

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Committee Room III, County Hall, Trwobridge
Date: Wednesday 14 July 2010
Time: 10.30 am

Please direct any enquiries on this Agenda to Anna Thurman, of Democratic and Members' Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718379 or email anna.thurman@wiltshire.gov.uk

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

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

Briefing arrangements:	Date	Time	Place
Chairman's Briefing	Wednesday, 14 July 2010	9.30 am	Office of the Chief Finance Officer

Membership:

Wiltshire County Council Members:

CLlr Tony Deane (Chairman)
CLlr Charles Howard (Vice Chairman)
CLlr David Jenkins
CLlr Jeff Osborn
CLlr Sheila Parker

Substitute Members

CLlr Bill Moss
CLlr Mark Packard
CLlr Fleur de Rhe-Philippe
CLlr John Smale

Swindon Borough Council Members

CLlr Des Moffatt
CLlr Peter Stoddart

Substitute Members

CLlr Mark Edwards

Employer Body Representatives

Ms Irlene Cooper
Mr Tim Jackson

PART 1

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

1. **Membership Changes**

2. **Attendance of Non-Members of the Committee**

3. **Apologies for Absence**

4. **Minutes** (Pages 1 - 6)

To confirm the minutes of the meeting held on 13 May 2010 (*copy attached*).

5. **Chairman's Welcome, Introduction and Announcements**

6. **Declarations of Interest**

Councillors are requested to declare any personal or prejudicial interests or dispensations granted by the Standards Committee.

7. **Public Participation**

The Council welcomes contributions from members of the public.

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 above for any further clarification.

Members of the public wishing to ask a question should give written notice (including details of any question) to the officer named above by **12.00 noon on Monday 12 July**.

8. **Wiltshire Pension Fund Risk Register** (Pages 7 - 12)

Update from the Chief Finance Officer on the Wiltshire Pension Fund Risk Register is circulated for Members' consideration. (10.35)

9. **Members Training Update** (Pages 13 - 24)

To consider a paper from the Chief Finance Officer on the progress of the

current Members training plan in relation to the newly published CIPFA Knowledge and Skills Framework. (10.50)

10. **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on Wednesday 15 September 2010. (11.20)

11. **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.

12. **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 13 – 15 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

Item during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

13. **Wiltshire Pension Fund Administration Budget 2008-09 - Outturn Statement** (Pages 25 - 26)

To consider and note the attached statement by the Chief Finance Officer on actual spending against the Pension Fund Administration Budget in 2009 -10. (11.25)

14. **Fauchier Partners - Review of Previous Period and Plans for the Future**

To receive the attached Annual Report and Quarterly Report (will be circulated) from Fauchier Partners and their verbal report at the meeting. (11.40)

15. **Western Asset Management - Review of Previous period and Plan for the Future**

To receive the attached Annual Report and Quarterly Report from Western Asset Management and their verbal report at the meeting. (12.20)

Buffet Lunch

(13.00 – 13.30)

End of Meeting

WILTSHIRE PENSION FUND COMMITTEE

**DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING
HELD ON 13 MAY 2010 AT COMMITTEE ROOM 3, COUNTY HALL,
TROWBRIDGE.**

Present:

Ms Irlene Cooper, Cllr Charles Howard (Vice Chairman), Mr Tim Jackson, Cllr David Jenkins, Cllr Jeff Osborn, Cllr Sheila Parker and Cllr Fleur de Rhe-Philippe (Reserve)

Also Present:

Mr Mike Pankiewicz – Trade Union Representative
Mr Paul Potter – Hymans Robertson
Mr Bob Summers – Independent Pensions Advisor
Mr Martin Donovan – Chief Finance Officer, Wiltshire Council
Mr Peter Summers – Hymans Robertson
Mr David Anthony – Head of Pensions, Wiltshire Council
Mrs Caroline Dix – Fund Investment and Accounting Manager, Wiltshire Council
Ms Anna Thurman – Democratic Services Officer, Wiltshire Council

22. **Membership Changes**

There were no membership changes.

23. **Attendance of Non-Members of the Committee**

Cllr Bill Moss attended the meeting.

