will be here for a long time.

Our vision is set to focus the team on delivering **outcomes** for the employers and members of the pension fund. The vision is supported by 16 outcomes-focussed strategic vision goals. The goals broadly map to outcomes for employers, members, investments, and governance, however, across the team staff are encouraged to think about how their work maps to different goals.



Our vision is to deliver an outstanding service to our scheme employers and members

 <b>1</b> Stable and affordable contributions	 <b>2</b> Straight-forward administration	 <b>3</b> Clear service measures and responsibilities	 <b>4</b> Employers are advocates for the scheme
 <b>5</b> Correct pension, paid timely	 <b>6</b> Accurate, up-to-date records	 <b>7</b> Service administered effectively and cost-efficiently	 <b>8</b> Members understand their benefits
 <b>9</b> Safeguard the assets	 <b>10</b> Strong, risk-adjusted returns	 <b>11</b> Responsible ownership and stewardship	 <b>12</b> Positive impact
 <b>13</b> Robust processes, controls and risk management	 <b>14</b> Widely adopted self-service solutions	 <b>15</b> Transparency and information sharing	 <b>16</b> Compliance and best practice



# OUR CULTURE

In order to help us achieve our strategic goals, and deliver our vision, we need to adopt certain outlooks and ways of working. We aim to demonstrate the following values, and embed them firmly in our culture:

The infographic consists of seven colored boxes, each representing a core value. Each box contains an icon, a title, and a brief description. The values are: 1. Working Together as One Fund (blue box, icon of a medal with the number 1); 2. High Performing Teams (green box, icon of three people); 3. Data Driven Decisions (purple box, icon of server racks); 4. Efficiency Through Technology (grey box, icon of three cubes); 5. Long Term Thinking (dark blue box, icon of a target); 6. Clear Communications (dark grey box, icon of a speech bubble); 7. Smarter Working (yellow-green box, icon of two interlocking gears).

As part of a review of the Business Plan in March 2021, the Committee and Pension Fund team adopted the vision, goals, and values as set out above. The value “**Long Term Thinking**” runs through everything we do. As a long-term investor, we are able to participate in stewardship activities which can add value to the Fund’s investments over the long term.

The strategic goal 11, “**Responsible Ownership and Stewardship**”, is particularly relevant to stewardship activities. The goal focusses on ensuring that our responsible investment and stewardship activities are in line with best practice (which also contributes to strategic goal 16, “**Compliance and Best Practice**”), and that these activities are a central part of delivering an outstanding service to our scheme employers and members.

For these different groups this may mean different things:

- **Employers** will be best served by the delivery of long-term positive investment returns, which will help keep their contribution rates affordable (strategic goal 1, “**Stable and Affordable Contributions**”, is targeting this outcome), and stewardship activities can help preserve capital and enhance value.
- **Members** may be concerned about how the funds held to pay their pensions are invested, and goal 15, “**Transparency and Information Sharing**” contributes to this outcome. Stewardship has a role to play here in the information that is shared with members – for example, the Fund publishes its engagement and voting records online.

# OUR RESPONSIBLE INVESTMENT ACTIVITIES

To help us understand the broader framework, in 2021/22 we developed a Responsible Investment Plan, which we will update annually. As part of this plan, we set out a **roadmap of actions** for the year. Our plan for 2021/22 is below – we are pleased to say that **we have completed** all actions set out in the roadmap:

**Q2**  
2021

## INVESTMENTS AND STRATEGY

- Decision on allocating to sustainable equities

## REPORTING AND DISCLOSURE

- Task Force on Climate-related Financial Disclosures (TCFD) reporting

## TRAINING AND ENGAGEMENT

- Training on impact investing and affordable housing

**Q3**  
2021

## INVESTMENTS AND STRATEGY

- Proposals for protection assets
- Develop and publish Responsible Investment Policy, including climate statement and action plan

## REPORTING AND DISCLOSURE

- Develop plan for Stewardship Code reporting

**Q4**  
2021

## INVESTMENTS AND STRATEGY

- Begin work to implement proposals for protection assets
- Begin reviewing potential work on other asset classes with respect to climate change and sustainability

## REPORTING AND DISCLOSURE

- Sign up to wider initiatives

## TRAINING AND ENGAGEMENT

- Hold membership webinars and develop the information shared on the Fund's website

**Q1**  
2022

## INVESTMENTS AND STRATEGY

- Update Investment Strategy Statement

## REPORTING AND DISCLOSURE

- Develop plans for reporting the year's progress in the Annual Report

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# CLIMATE RISK

One of the most important ESG factors to consider is **climate risk**.

One of the Fund's investment beliefs is as follows:

“ **In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of well below 2°C, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050** ”

## OUR GOAL

To protect the investments from climate change risk, and safeguard the financial future of the Fund

In March 2021, the Committee made a decision to set a **net zero by 2050** goal for the investment portfolios. A lot of the work we did in 2021/22 took this forward, setting some more detailed targets:



We commit to a whole Fund carbon reduction target of **50% by 2030**



We commit to a listed equities carbon reduction target of **43% by 2025** and **69% by 2030**



We commit to allocating **30% of the Fund to sustainable/low carbon green assets by 2025** and **35% by 2030** (as measured by the long-term strategic asset allocation).



We will expand specific net zero target setting and monitoring of metrics for other asset classes over 2022, starting with property and infrastructure.

All of our climate risk work is based on **scenario modelling**, which enables us to put numbers around the risk, and make decisions based on what is the **best financial outcome** for the Fund.

We will carry on our work in this area – some actions we will take in 2022/23 are as follow:

- **Monitor progress** against our decarbonisation targets
- Review and set detailed targets for more asset classes, starting with **infrastructure and property**
- Implement our **renewable infrastructure** portfolio
- **Work with our partner funds** as part of the Brunel pool (our investment pooling company) to complete a **climate stock take**

## CURRENT “GREEN” ASSETS

**22%** of our long-term allocation

**THE CARBON FOOTPRINT OF OUR LISTED EQUITIES: 16% lower**

than the benchmark index as at 31 Dec 2020

# CLIMATE CASE STUDIES

## PARIS-ALIGNED PASSIVE PORTFOLIO

We **collaborated** with the Brunel pool and the other member funds to create a new **Paris-aligned benchmark**, which is **forward-looking**, and delivers a lot more than simply focussing on a company's emissions today. We invested **£600m** in a portfolio tracking this benchmark, which will help to achieve our net zero by 2050 goal, and helps the Fund to **protect the investments** from risks of exposure to stranded assets, whilst also taking advantage of **transition opportunities** via the companies which will be more heavily weighted in this portfolio.