24. **Apologies for Absence**

Apologies for absence were received from Cllr Moffatt and Cllr Deane

25. **Minutes**

Resolved:

To confirm and sign the minutes of the meeting held on 25th February 2010.

26. **Chairman's Announcements**

The Chairman welcomed Bob Summers and Catherine Dix to their first meeting.

Bob Summers is one of the two appointed Independent Pension Fund Advisors to the Committee. He is highly respected figure in the local government pensions arena, his achievements include Chairman of the CIPFAs Pensions Panel, establishing the Pensions Network, being a lead financial advisor to the Local Government Association and leading the Norfolk Pension Fund to achieve nation awards for governance and performance.

Catherine Dix is the new Fund Investment and Accounting Manager. She has previously worked in the Treasury team in Corporate Finance and was involved with the Pension Fund investments four years ago when she first joined Wiltshire Council.

The Chairman reminded the Committee that the next training session has been arranged for Thursday 17th June 1000hrs. The training session will be on Corporate Governance and Social Responsible Investment issues.

With the introduction of the CIPFA Knowledge and Skills Framework, the current Members training plan will be reviewed and a more formal approach will be required to ensure skills gaps can be identified and training arranged to meet these priorities. Failure to comply with the Framework will require disclosure in the future Annual Reports. A detailed report will be on the July Committee agenda to look at ways to ensure compliance.

27. **Declarations of Interest**

There were none.

28. **Public Participation**

There were no members of the public present.

29. **Interim Audit Report**

David Anthony, Head of Pensions presented a report that delivered a high level overview on the Interim Audit Report for the Wiltshire Pension Fund from KPMG. He drew the Committees attention to the following points,

- The interim report does not raise any areas of concern to KPMG.
- The Wiltshire Pension Full Annual Report for 2009-10 would be presented to the Committee at the September Meeting.

Resolved:

That the Committee note the Interim Audit Report.

30. **Wiltshire Pension Fund Risk Register**

David Anthony, Head of Pensions presented a report that delivered an update on the Risk Register for the Wiltshire Pension Fund, and detailed the significant changes in the Risk Register.

- **RISK PEN002 Failure to collect and account for contributions from employers and employees on time** – has improved from red to green.
- **RISK PEN011 Lack of expertise of Pension Fund Officers and Chief Finance Officer** – previously included members of the Pension Fund Committee but another risk PEN017 (Lack of expertise on the Pension Fund Committee) to focus specifically on Members requirements has been added as training will come under greater scrutiny with the launch of the CIPFA Knowledge and Skills Framework.
- **RISK PEN 12 Over reliance on key officers** – has improved from Amber to Green after successful recruitment of staff and handovers.
- **RISK PEN 15 Failure to collect payments form ceasing employers** – and **Risk Pen 16 Treasury Management** - were new additions to the register.

Resolved:

That the Committee note the Wiltshire Pension Fund Risk Register Report.

31. **Statement of Investment Principles**

Martin Donovan, Chief Finance Officer, presented a report that updated the Committee on the recent changes to the Fund's investment strategy, addressing in particular,

- The implementation of the Committees decision to terminate the Baillie Gifford UK mandate. The decision was made in line with the Fund's long term Investment Strategy.
- The requirement to report the Funds compliance in line with the 6 revised Myners principles. Whilst fully compliant with the three principles, and broadly compliant on the other three, the following will need to be developed in the future to achieve full compliance:
 - Effective Decision making
 - Performance Assessment
 - Responsible Ownership

Resolved:

That the Committee approve the 2010 Statement of Investment Principles.

32. **Administration Strategy Update**

David Anthony, Head of Pensions, presented a report that provided the Committee, with an interim update on the implementation of the Wiltshire Pension Fund's Administration Strategy. He drew members' attention to the fact that a more detailed report would be delivered to the Committee in September when the strategy would have been in operation for 9 months.

Resolved:

That the Committee note the report.

33. **Date of Next Meeting**

Resolved:

To note that the next regular meeting of the Committee would be held on Wednesday 14 July 2010.

34. **Urgent Items**

There were no items of urgent business.

35. **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Nos. 15 - 21 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.

36. **Implementation of a Stabilisation Policy for the 2010 Valuation**

The Committee considered a confidential report on the implementation of a Stabilisation Policy. Peter Summers from Hymans Robertson answered questions fielded by the Committee.

Resolved:

- a) To agree the principle of a Stabilisation policy to be applied to the secure employers with the Fund.
- b) To adopt a mechanism that limits increase/decrease in employer contributions to +1 or -1% per annum to be applied from 1 April 2014 onwards.
- c) To request officers write to Secure employers within the Fund explaining the Stabilisation policy with any significant outcomes reported to the Committee meeting on 14 July 2010.
- d) Request officers commence dialogue with the non Secure employers within the Fund, outlining the likely impact of 2010 Valuation and exploring the options available for them that may be applicable to them to mitigate the impact of large increases in employers contributions from April 2011.

37. **Quarterly Progress Report**

The Committee considered the confidential Quarterly Progress Report which addressed the investment activity and performance of the Fund for the year to 31 March 2010.

David Anthony, Head of Pensions, answered various questions surrounding the report.

Resolved

That the Committee note the contents of the report.

38. **Review of Investment Manager**

The Committee considered a confidential report was by the Chief Finance Officer which reviewed the Record active currency mandate.

Questions from members were answered by David Anthony, Head of Pensions, and an independent view was given by Paul Potter and Bob Summers.

Resolved

- a) To agree to remove assets from the Record active currency fund with the intention of reinvesting to its strategic benchmark when more 'normal' interest rate conditions have returned.
- b) To agree that the decision to reinvest back in to the Record active currency fund is delegated to the Chief Finance Officer in consultation

with the Chairman and Vice Chairman having received advice from the Fund's advisors with an update provided to the subsequent Committee meeting.

c) To use assets removed from the Record active currency fund to rebalance underweight managers in the Pension Fund.

39. Capital International - Review of 2009/10 & Plans for the Future

The Committee considered the Annual Investment Report for 2009/10 which was presented by Claire Swinden and Martyn Hole from Capital International.

The Vice Chairman thanked them for their report.

The Committee, after lengthy debate and discussion,

Resolved

That the Committee note the content of the report.

(Duration of meeting: 10.30 am - 2.35 pm)

The Officer who has produced these minutes is Anna Thurman of Democratic & Members' Services, direct line 01225 718379, e-mail anna.thurman@wiltshire.gov.uk

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

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

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

Background

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Committee on a quarterly basis.

Key Considerations for the Committee / Risk Assessment / Financial Implications

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and by the potential damage that might be caused by an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. Two items have changed since the last report to this Committee on 13 May 2010. These are Risk PEN006 ("Significant rises in employer contributions due to increases in liabilities") and Risk PEN007 ("Significant rises in employer contributions due to poor/negative investment returns").
5. As a Stabilisation Policy for secure employers (i.e. those with tax raising powers) was agreed by the committee on 13 May 2010 the risk of significant rises in employer contribution rates has reduced (now shown in Risk PEN006a and PEN007a). This limits increases in employer contribution rates for the Secure Employers within the Fund.
6. However, there is still likelihood that non-secure employers will face significant increases. Although work by officers and the actuary is on-going to find ways of providing a solution that is both affordable to the employers whilst not being imprudent for the Pension Fund this does remain a significant risk (see Risk PEN006b and PEN007b shown as red).

Environmental Impacts of the Proposals

7. There no known environmental impact of this report.

Proposals

8. The Committee is asked to note the update of the Risk Register.

MARTIN DONOVAN
Chief Finance Officer

Report Author: David Anthony, Head of Pensions.