Wiltshire Pension Fund Investment team attend market open launch event of Paris-aligned benchmarks at the London Stock exchange, 2 November 2021.

## SUSTAINABLE EQUITIES

One of the key findings from our climate scenario modelling work was that the Fund could see a **material financial benefit** from setting an allocation to sustainable equities. The modelling work looked at the risks to our investments from climate change, but also **identified opportunities** for the Fund, and this was one of them. We have now allocated half of the Fund's active equity exposure to a sustainable equities portfolio managed by Brunel, our pooling company, a value of around **£300m**.

The managers in this portfolio focus on **positive inclusion**. Some of the managers have a broad sustainability strategy. Another manager is thematic, operating a global climate and environment strategy, which focuses on things like resource efficiency, environmental protection and alternative energy, targeting companies who still have a lot to gain from transitioning to a more sustainable model. The managers also generate value through the way they work with the companies they invest in, with a **strong focus on engagement** activities. This portfolio's goal is to earn **superior risk-adjusted returns** for the Pension Fund.

## RENEWABLE INFRASTRUCTURE

During 2021, we undertook a review of our protection assets allocation, to ensure that the Fund was delivering this part of the strategy in the most effective way. This allocation is aiming to deliver **lower-risk, mainly sterling, income-based returns, with a link to inflation**. This helps provide some protection as the Fund's liabilities are strongly affected by inflation, as that is how future pension payments will be increased.

Following a review with the Fund's investment consultants and advisers, we identified that **renewable infrastructure** would be an area where we should seek to make a specific allocation. This also fitted in with the climate scenario modelling work which we commissioned during 2020 – the results of this indicated that there was an **opportunity for the Fund to benefit financially** by allocating to renewable infrastructure (compared to general infrastructure).

We have now made a **strategic allocation of 5%** of the Fund to renewable infrastructure, and will be implementing this during 2022/23.

# IMPACT INVESTING

## WHAT IS IMPACT INVESTING?

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return (as defined by the Global Impact Investing Network).

## WHY IS THIS RELEVANT FOR WILTSHIRE PENSION FUND?

It's important to note that any impact investment made by Wiltshire Pension Fund will not sacrifice any financial return – positive impact is in addition to this, not at the expense of it.

Looking at the impact of our investments can be very helpful in identifying **new investment opportunities**, and helps to identify ways that we can **reduce our exposure to risks**.

### ONE OF THE FUND'S INVESTMENT BELIEFS IS AS FOLLOWS:

Investing with a positive social and environmental impact is an increasingly important issue for investors, and can be achieved alongside competitive market returns. Investing with impact can also help incorporate risk and return drivers which would otherwise not be considered. The Fund wishes to invest in a way that minimises negative impacts on society and the environment and, where possible, makes a positive contribution.

An example of trying to avoid negative impact is demonstrated by our support for a **Just Transition**. A “just transition” means not transitioning to a low carbon economy at any cost, but doing so whilst also ensuring that this is done in a **socially responsible** way. The Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science have put together a comprehensive guide as to what this means for investors, and what action can be taken. The Fund has signed a statement of support and uses the guide to help embed this goal within the Fund's policies and help hold our asset managers to account.

5%  
of the fund

## IMPACT CASE STUDY

### AFFORDABLE HOUSING

During the year we carried out a review of our protection assets, as described on page 9. As part of this review, we decided to make a strategic allocation of **5%** of the Fund to **impact affordable housing**.

Investing in affordable housing is a really good match for our return requirements – the rental increases are **linked to inflation**, and tenants sign leases for long periods of time (for example, in supported living, or shared ownership models). There is a **real need** for this kind of housing – demand massively outstrips supply, and over recent years many areas across the UK have become unaffordable, with the ratio of house prices to median incomes increasing to levels where most people cannot afford home ownership.

For this portfolio, the **positive social impacts** are completely integral to the investment case. We will be measuring the financial performance of this portfolio, and a set of impact measures as well. There may also be opportunities for local (Wiltshire-based) investments.



The Fugglestone development in Salisbury, which is held in the Fund's impact affordable housing portfolio

POSITIVE  
SOCIAL  
IMPACT

INFLATION-LINKED  
returns

Page 207

OPPORTUNITY  
for local investment

# ENGAGEMENT WITH OUR SCHEME EMPLOYERS AND MEMBERS



**15**

Transparency and information sharing

As part of our Responsible Investment Policy, we have plans in place to ensure that we are communicating with our employers and members. This helps work towards our strategic goal 15 “Transparency and Information Sharing”.

We care what our employers and members think, and have surveyed both groups. As a result, when we reviewed our Responsible Investment Policy in September 2021, we adopted the following investment belief:

**We seek to invest in a way that, where possible, aligns the interests of the Fund with those of the contributing employers and the Fund membership.**

We listened to our employers and have set up an **EMPLOYER STRATEGIC FOCUS GROUP**

Last year we published a **CLIMATE FACTSHEET** to let our members know how we are dealing with this risk –

**OVER 7000** members read it

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**86%**

of our members answered yes or maybe to the question “is it important to you for the Fund to invest in sustainable and/or low carbon assets?”

**OVER HALF** our employers said it was important to them that the Fund’s investment strategy reflected the wider goals of the employing organisations



# WORKING WITH OTHERS

One of the Fund's investment beliefs is as follows:

**Stewardship and engagement are generally more effective tools than divestment in encouraging changes that will help safeguard the Fund's investments. The Fund values the benefits of working with other investors to strengthen these activities and achieve better outcomes.**

**We collaborate** in lots of different ways – the number one way being with our partner funds as part of the **Brunel pool**. Brunel is our pooling company, and was set up in line with Government requirements, with a goal to use economies of scale to save on investment manager fees. We are also members of a number of **wider initiatives**, which you can read more about on our website:

<https://www.wiltshirepensionfund.org.uk/partners>

## CASE STUDY

### USING OUR INITIATIVES

The Fund publicly supports the Transition Pathway Initiative (TPI), a global asset-owner led initiative, which assesses companies' preparedness for the transition to a low carbon economy. The TPI tool assesses companies to measure what strategies the management have put in place, as well as what the companies' actual carbon reduction trajectories look like. These scores help investors assess risks.