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

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
PEN001	Failure to process pension payments and lump sums on time	Service Delivery	Non-availability of AXISE/ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	Martin Summers	David Anthony	2	2	4	2	2	4	2	2	4	Robust maintenance and update of AXISE/ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.	None	28 June 2010	4	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	Non-availability of CRS/SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively.	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.	Catherine Dix	David Anthony	3	1	3	2	1	2	2	1	2	Robust maintenance and update of AXISE/ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	None	28 June 2010	3	→
PEN003	Insufficient funds to meet liabilities as they fall due	Service Delivery	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. However, this would not conceivably be an issue for the Wiltshire Pension Fund for many years to come, because it is currently "immature" and very cashflow positive.	David Anthony	David Anthony	4	1	4	4	1	4	4	1	4	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, etc.	None	28 June 2010	4	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Service Delivery	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	Andy Cunningham	David Anthony	4	2	8	4	1	4	4	1	4	Business Continuity Plan in place	Fire Proof Safe required for microfiches - this is being investigated.	28 June 2010	8	→
PEN005	Loss of funds through fraud or misappropriation	Fraud / Integrity	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	Catherine Dix	David Anthony	4	1	4	4	1	4	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.	None	28 June 2010	4	→
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony / Andy Cunningham	David Anthony	3	3	9	3	2	6	3	2	6	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (eg. early retirements, augmented service, etc).	Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers. The implementation of the Stabilisation Policy will limit increases for secure employer.	28 June 2010	9	↓

Page 8

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony / Andy Cunningham	David Anthony	4	3	12	3	2	6	3	2	6	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (eg. early retirements, augmented service, etc).	Quarterly monitoring as described above. Dialogue has begun with employers along with a review of their long term financial stability which will inform the risk modelling work being undertaken by the actuary looking at ways of addressing the affordability of contribution increases.	28 June 2010	12	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	Catherine Dix	David Anthony	2	4	8	3	2	6	3	2	6	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	Quarterly monitoring in investment movements is undertaken providing advance warning to employers. The implementation of the Stabilisation Policy will limit increases for secure employer.	28 June 2010	8	↓
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	Catherine Dix	David Anthony	3	4	12	3	2	6	3	2	6	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	Quarterly monitoring as described above. Dialogue has begun with employers along with a review of their long term financial stability which will inform the risk modelling work being undertaken by the actuary looking at ways of addressing the affordability of contribution increases.	28 June 2010	12	→
PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	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	Martin Summers / Catherine Dix	David Anthony	2	2	4	2	1	2	2	1	2	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	A close eye is being kept on the AXISe system at present as it is some way behind some of the recent regulatory and actuarial changes, which is necessitating some manual intervention. The implementation of Alt Air to replace AXISe in the summer with improve this.	28 June 2010	4	→

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
PEN009	Failure to hold personal data securely	Legal / Statutory	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	Tim O'Connor	David Anthony	2	2	4	2	1	2	3	2	6	Compliance with Wiltshire Council's Data Protection & IT Policies.	It is intended to do a full data protection audit for the Fund shortly.	28 June 2010	4	→
PEN010	Failure to keep pension records up-to-date and accurate	Knowledge / Data / Info	Poor or non-existent notification to us by employers and members new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issued to members and incorrect pensions potentially being paid.	Tim O'Connor	David Anthony	3	2	6	2	1	2	3	3	9	Operations Team set-up and constantly working to improve data quality, data validation checks carried out through external partners (eg. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative, LEAN Review looking at all ways to collect and input "clean data".	We are always looking for new ways to improve the quality of the data that we collect and hold. This is a particular area for continuous development which is assisted with the implementation of the Admin Strategy in January 2010	28 June 2010	6	→
PEN011	Lack of expertise of Pension Fund Officers and Chief Finance Officer	Professional judgement & activities	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	David Anthony	3	2	6	2	1	2	3	3	9	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc.	Officers need to ensure they meet the requirements outlined in the Knowledge & Skills Framework and are regular assessed against these areas as part of their appraisal process.	28 June 2010	6	→
PEN012	Over-reliance on key officers	Organisation Management / HR	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	David Anthony	2	2	4	2	1	2	2	3	6	Key people in the Section are seeking to transfer specialist knowledge to colleagues and recent structural changes are helping with this. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	Zoe Stannard (Pension's Admin Team Leader) has recently been appointed Communications Manager. A replacement for Zoe is currently being recruited although she will continue to cover this role in the short term.	28 June 2010	4	→
PEN013	Failure to communicate properly with stakeholders	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 and they may misadvise their employees.	New Communications Manager & Andy Cunningham	David Anthony	2	2	4	2	1	2	2	3	6	The Fund has a dedicated Communications Manager and Employer Relationship Manager 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.	The Communications Manager Nikki Barnes left her post in March and has been replaced internally by Zoe Stannard who is a Pension Admin Team Leader. Martin Summers (Pension Manager) is covering urgent work until Zoe starts.	28 June 2010	4	→
PEN014	Failure to provide the service in accordance with sound equality principles	Corporate / Leadership / Organisation (Reputation)	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	David Anthony	David Anthony	2	1	2	2	1	2	2	2	4	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	None	28 June 2010	2	→

Page 10

WILTSHIRE PENSION FUND RISK REGISTER - JUNE 2010

NAME OF RISK	RISK CATEGORY	Scope of Risk		OWNER OF ACTION	RISK OWNER	CURRENT RISK RATING			TARGET RISK RATING			INHERENT RISK RATING			CURRENT CONTROLS	ADDITIONAL CONTROL MEASURES	DATE OF ASSESSMENT	RISK STATUS (R/A/G)	DIRECTION OF TRAVEL	
		CAUSE OF RISK	IMPACT OF RISK			Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score	Impact	Likelihood	Risk Score						
PEN015	Failure to collect payments from ceasing employers	Finance	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	Andrew Cunningham	David Anthony	2	2	4	2	1	2	2	2	4	The Pension Fund Committee approved a Cessation Policy in February 2010 to provide an agreed framework for recovery of payments	All new admitted bodies now require a guarantor to join the Fund.	28 June 2010	4	→
PEN016	Treasury Management	Finance	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	Catherine Dix	David Anthony	2	2	4	2	2	4	2	2	4	The Pension Fund approved a Treasury Management Strategy in February 2010 which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £5m.	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	28 June 2010	4	→
PEN017	Lack of expertise on Pension Fund Committee	Professional judgement & activities	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 Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	David Anthony	3	2	6	2	1	2	3	3	9	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. Help can be called on from our consultants and independent advisors too.	Following the recent launch of the CIPFA Local Government Pension Fund Knowledge & Skills Framework there is a requirement for members to be regularly assessed to ensure to identify knowledge gaps and ensure training is provided to address these	28 June 2010	6	→

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UPDATE ON MEMBERS' TRAINING

Purpose of the Report

1. The purpose of this report is to update the Committee on the recent developments on the requirements for Members' training in light of the revised Myners Principles and publication of the CIPFA's Knowledge and Skills framework (KSF).

Background

2. On 5 November 2009 a workshop seminar was held in order to assess Members' training needs in relation to the work of the Committee over the next four years. From the information gleaned from that event a Members' Training Plan was drafted and approved by this Committee on 19 November 2009.
3. Since then the revised Myners Principles have been published with '*Principle 1: Effective decision making*' requiring administering authorities to ensure that:
 1. *decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and*
 2. *those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*
4. The purpose is to promote high quality decision making and improve Fund's performance against the increasing complexities faced by schemes. The intention is to equip Members, where necessary, with the skills and knowledge for this role on the pensions committee and to be able to question and challenge the information and advice they are given to make effective rational decisions.
5. To assist administering authorities determine the right skills set, CIPFA have developed a 'Knowledge and Skills Framework'. The intention is to provide a tool for the Fund to assess whether it has the correct skill mix to meet its financial management needs and to assess individuals to ensure their training needs are identified and to measure progress against the training plan.
6. Currently, the KSF is persuasive rather than mandatory. However, the Government is considering amending the LGPS regulations to force funds to disclose in their annual report whether the KSF has been adopted as a basis for training and development of its Members. Until then, the CIPFA pension panel recommend the voluntary disclosure in its annual report stating:
 - how the framework has been applied,
 - what assessment of training needs has been undertaken, and
 - what training has been delivered against these identified needs.