The Investment team have used the tool to investigate and analyse holdings held within the Fund's listed market equity portfolio. For example, the tool provided an assessment of an a company with high emissions, compared to its own sector and against other sectors. This information allowed the team to question the investment manager's rationale for investing in this company, and gain reassurance and understanding of the investment case despite the relatively high GHG emissions.



**Transition  
Pathway  
Initiative**

# VOTING AND ENGAGEMENT ACTIVITIES

We believe that exercising our **voting rights** on our shareholdings is an integral part of the responsible investment and stewardship process. **Brunel** have appointed **Federated Hermes EOS** as their voting and engagement partner. We are also members of the **Local Authority Pension Fund Forum** (LAPFF), which carries out engagement activities on behalf of the local authority pension funds, and **Climate Action 100+**, which undertakes engagement work with targeted companies.

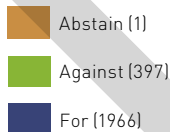
We publish our voting and engagement records online, for full transparency:

<https://www.wiltshirepensionfund.org.uk/Stewardship>

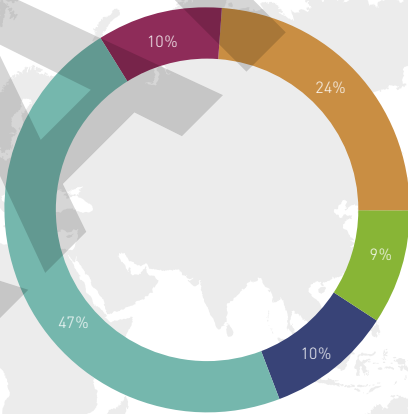
Voting and engagement is a large-scale activity.

During 2021, Federated Hermes EOS voted on **2,364 resolutions** at **167 meetings** on our behalf.

## RESOLUTIONS



## MEETING VOTING BY GEOGRAPHY



In general, we would want to be **supportive of management**, as demonstrated by this pattern of voting. We also only abstained on a single vote (which was cancelled due to a technicality), so we have upheld our goal to **exercise our voting rights** whenever possible.

## ENGAGEMENT CASE STUDY

**Company:** Fujifilm  
**Engagement partner/  
provider:** EOS  
**Engagement method:**  
**Ongoing meetings**  
**Subject/issue:** Artificial  
Intelligence (AI) and  
data governance  
**Date:** Q2 2021



Fujifilm; healthcare, materials and imaging business fields

**ACTIVITY:** EOS first discussed the importance of the responsible use of artificial intelligence (AI) and data governance in December 2019. EOS highlighted its particular relevance to the company's imaging and healthcare businesses including medical systems, highlighting regulatory frameworks and shared investor expectations on data governance.

**OUTCOME:** Fujifilm had completed extensive work on this and understanding risks; EOS encouraged documentation and to publish a policy which addressed risks such as bias, lack of fairness and discrimination and the importance of monitoring the use of AI. The policy also discusses how the company handles personal information and how it will ensure transparency and accountability, as well as committing to providing training to relevant staff. When EOS met Fujifilm again in Q2 2021 the company expressed thanks for EOS's suggestions.

## WOULD YOU LIKE TO FIND OUT MORE?

Please follow the links below to learn about what we do in more detail:

The full-length [Stewardship Policy and Outcomes Report 2022](#)

[Our investment webpages](#)

[Climate factsheet](#)  57KB

[Responsible Investment Policy and Plan](#)

[Our Annual Report and Accounts](#)

[Reporting in line with the Task-force on Climate Related Financial Disclosures \(TCFD\)](#)

[Our engagement and voting records](#)

[The results of our member survey](#)  237KB

[The results of our employer survey](#)  285KB



### **Introduction**

1. Responsible investment is the strategy to incorporate ESG (environmental, social and governance) factors into investment decisions. The Fund's position regarding ESG issues is set out in the ISS (Investment Strategy Statement) as follows:

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.

2. The Pension Fund's investment objectives are to achieve sufficient investment returns such that there are funds available to pay the pensions as they fall due, and to meet the liabilities over the long term whilst maintaining stable employer contribution rates.
3. Therefore, consideration of all factors (including ESG factors) which could affect the investment returns is a fundamental part of managing the investments. Responsible investment practices can both help mitigate risks and also enhance returns.
4. This Responsible Investment Plan 2022/23 sets out where the Fund is now, what has been done so far, and plans for developing the Fund's approach to responsible investment issues over the coming year.

### **Fiduciary Duty**

5. The UNPRI (UN Principles for Responsible Investment) discusses a modern interpretation of fiduciary duty at the following link: <https://www.unpri.org/fiduciary-duty/the-modern-interpretation-of-fiduciary-duty/6538.article>
6. A quote from the link above states that "The integration of ESG issues into investment practice and decision making is an increasingly standard part of the regulatory and legal requirements for institutional investors, along with requirements to consider the sustainability-related preferences of their clients and beneficiaries, and to report on how these obligations have been implemented. Investors that fail to incorporate ESG issues are failing their fiduciary duties and are increasingly likely to be subject to legal challenge."

### **Wiltshire Pension Fund as an investor**

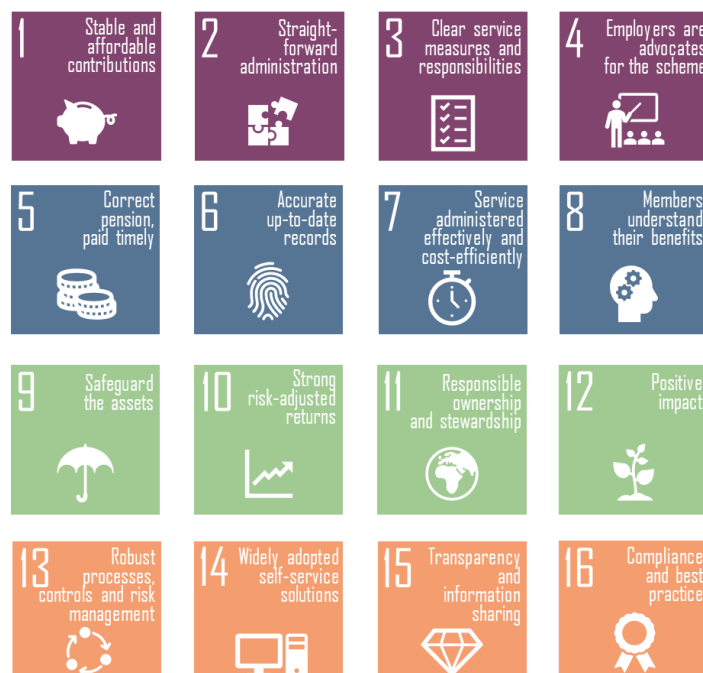
7. As the Fund is open to new members, who will not be retiring for many years into the future, the Fund has a very **long-term investment horizon**. The Fund therefore needs to consider long-term sustainability issues, and the importance of engagement with companies in which it is invested, in order to safeguard the investments into the future.
8. The Fund is a **large, diversified investor**, with exposure to the global economy. The Fund therefore needs to invest in a way that contributes to the success of the global economy and society as a whole, as this will have a positive financial impact on the Fund's investments.
9. One of the Fund's investment beliefs, as set out in the ISS, is that **"Investing over the long term provides opportunities to improve returns"**.