Main Consideration for Committee

CIPFA Knowledge & Skills Framework

7. The KSF is intended to apply to all members of the Committee (both voting and non-voting). However, CIPFA recognise that funds will tailor their approach to meet their different specific needs. A primary objective is the creation of a rolling annual training plan for Committee Members taking a medium term view that's aligned with valuation periods and the elections.
8. The KSF also recognises the more onerous roles of the Chairman and Vice chairman and suggests a specimen role specification which can be seen in appendix A.
9. There are in total six areas that the KSF have identified as core technical requirements for those working in public sector pensions finance. These are:
 1. pensions legislative and governance context
 2. pensions accounting and auditing standards
 3. financial services procurement and relationship management
 4. investment performance and risk management
 5. financial markets and products knowledge
 6. actuarial methods, standards and practices
10. All Members of this Committee require a general awareness in all the areas outlined above but may need a more detailed knowledge of specific issues and principles where necessary to have the confidence to make knowledgeable challenges to the information and advice being given.
11. It is recognised that some Members can be appointed to the Committee without any prior pensions knowledge and it is for the Chief Finance Officer and the Chairman to determine how long members need to meet the level of knowledge and skills set out in the framework.
12. The Pension Act 2004 requires trustees of pension schemes in the corporate sector to obtain the required knowledge and skills set within a six month period. CIPFA realise this might be impractical for most LGPS funds and have not been prescriptive on specific timescales. However, CIPFA will expect Funds to use a "comply or explain" approach to disclosure against the KSF in its annual report for 2010/11 at the latest so there will be a need to demonstrate that steps are being taken to ensure training needs are assessed and provided for where skill gaps exist.
13. An important step in assessing training needs and developing training plans is through the appropriate use of self-assessment tools. This could be achieved in-house or through a third party provider.

How does the Wiltshire Pension Fund's approach compare?

14. The Committee experienced a high turnover in elected Members in 2009. The Training Needs Assessment (TNA) workshop seminar was held on 5 November 2009 to assess Members' training needs.
15. Although a specific self-assessment wasn't undertaken for each Member, an open discussion was used to assess the training requirements. This then informed the Members Training Plan by incorporating the ideas, themes and preferences discussed at the TNA.

16. The current Members Training Plan (see appendix B) shows that the majority of training has been completed on schedule with the remaining areas associated with Investment Strategy, Investment Management and Pensions Benefits due to be undertaken by the end of October 2010.
17. The current plan provides an excellent platform for complying with the KSF and compares well to the position of many other LGPS Funds. The Committee can demonstrate a clear commitment to training, with the necessary emphasis on induction for new Members in their first year through a wide variety of sources. However, to ensure full compliance with the KSF in the future, the training plan will need developing in the lead up to the disclosure in the 2010/11 annual report.

What are the areas for development?

18. Ideally, the Members Training Plan should become a rolling programme that addresses the knowledge and skills gaps of its Members and is revised annually to account for specific issues.
19. Although the discussion format for identifying Members knowledge gaps provided useful analysis, without full attendance at training sessions it cannot be guaranteed that everyone will retain similar training needs. To achieve full compliance a more formal Member self-assessment process will be required for the future.
20. There is also a need for the Chairman and Vice chairman to undertake more specific training to ensure they meet the requirements of the role specification set out in appendix A.

Method of Self-Assessment?

21. Currently a KSF self-assessment tool is being developed by Hyman Robertson in conjunction with the CIPFA Pensions Network. This will be a web-based tool for testing and extending the knowledge of an individual. It will ultimately provide a self-assessment facility which can be used to build a training development plan and identify sources of information, advice and further reading. It will consist of modules designed to test the breadth of knowledge of the individual in all areas considered relevant to the role.
22. It will test knowledge through multiple choice questions. The tool will use prompts and answers to identify individual's areas of strengths and weaknesses and produce 'bite-sized' tutorials to boost knowledge levels.
23. This tool is attractive as it would ensure KSF compliance and could be undertaken by a Member at a time which suits them. It would also free up officers time from what could be a large administrative burden. However, currently no price or timescale can be provided so this option is not feasible in the short term.
24. An alternative option is for a high level assessment to be completed by each Member by the end of September which covers the areas outlined in the KSF. An example of this can be seen in appendix C. The results will then be used to inform and update the Members Training Plan. This is a similar approach that was undertaken by Members of this committee in July 2005 to identify areas where they felt they required more training.

Updated Members' Training Plan

25. A revised Members Training Plan could then be drafted and approved by this Committee at its December meeting. Following consultation with the Chairman and Vice Chairman, an additional Training Plan could be developed specifically for them to ensure they have the requisite skills to confidently undertake the role's requirements outlined in the role specification.