### **Business plan and risk register**

10. As part of approving the Business Plan for 2022/23, the Fund has adopted a new vision:

**Our vision is to deliver an outstanding service to our scheme employers and members**

11. The vision is set to focus the team on delivering **outcomes** for the employers and members of the pension fund. The fund will measure success against the vision by monitoring our progress against various service related KPIs, targets, and actions.
12. The vision is supported by **16 strategic vision goals**, which are focussed on **outcomes**. The goals broadly map to outcomes for employers, members, investments, and governance. However, staff are encouraged to think about how their work maps to different goals.



13. In order to achieve the strategic goals, and deliver the vision, it is necessary to adopt certain outlooks and ways of working. The Fund aims to demonstrate the following values, and embed them firmly in the culture:



14. The value “Long Term Thinking” runs through everything the Fund does. The Fund is a long-term investor, and so is able to participate in responsible investment activities which can add value to the Fund’s investments over the long term.

15. The strategic goal 11, “Responsible Ownership and Stewardship”, is particularly relevant to stewardship **activities**. The goal focusses on ensuring that the Fund’s responsible investment and stewardship activities are in line with best practice (which also contributes to strategic goal 16, “Compliance and Best Practice”), and that these activities are a central part of delivering an outstanding service to the scheme employers and members. For these different groups this may mean different things:

- **Employers** will be best served by the delivery of long-term positive investment returns, which will help keep their contribution rates affordable (strategic goal 1, “Stable and Affordable Contributions”, is targeting this outcome), and responsible investment activities can help preserve capital and enhance value.
- **Members** may be concerned about how the funds held to pay their pensions are invested, and goal 15, “Transparency and Information Sharing” contributes to this outcome. Responsible Investment has a role to play here in the information that is shared with members – the Fund publishes its engagement and voting records online, has conducted surveys of both the member and employer groups, and publishes key strategic decisions and news in this area.



16. The Fund’s Business Plan contains several actions related to responsible investment for 2022/23:

- i. Completing a full review of the Strategic Asset Allocation – this triennial piece of work will ensure that the Fund’s investment strategy is set to deliver sustainable long-term returns for the Fund into the future.
- ii. Becoming signatories of the Stewardship Code 2020 – the Fund will make a first submission in April 2022, and if unsuccessful will refine the approach and make a further submission in October 2022.
- iii. Implementation of the impact affordable housing and renewable infrastructure portfolios.

- iv. Participating in the Brunel climate stocktake, which will help inform the direction of travel for the partnership in this area.
  - v. Collaborating with legacy managers and the Brunel pool to ensure that portfolios are fit for purpose, can be aligned to our broader climate objectives, and that data provision is adequate to allow for a meaningful assessment of progress against targets.
17. Climate change risk is included in the Pension Fund's risk register (risk PEN041) as a "Medium" priority risk. 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, 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. It has been possible to downgrade this from a "High" priority risk due to the extensive work done over the last year to quantify and mitigate this risk.

### ***What has been done to date***

18. The Fund has historically demonstrated a strong approach to responsible investment. The following actions are a summary of work done by the Committee and officers over 2021/22, and build on the strong foundations laid over past years.

### **Investments and strategy**

- i. **Sustainable Equities** – the climate scenario modelling which the Fund commissioned in 2020 indicated that the Fund could see a material financial benefit from allocating to sustainable active equities (compared to global active equities). Following a training session, the Committee made the decision to allocate half of the Fund's active equity exposure to a portfolio of sustainable equities managed by Brunel. The transition (of around £300m) was completed in September 2021.
- ii. **Paris-aligned passive equities** – the Fund collaborated with other partner funds and the Brunel pool to develop a Paris-aligned benchmark, and transitioned all passive equity exposure to a passive portfolio which tracks this benchmark in November 2021. This benchmark is more sophisticated – the previous low carbon benchmark weighted companies according to their carbon intensity (lower carbon intensity = higher weighting), but the Paris-aligned benchmark also uses several metrics to analyse companies' ability to transition to a low carbon economy, so is more forward-looking.
- iii. **Protection assets** – the Committee commissioned a review of the protection assets, in order to ensure that this allocation was being delivered as effectively as possible. Following this review the Committee made strategic allocations of 5% each to impact affordable housing and renewable infrastructure.
- iv. **Setting interim decarbonisation targets and a climate action plan** – following on from the modelling work, in September 2021 the Committee debated options and decided to adopt a "transition leaders" decarbonisation curve, in order to take advantage of opportunities to reduce emissions which are present in high-emitting existing portfolios, and set interim targets and a climate action plan.
- v. **Responsible Investment Policy** – the Committee approved the Fund's first Responsible Investment Policy, which contains the climate action plans mentioned above, and was published in September 2021.

### **Reporting and disclosure**

- vi. **TCFD (Task Force on Climate Related Financial Disclosures) reporting** – the Fund's first report in line with the TCFD recommendations was published in July 2021, both as a separate report and included within the Fund's Annual Report 2020/21.



- vii. **Developing plans to report in line with the Stewardship Code 2020** – the Committee has shown support of the updated Stewardship Code (the Fund was a signatory of the previous code). During the year a gap analysis exercise was carried out on the Fund’s existing reporting compared to the requirements of the 2020 Code. A plan has been developed and the Fund will be making a first submission to become a signatory of the 2020 Code in April 2022.
- viii. **Wider initiatives** – as part of the Responsible Investment Plan for 2021/22, the Committee approved that the Fund should sign up to various initiatives to gain support in this area and benefit from working with other investors. This was completed during the year – the Fund is now a member of the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+, and has signed a statement of support for a Just Transition. In addition to this the Fund was already a member of the Local Authority Pension Fund Forum (LAPFF) and a supporter of the Transition Pathway Initiative (TPI). Effectiveness of these memberships is described later in this Plan.
- ix. **Annual Report 2021/22** – officers have developed plans for reporting progress in the 2021/22 annual report, which will include more stakeholder information this year.

### **Training and engagement**

- x. **Dedication to Committee training** – the Committee has engaged with several training sessions on responsible investment in general, including a re-run of the climate scenario modelling training, for the benefit of newer Committee members, impact investing, affordable housing, sustainable equities and Paris-aligned benchmarks.
- xi. **Strong programme of scheme employer and membership engagement** – the Fund’s investment webpages have been fully redesigned to include a wealth of information on what the Fund invests in and why. The scheme employers were surveyed during the year on strategic issues, and as a result a new Employer Strategic Focus Group has been set up. A series of factsheets were distributed to members, including information on investments, as part of Pension Awareness Week, in September 2021. The Fund published a 1-page climate factsheet in the run up to COP26, the UN’s climate conference, which was read by over 7,000 members.

### **Where the Fund needs to be**

19. There is no one framework for best practice regarding responsible investment in the LGPS. Each fund needs to decide the best approach individually, whilst operating in line with their fiduciary duty, and taking appropriate professional advice.
20. In order to ensure that all relevant risks are considered and acted upon, the Fund needs to integrate responsible investment issues across the whole investment process:
  - i. **Investment Strategy Statement** – regularly kept under review, and now expanded to include the dedicated Responsible Investment Policy. This will be reviewed as part of the full review of the Strategic Asset Allocation during 2022;
  - ii. **Strategic Asset Allocation** – see comments below;
  - iii. **Monitoring of managers and the pooling company** – ESG issues are a standing item in manager meetings and reporting. More detail on Brunel’s role is below;
  - iv. **Stewardship and engagement work** – more detail on Brunel’s role below, and the Fund’s approach to engaging with wider initiatives;
  - v. **Internal reporting and accountability** – responsible investment is a standing item at quarterly Committee meetings;
  - vi. **Reporting externally** – the Fund includes information in the Annual Report, TCFD reporting and Stewardship Code reporting;

**vii. Stakeholder engagement** – the Fund includes a plan on scheme membership engagement as part of the ISS, and more detail on this topic is included below.

21. The Fund needs to continue to refine the Strategic Asset Allocation to reflect the results of the climate change scenario modelling, in order to ensure the best possible financial returns for the Pension Fund's investments, and to mitigate risks. This will involve a review of all asset classes to ensure that climate risk and sustainability are being fully considered. As described above significant work has been done here, with the sustainable equities and Paris-aligned passive equities transitions. There is also a new allocation to renewable infrastructure which is in the process of being implemented.
22. The next asset classes which the Fund will need to review are property and infrastructure, but all asset classes will be reviewed during the full review of the SAA which will take place during 2022.
23. The Fund will also review the Responsible Investment Policy annually, with a first review targeted for September 2022.

### **Stewardship**

24. Stewardship is defined by the PRI as “The use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend”. The Stewardship Code 2020 defines it 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”.
25. The Fund was a signatory to the original Stewardship Code, which was introduced in 2010 by the Financial Reporting Council (FRC). The FRC has now published a revised 2020 Code, to which the Fund plans to become a signatory. The 2020 Code is ambitious and has a focus on outcomes, not just policy statements. The Fund will make a first submission to become a signatory in April 2022.
26. Voting and engagement activities on the Fund's equities portfolios are carried out through the Brunel pool. 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.
27. 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. For full transparency, the Fund publishes its voting and engagement activities on its website on a quarterly basis.

### **Consideration of the UN Sustainable Development Goals (UN SDGs)**

28. The Fund has considered the UN SDGs through an investment lens. Although the SDGs are targeting broad economic goals and have not been specifically developed as an investment framework, as a large and diversified investor the Fund has exposure to the global economy, and the intended outcomes of the SDGs would benefit the Fund's investments and the sustainability of investment returns into the future. The exercise of considering the SDGs also assisted the Fund in focussing on relevant investment risks and opportunities. As a result of this analysis, the Fund sees the strongest investment

case for supporting the following SDGs, and will prioritise these areas when discussing engagement activity, investment opportunities and risk mitigation with investment managers:

- i. Climate [SDGs 13 Climate Action & 7 Affordable and Clean Energy]
- ii. Economic growth [SDGs 8 Decent Work and Economic Growth & 9 Industry Innovation and Infrastructure]
- iii. Education [SDG 4 Quality Education]

## SUSTAINABLE DEVELOPMENT GOALS



### **Wider Initiatives**

29. The following is a list of organisations and/or initiatives which the Fund supports.

- i. **The Brunel pool** – the Fund is a shareholder and client of the Brunel Pension Partnership. The Fund is able to be involved in setting portfolio specifications, approving manager selection, and monitoring ongoing performance of portfolios. Responsible investment is completely embedded and considered at each of these stages of the process. The Fund also engages through the client group, the responsible investment sub-group, and ad hoc communications from Brunel on responsible engagement initiatives, for example engagement and voting matters.
- ii. **LAPFF (Local Authorities Pension Fund Forum)** - The Fund is also a member of the 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>
- iii. **TPI (Transition Pathway Initiative)** – The Fund publicly supports TPI, which is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The TPI tool assesses progress against companies and sectors to measure the level management quality and carbon

performance, to aid in risk assessment. More information can be found here: <https://www.transitionpathwayinitiative.org/>