Financial Implications

26. An allowance has been made in the Pension Fund Administration Budget 2010-11 for the training of Members, so there would be no unplanned financial implications from these proposals.

Risk Assessment

27. The proposals in this paper would address PEN17 '*Lack of Expertise on Pension Fund Committee*' in the Risk Register outlined in the paper elsewhere on this agenda. The whole purpose of having and implementing a formal training plan is to reduce the risk of Members making decisions on issues on which they do not have the necessary level of knowledge. This in turn reduces the risk of weak governance and of bad investment decisions. It also reduces the potential for criticism from not complying with the Myners principles and the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework*.

Environmental Impact of the Proposals

28. This is no environmental impact of these proposals.

Proposals

29. The Committee is asked to:

- a) note the impact on Members Training as a result of the publication of the CIPFA Knowledge and Skills Framework; and
- b) approve the self-assessment exercise to be completed by all Members of the Wiltshire Pension Fund Committee by the end of September 2010; and
- c) note a revised Members Training Plan based on the results of the high level self-assessment will be presented to the December committee meeting for approval; and
- d) agree to adopt the role profile for the Chairman and Vice Chairman as outlined in appendix A; and
- e) agree that officers assess the Chairman's and Vice Chairman's training requirements to ensure they have the requisite skills to undertake the principal responsibilities of the post and to produce them a separate training plan.

MARTIN DONOVAN
Chief Finance Officer

Report Author: David Anthony

Unpublished documents relied upon in the production of this report:

NONE

APPENDIX A

SPECIMEN ROLE PROFILE – CHAIR OF A PENSION COMMITTEE

PURPOSE OF ROLE

The purpose of the role covers the strategy and operations of the pension fund; the proper administration of the pension scheme by the administering authority; the performance of the fund, its advisors and agents; and the proper governance of the committee and the fund.

PRINCIPAL RESPONSIBILITIES

1. Chair the pension committee to determine, after taking the advice of the Chief Finance Officer and other advisors:
 - a. The investment strategy of the fund or funds for which the committee is responsible
 - b. The contribution rates of the employing organisations whose current and retired employees are members of the LGPS
 - c. The appointment of investment and actuarial advisors and other third party services
 - d. The governance framework
 - e. The communications strategy of the fund or funds
2. Monitor:
 - a. The performance of the investments, the pension administration service, the advisors and agents of the fund and of the committee itself.
 - b. The costs of running the pension fund and scheme
 - c. Comments and feedback from stakeholders.
3. Consider and approve:
 - a. The annual report and accounts of the fund
 - b. Audit reports on the functioning of the committee and its services
 - c. Statements on investment principles, governance, administration and communication
 - d. The risk register and an annual risk analysis
 - e. The medium-term business plan and annual updates
 - f. Training and development plans and updates
 - g. Discretions given by statute and regulation to the committee in relation to benefits under LGPS.
4. Work with the Chief Finance Officer and other officers and advisors to plan an effective work programme for the committee.
5. Report to the administering authority and other employers, as stakeholders, using practical and appropriate means of communications, to give assurances about the fund's financial statements, risk management and internal control mechanisms.
6. Receive regular briefings from the Chief Finance Officer and other advisors in order to understand the context and implications of forthcoming issues.

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2009

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member’s Handbook	Members’ Briefing Notes (Electronic)	Short Seminars (before Committee Meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
General overview	✓							Completed
Members’ individual needs		✓			✓	✓	✓	As required - notify Head of Pensions
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES DISCUSSED AT TRAINING NEEDS ASSESSMENT ON 5/11/09								
Governance: <ul style="list-style-type: none"> • Legal Responsibility of Committee & Officers • Delegations to Officers • Governance Risk 		✓	✓					Completed
Benefits: <ul style="list-style-type: none"> • Discretions Policies of Fund and Employers • Member Communications (including Benefits Statements) • Assessing quality/risks of administration service • Data Protection / Security 				✓	✓			By 30 June 2010
Employer Types & Risks				✓	✓			Completed

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2009

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member’s Handbook	Members’ Briefing Notes (Electronic)	Short Seminars (before Committee Meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (eg. Webcasts, Videos)	One-to-One Briefing with an officer	
Actuarial Valuations & Funding (inc. Risk)				✓	✓			Completed
Investment Regulations & Guidance (LGPS / Myners)		✓	✓					Completed
Investment Strategy/Asset Allocation: <ul style="list-style-type: none"> • Employer covenant • Risk budgeting & Asset Allocation • Asset classes in detail • Active v Passive 				✓	✓	✓		By 31 October 2010
Investment Management: <ul style="list-style-type: none"> • Benchmark setting • Pooled v Segregated • Transaction costs / Fees / Commission Recapture • Securities Lending • Investment instruments • Investment terms • Risk measurement • Rebalancing 				✓	✓	✓		By 31 October 2010
Environmental, Social & Governance: <ul style="list-style-type: none"> • Voting • Activism (eg. LAPFF) • Best Practice (eg. UNPRI) 				✓	✓			Completed

WILTSHIRE PENSION FUND COMMITTEE - TRAINING NEEDS SELF-ASSESSMENT

HOW DO YOU RATE YOUR KNOWLEDGE ON THE FOLLOWING AREAS (Please tick one box)	Very Little	A Little	Good	Quite Good	Excellent	COMMENTS & SUGGESTIONS
1. Pensions legislative and governance context						
General Pensions Framework						
General awareness of pensions legislative framework in UK.						
Scheme-Specific legislation						
Overall understanding of legislation specific to LGPS.						
Awareness of the LGPS (Benefits, Membership and Contributions) Regs 2007 & LGPS (Admin) Regs. 2008						
Appreciation of LGPS discretions & how formulation of discretionary policies impacts on the pension fund, employers and local taxpayer.						
Knowledge on the role of the Administering Authority in relation to LGPS.						
Pension regulators & advisors						
Understanding of how the roles and powers of the Pension Regulator, the Pension Advisory Service and the Pension Ombudsman relate to the scheme.						
General constitutional framework						
Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employers, scheme members and taxpayers.						
Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.						
Pension scheme governance						
Awareness of the LGPS main features						
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.						

HOW DO YOU RATE YOUR KNOWLEDGE ON THE FOLLOWING AREAS (Please tick one box)	Very Little	A Little	Good	Quite Good	Excellent	COMMENTS & SUGGESTIONS
Knowledge of the duties and responsibilities of committee members.						
Knowledge of the stakeholders of the pension fund and the nature of their interests						
Knowledge of consultation, communication and involvement options relevant to the stakeholders.						
2. Pensions accounting and auditing standards						
Awareness of the Accounts and Audit regulations and the legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.						
Awareness of the role of both internal and external audit in the governance and assurance process.						
3. Financial services procurement and relationship management						
Understanding public procurement						
Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.						
A general understanding of the main public procurement requirements of UK and EU legislation.						
Supplier risk management						
Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.						
4. Investment performance and risk management						
Total fund						
Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.						
Performance of advisors						
Awareness of the Myners principles of performance management and the approach adopted by committee.						
Performance of committee						
Awareness of the Myners principles and the need to set targets for the committee and then report against them.						

HOW DO YOU RATE YOUR KNOWLEDGE ON THE FOLLOWING AREAS (Please tick one box)	Very Little	A Little	Good	Quite Good	Excellent	COMMENTS & SUGGESTIONS
Performance of support services						
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.						
5. Financial markets and products knowledge						
Investment strategy						
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property).						
Understanding of the role of these asset classes in long-term pension fund investing.						
Financial markets						
Understanding the primary importance of the investment strategy decision.						
A broad understanding of the workings of the financial markets and the investment vehicles available to the pension fund and the nature of the associated risks.						
An awareness of the limits placed by regulation on the investment activities of LGPS schemes.						
6. Actuarial methods, standards and practices						
Valuations						
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.						
Awareness of the importance of monitoring early and ill health retirement strain costs.						
A broad understanding of the implications of including new employers into the fund and the cessation of existing employers.						
Outsourcing						
A general awareness of the relevant considerations in relations to outsourcings and bulk transfers.						

Name:

Signature (if submitted as hard copy):

Date:

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Agenda Item 13

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