- iv. **PRI (UN supported Principles for Responsible Investment)** - the Fund supports Brunel as a signatory to the PRI. Asset managers and asset owners who are signatories to PRI support the six Principles for Responsible Investment, which are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. More information can be found here: <https://www.unpri.org/>. At the current time the PRI are reviewing their policies to determine whether Funds can sign up in their own right if their pool has already signed up. It is hoped that some clarity will be obtained around this and the Fund can proceed with signing up, as was agreed in the 2021/22 Plan.
- v. **IIGCC (Institutional Investors Group on Climate Change)** – The IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 330 members, mainly pension funds and asset managers, across 22 countries, with over €39 trillion in assets under management. Through IIGCC, the Fund has made a PAII (Paris Aligned Investment Initiative) net zero commitment. The PAII goes beyond simply making commitments and supports investors to achieve their goals. The Fund has also been using the IIGCC net zero framework. This valuable tool helps to define a path to net zero across various asset classes. The IIGCC also offers webinars and working groups, so investors can learn about specific areas, for example what net zero means in different asset classes. More information can be found here: <https://www.iigcc.org/>
- vi. **Climate Action 100** – this is an investor-led initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change. Through membership the Fund is able to access information on key engagement companies and their progress towards achieving net zero. This information is used when working with the Fund’s investment managers to understand the investment case for the company. Through membership the Fund can also request that investment managers join the engagement initiative to align their goals with that of the Fund. More information is available here: <https://www.climateaction100.org/>
- vii. **Just Transition** – a just transition means not transitioning to a low carbon economy at any cost, but doing so whilst also ensuring that this is done in a socially responsible way. The Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science have put together a comprehensive guide as to what this means for investors, and what action can be taken. The Fund has signed a statement of support, and uses the guide to help embed this goal within the Fund’s policies, and help hold the investment managers to account. More information is available at the following link: <https://www.lse.ac.uk/granthaminstitute/investing-in-a-just-transition-global-project/>

## Responsible Investment Road Map

### Q2 2022 -

**Investments and strategy:** Progress the next stage of the Mercer work on climate, to look at bottom-up and engagement targets. Implement the first stage of the renewable infrastructure portfolio.

**Reporting and disclosure:** Expand our portfolio coverage in terms of carbon metrics, and develop our TCFD reporting.

**Training and engagement:** Publish the 2020 Stewardship Code submission and mini-magazine version. Training on strategic asset allocation for Committee members.

### Q3 2022 -

**Investments and strategy:** Complete the strategic asset allocation (SAA) review, embedding sustainability and climate considerations. Review the climate modelling findings from the actuarial valuation 2022.

**Reporting and disclosure:** Monitor and report progress against the interim decarbonisation targets. Develop impact metrics reporting for the affordable housing portfolio.

### Q4 2022 -

**Investments and strategy:** participate in the Brunel climate stocktake and input into shaping policy and direction of travel. Review the RI Policy.

**Reporting and disclosure:** establish decarbonisation targets for property and infrastructure, and develop plans for other asset classes.

**Training and engagement:** expand the stewardship and voting information on the website

### Q1 2023 -

**Investments and strategy:** update Investment Strategy Statement . Complete implementation of the affordable housing and renewable infrastructure portfolios.

**Training and engagement:** investigate use of a tool to enhance holdings transparency for stakeholders. Investigate the topics of biodiversity, and reporting against the Taskforce on Nature-related Financial Disclosures (TNFD).

## **Resourcing**

30. Work done on responsible investment issues is largely resourced by officer time. A huge amount of responsible investment work is carried out by the Brunel pool, which has a dedicated team of staff who are widely regarded as being market leading. This resource is a real benefit of pooling, as the Fund would be unable to carry out this level of work independently.
31. Clients engage with Brunel on responsible investment issues regularly – one of the ways this takes place is through the responsible investment sub-group, which Wiltshire officers regularly attend. This group learns about engagement case studies, helps to develop reporting, and sets the responsible investment agenda at the pool in line with client needs.
32. Through the Brunel pool and a wider network of contacts, officers regularly share responsible investment knowledge, ideas, progress, updates etc. with other LGPS funds.
33. The Scheme Advisory Board has recently launched a website resource on responsible investment, which is being further developed over time to add relevant case studies. This is available via the following link: <https://ri.lgpsboard.org/items>
34. The Fund's investment adviser, Mercer, have allocated a specialist responsible investment adviser to work with the Fund. This continuity of specialism will benefit the Fund as the approach is further developed.
35. The Fund has access to information through the various initiatives it has signed up to, including reading materials, relevant data, and access to training.
36. Training is available for Committee members and officers, including but not limited to conferences, Brunel investor days, and internal training days.

## ***Scheme employer and membership engagement plan***

37. The Pension Fund considers that transparency on its actions, particularly with regard to responsible investment issues, is important, and engagement with the scheme employers and membership is a key part of this. The way in which the Fund will engage with employers and members (and why) is set out in the Responsible Investment Policy. The planned engagements for 2022/23 are set out below:

### **Responsible investment employer and membership engagement plan for Wiltshire Pension Fund:**

- Continue to develop and expand upon the information published in the annual report;
- Carry out further work to develop the stewardship area of the website, enhancing the information provided on voting and engagement records with more analysis and value-add information;
- Publish a mini-magazine version of both the 2020 Stewardship Code reporting, and the Annual Report, in order to make this information more accessible for a non-technical audience;
- Design a short video for Pension Awareness Week 2022 to engage with the membership and build their understanding and awareness of their pension benefits;
- Consult with employer organisations on revisions to the ISS;
- Communicate major responsible investment related decisions via press releases and member and employer newsletters;
- Consider further options for engagement with the scheme membership.

## Wiltshire Council

### Wiltshire Pension Fund Committee

5 April 2022

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#### Pensioner Payroll Database Reconciliation Project Update

##### Purpose of the Report

1. The purpose of this report is to provide for the Committee's consideration, a further update on the detailed, and ongoing reconciliation project between the pension administration system (Altair) and pensioner payroll system (SAP).
2. The Committee is also asked to approve the recommendation in relation to cases with differences of under £5 per month.
3. The Committee is also asked to note the revised plan for implementing an integrated pensioner payroll system.

##### Background

4. This paper provides an update on the progress of this ongoing project.

##### Current situation

5. The current situation of the rectification project is as follows, for the cases in scope:

<b>Membership type</b>	<b>Stage 1:</b> GMP reconciliation with HMRC records	<b>Stage 2:</b> Altair consistency between initial and current pension values	<b>Stage 3:</b> Cross comparison between Altair/SAP at an initial individual record level review	<b>Stage 4:</b> Peer review.
Pensioners with a state pension age before 2016	Complete	<25 cases remain	70	390 cases outstanding
All other pensioners	Complete	Complete	34 cases outstanding	44 cases outstanding
Dependants	Complete	69 cases outstanding	60 cases outstanding	Not started yet
<b>Totals</b>	Complete	c94 cases	c164 cases	c434 cases

6. The following notes provide some additional context to the numbers stated above:

a) Only cases where the initial analysis suggested a payment discrepancy of £5 per month or more are currently in scope. A recommended approach for the under £5 cases is outlined in paragraph 8.

b) Scheme members are given around 2 months notification of any change to their payment amounts (with some exceptions for very small differences) to allow the member time to manage their financial circumstances and in line with national guidelines, therefore there is a delay between completing a case and the payment amounts being changed. Furthermore, stage 4 just covers cases which have not been peer reviewed yet For the purpose of that able in paragraph 5, partial completions are treated as completions.

c) For cases where SAP is correct and Altair is incorrect, these are being prioritised behind those cases where SAP is incorrect, with the largest differences being dealt with first for all SAP payment issues. Some of the cases at stage 4 have a final conclusion that the current payment was correct.

d) Officers have received a small number of Internal Dispute Resolution Procedures (IDRPs) so far in relation to this exercise, but below initial expectations.

### **Main Considerations**

#### **Rectification project (in scope)**

7. Officers have continued to take a highly cautious approach to going through cases to try to limit the chance of errors being made as part of this review; in many cases, there is a large amount of information to review and consider to reach a final view point and hence the timeframes for the completion of this project have become relatively long and difficult to predict. It is possible that corrections could continue into late 2022, and an undetermined additional length of time for the cases under £5pm, depending on the approach taken. A proposal to outsource part of this work is included as part of the Business Plan and Budget for 2022/23.
8. There are currently two members of staff working on stage 4 cases on a part-time capacity (around 1.6 FTE in total) although two other members of staff are supporting where possible. It is also estimated that there is another 2 FTE of staff being spend on completing stage 2 and stage 3 cases and in overall management of this project.
9. In addition to the completion of this project, officers are also currently implementing ways to align the set up of records across both Altair and SAP to facilitate greater ease of reconciliations, improved controls, improved PI processes and identification of issues. This work will be beneficial as preparation for an integrated payroll system as well as for the movement to the SAP replacement system.

#### **Rectification project (initially out of scope)**

10. In relation to the under £5 per month cases, which were initially out of scope, the potential work involved in investigating each case would be similar to those of the



over £5 per month cases. However, the cost of the administration involved in correcting the cases becomes increasingly material relative to the size of the discrepancy as the discrepancy decreases. Therefore officers propose taking an approach of not reviewing these categories of discrepancies in the same depth and applying and, where appropriate, an approach of equalising the two systems on mass in such a way that the member is not disadvantaged.

Integrated Pensioner payroll implementation

11. Officers now intend to move across to an integrated pensioner payroll system in two stages, with the first stage (new pensioners only) occurring later in 2022 and the second stage (all other pensioners) occurring in late 2023 or early 2024. This will deliver the solution already approved by Committee but in a different way to what was originally envisaged. The risks identified in relation to this revised implementation plan are outlined below:

<b>Risk</b>	<b>Mitigation</b>
a). The Fund has insufficient expertise in the short-term to project manage the implementation of the integrated solution.	Whilst the Fund has in-house project management resource available to deliver this project, it has also identified and spoken with various consultancy firms and agencies which have confirmed they can provide us with specialist project management support as needed.
b). The Fund is unable to fill the required new permanent job role(s) in a timely manner (causing the project to overrun)	Some of the same consultancy firms as above have also confirmed they can support as with operational staff on a short-term basis to enable flexibility to appoint the correct additional staff and bring existing staff up to speed.
c). The software provider is unable to deliver the project in a timely manner	Officers have already spoken with the software provider and we are confident they can work within our desired timescales.
d). The Fund encounters material (unexpected) issues which result in the project being postponed until after the Evolve programme is completed.	As already informally agreed with the Evolve programme lead, the Evolve programme should continue to deliver the project with Pensioner Payroll fully in scope and therefore in the worse-case scenario of material issues being encountered and not overcome, the Fund as a contingency option in place to abandon this project and migrate the process for new pensioners on to Oracle as well as existing pensioners.

**Environmental Impact**

12. There is no environmental impact from this report.

## **Financial Considerations**

13. There are no financial considerations related to this update paper.

## **Risk Assessment**

14. There are no new risks related to this paper.

## **Legal Implications**

15. There are no new legal implications related to this paper.

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

16. There are no implications at this time.

## **Proposals**

17. Officers ask the Committee to consider the information held within this paper to provide any comments or recommendations that it may have.

18. The Committee is asked to approve an approach for under £5 per month cases whereby a simplified review process will take place, using the principle that members will not lose out financially, and to approve delegation for formulating and approving a policy on the exact details to the Head of Wiltshire Pension Fund (seeking further advice as necessary).

**Jennifer Devine**  
**Head of Wiltshire Pension Fund**

Report Author: Andy Cunningham – Pensions Administration Lead

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**Wiltshire Pension Fund Committee - 2021/22**

Meeting:	24/06/21	30/09/21	16/12/21	05/04/2022	No expected review in 2021/22	28/07/22	Guidance comments
<b>GOVERNANCE - Committee Specific</b>							<b>Comments</b>
Confirmation of annual election of Chair & Vice Chair	✓					✓	Annual appointments made by Full Council
Review Committee's Terms of Reference (if and as required)						✓	This review should be in conjunction with the Board & ISC's ToR review to ensure continuity. Lasted reviewed in July 2020 and a 3 year cycle may be viewed as good governance
Fund's annual budget setting				✓			Prior to 31st March each year
Budget Monitoring	✓	✓	✓	✓		✓	Quarterly spend & allocation of costs review against budget
Budget Outturn	✓					✓	Annual actual review of financial pension fund spend against the previous year's budget
Committee Annual Training Plan Update				✓			To be completed following each Scheme year for subsequent inclusion in the Fund's AR&A
Training Item relevant to agenda	✓	✓	✓	✓		✓	To be consistent with Members training & development strategy
Members Hand Book	✓						Hyman's standard adopted in preference of WPF specific Hand Book
Committee effectiveness review						✓	3 year plan last raised with the Committee on 12/12/2018. The Committee should also compare itself against its own core functions.

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Agenda Item 15

Forward Work Plan Review	✓	✓	✓	✓		✓	Officers to update the next Scheme year's plan in time for the new Scheme year. Annual reviews to therefore be undertaken in calendar Q1
<b>GOVERNANCE - Fund Specific</b>							<b>Comments</b>
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓		✓	Quarterly update by the Head of Pension Administration & Relations
Review of Risk Register	✓	✓	✓	✓		✓	Quarterly review. Request risks to be added & changes to be made by officers after approval. Review recommendations made by the LPB
Fund update & comments on the minutes of the previous Committee & Board meetings	✓	✓	✓	✓		✓	Amongst other purposes Members should use the minutes to identify risks which can be added to the risk register
LPB Annual Report - Review recommendations	✓					✓	Ensure that Committee minutes during the past year have either actioned the recommendations, or commented on why the recommendations were not accepted
Review Governance Compliance Statement						✓	4 year plan last approved on 30/03/2021.
Review tPR Code of Practice 14 annual internal assessment	✓					✓	Expected to become a single tPR Code of Practice during 2021
Review Fund Training Programme			✓				Complete 3 year training plan last approved on 12/12/2018. Annual reviews undertaken in Q4 each year
Actuarial Valuation			✓	✓			Next valuation currently due 31/03/2022
Club Vita update			✓				As at 31st August each year & to be submitted by 1st week of October to Hymans. Purpose - statistical analysis
Review the Fund's Annual Report & Accounts	✓					✓	Annual Report & Accounts to be completed by 30th September & published by statutory deadline of 1st December

Approve Internal Audit Report scope			✓				Annually covers Key Controls & Pension Fund Transfers. Every two years tPR Code of Practice 14 also included
Monitor Internal Audit Report			✓				Audit recommendations actioned
Monitor External Audit Report			✓				Audit recommendations actioned
Input to Annual External Audit Plan			✓				Committee to liaise with the Audit Committee concerning the scope of Deloitte's audit
Input to Annual Internal Audit Plan			✓				Committee to commission it own internal audit plan & liaise with the CLT/Audit Committee concerning the scope of SWAP audit
Treasury Strategy				✓			Annual review of strategy. To include performance report of short-term cash investments & setting of preferred bank account balance to maintain business cashflow needs
Review external advisor appointments effectiveness, processes & controls			✓				Committee to receive an annual update from the Board on the effectiveness of the Fund's advisers
Review internal SLA effectiveness, processes & controls				✓			Covers services connected with the Wiltshire Council recharge. Namely, Legal, Procurement, IG, Payroll, Treasury Management, Internal & External Audit, Democratic Services, FM, ICT, HR & Communications
Review Actions from previous meetings	✓	✓	✓	✓		✓	Address primarily during pre-meeting planning meeting
<b>GOVERNANCE - Fund Plans, policies &amp; strategies</b>							<b>Comments</b>
Review Business Plan				✓			3 year plan last approved on 24/03/2019 Interim review 30/03/2021
Review Pension Administration Strategy						✓	3 year plan last approved on 17/12/2019

Review Communication strategy			✓				3 year plan last approved on 17/12/2019
Review Data Improvement Plan		✓					3 year plan last approved on 24/03/2019. To include a Data Retention Strategy update
Review Admin Charging Policy						✓	2 year plan last approved on 17/12/2019
Review Admin Authority Discretions					Not expected		3 year plan last approved in 30/03/2021
Review Cessations policy					Not expected		3 year plan last approved in 17/12/2020
Review Funding Strategy Statement					Not expected	✓	3 year plan last approved on 17/12/2019. Next Fund Valuation 31/03/2022
Review Compliance with FRC stewardship code			✓				Annually reviewed - Updated Stewardship Code released in May 2020 & consider TCFD requirements as part of the process
Review Investment Strategy Statement				✓			3 year plan last approved on 30/03/2021 (Ensure inclusion of MiFID II arrangements)
Approve Responsible Investment Plan	✓			✓			Done in Jun-21 initially, but should be in March going forward
Review Fund "Responsible Investment Strategy"		✓					To be reviewed in conjunction with the Investment Strategy Statement. To cover Climate Change Statement.
<b>ADMINISTRATION</b>							<b>Comments</b>
Review employers compliance (data)			✓				Ideally incorporate with ABS review process & update on Fund's Data Improvement Plan.
Review Fund fraud risk prevention and mitigation measures					Not expected		Completed every 2 years and will be an update of the Fund's NFI & Certificate of Existence exercises. Last reviewed April 2020. To include Whistleblowing policy in 2022
Review Fund website contents/resilience		✓					To also cover Cyber Security reporting on an annual basis. Cyber security last reviewed 24/09/2020

Receive an annual report of an complaint & IDPR cases, including a review of the Fund's procedures					Not expected		Covered in Low Volume Performance Report. To be managed by LPB with issues submitted to the Committee on an exceptions basis
Review Fund Communications (employers/members)					Not expected		To provide templates of key Fund documentation & evidence its compliance. To be managed by LPB with issues submitted to the Committee on an exceptions basis
Review of Data Security & Business Recovery		✓					Report set out the arrangements in place & when they were last tested
Review GMP Rectification	✓	✓	✓	✓		✓	Regular update concerning SAP & Altair database reconciliation. To consider migration to new payroll system.
Committee KPIs to monitor	✓	✓	✓	✓		✓	Quarterly Administration performance reporting
Benchmark KPIs in Annual Report & Accounts information with other Funds				✓			Annual Report & Accounts must be disclosed each 1st December
Review of Annual Benefit Statement process		✓					Percentage issued, action plan to issue outstanding ABSs & process improvement review
Members Self-service update	✓						Present as part of a Fund digital partform update. Progress report on take up and functional developments
<b>INVESTMENT PERFORMANCE &amp; RISK</b>							<b>Comments</b>
Investment Quarterly Progress Report	✓	✓	✓	✓		✓	Provided by each Investment Manager & the Investment Mercer Adviser who summaries the information and offers an independent assessment of the market generally

Review Investment performance against Fund's benchmarking criteria		✓				✓	To be presented in conjunction with the draft Annual Report & Accounts
Investment Strategy Review / Asset Allocation Review	✓						Annual review of strategy document last updated in December 2019. To cover topical changes relating to BPP & ESG
Review individual employer investment strategies			✓				Monitoring the alternative investment strategy for certain employer, not covered by the main strategy
Governance update relating to BPP	✓	✓	✓	✓		✓	Quarterly (generally verbal) update on Brunel governance and operational issues
Cost transparency of BPP, Managers & the Custodian	✓						To be presented in conjunction with the draft Annual Report & Accounts

<b>Total number of Agenda Items:</b>	<b>21</b>	<b>18</b>	<b>25</b>	<b>20</b>		<b>23</b>
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