Wiltshire Council
Where everybody matters

AGENDA

Meeting:	Wiltshire Pension Fund Committee
Place:	Committee Room III - County Hall, Trowbridge
Date:	Thursday 2 December 2010
Time:	**10.30 am**

Please direct any enquiries on this Agenda to Liam Paul, of Democratic and Members' Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718376 or email liam.paul@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	Thursday 02 December 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 Jeff Osborn
Cllr Mark Packard
Cllr Sheila Parker

Substitute Members
Cllr David Jenkins
Cllr Bill Moss
Cllr Fleur de Rhe-Philipe
Cllr John Smale

Swindon Borough Council Members
Cllr Des Moffatt
Cllr Peter Stoddart

Substitute Members
Cllr Mark Edwards

Employer Body Representatives
Tim Jackson
Lynda Croft

PART I

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 of previous Meeting** *(Pages 1 - 4)*

   To confirm the minutes of the meeting held on 30 September 2010.

5. **Chairman's 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 **12.00noon on Tuesday 30 November**

8. **KPMG Benchmarking Update** *(Pages 5 - 18)*

   To review in what areas the Pension Fund could improve its performance within the KPMG Benchmarking report presented to Committee in February.

9. **CIPFA Business Activities Update**

A verbal update of current pension issues and CIPFA's recent activities will be provided by Bob Summers – Independent Adviser to the Fund.

10. **Independent Public Services Pension Commission Call for Evidence** *(Pages 19 - 36)*

To ask members to provide comments on the Independent Public Service Pensions Commission 'call for evidence' which will be used to assist Lord Hutton in considering the issues for his final report.

11. **Members Training Plan** *(Pages 37 - 42)*

To present to Committee a proposed Members Training Plan from 2011 onwards.

12. **Wiltshire Pension Fund Risk Register**

An update on the Wiltshire Pension Fund Risk Register which is circulated for Members' consideration *(circulated separately)*.

13. **Date of Next Meeting**

Members are asked to note that the next regular meeting of this Committee will be held on Tuesday, 1 March 2011.

14. **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.

15. **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 14 – 17 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

16. **Valuation Update** *(Pages 43 - 44)*

    A confidential report to provide Members an update on the latest progress of agreeing new contribution rates with employers as part of the 2010 Valuation.

17. **Investments Quarterly Progress Report** *(To Follow)*

    A confidential report on the investment activity and performance of the Fund for the year to 30 September 2010 is attached for Members' consideration.

18. **ING - Review of 2010 & Plans for the Future** *(To Follow)*

    A confidential Annual Report from ING is attached and Members are asked to consider this along with the verbal report at the meeting.

Wiltshire Council
Where everybody matters

WILTSHIRE PENSION FUND COMMITTEE

DRAFT MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 30 SEPTEMBER 2010 AT COMMITTEE ROOM III - COUNTY HALL, TROWBRIDGE.

Present:

Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman), Mr Tim Jackson, Cllr David Jenkins, Cllr Des Moffatt, Cllr Jeff Osborn, Cllr Sheila Parker and Cllr Peter Stoddart

Also Present:

Cllr Fleur de Rhe-Philipe
Mr Mike Pankiewicz – Trade Union Representative

---

70. **Membership Changes**

None

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

72. **Apologies for Absence**

Apologies were received from Mr. J Edney, Independent Pension Fund Advisor.

73. **Minutes of the previous meeting**

The minutes of the previous meeting held on 15 September 2010 were approved and signed as a correct record by the Vice-Chairman.

74. **Chairman's Announcements**

Members' training needs self-assessment form

The Chairman reminded members to fill out and return the members' training needs self-assessment form which had been circulated earlier in the month, to be returned as soon as possible to the Head of Pensions.

Training Session on 03 October

Members of the Committee were reminded that a training day had been organised for the 3rd October. The session will provide an overview of 1) Investment Strategy / Asset Allocation 2) Investment Management 3) Benefits policies, Administration and Communications. Invitations had been sent and committee members were asked to note the date in their diaries.

75. **Declarations of Interest**

None

76. **Public Participation**

None

77. **Date of Next Meeting**

The date of the next meeting was confirmed as 02 December 2010

78. **Urgent Items**

None

79. **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 No. 11 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.

80. **2010 Actuarial Valuation Report**

The Head of Pensions presented a confidential report, and then introduced Peter Summers of Hymans Robertson, the Fund's Actuary, who presented the results of the valuation.

It was resolved:

- **a) To note the report of the Head of Pensions, and the report and verbal update of the Fund's Actuary;**
- **b) To note the assumptions that have been agreed with the Actuary, as set out in paragraphs 13 to 25 of the report by the Head of Pensions;**

c) **To note the summary outcomes of the valuation as set out in paragraphs 31 to 38;**
d) **To approve the theoretical contribution rates for the next three years as summarised in the Appendix, for presentation to the employer bodies at a meeting later on 30 September - in the knowledge that some changes may be necessary following the recommendations from the Hutton inquiry into public sector pensions and any resultant legislation.**
e) **To note that discussions will be held with those non-secure employer bodies regarding contribution rate relief and that an update will be presented to the 02 December meeting if possible and in any case to the February Committee meeting.**

(Duration of meeting: 10:35 – 12:55 pm)

The Officer who has produced these minutes is Liam Paul, of Democratic & Members' Services, direct line 01225 718376, e-mail liam.paul@wiltshire.gov.uk

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

This page is intentionally left blank

WILTSHIRE COUNCIL **AGENDA ITEM NO. 8**

WILTSHIRE PENSION FUND COMMITTEE
2 December 2010

KPMG BENCHMARKING UPDATE

1. This report asks the Committee to note the activities the Wiltshire Pension Fund would need to undertake to improve of the current scores in the KPMG Pensions Schemes Financial Controls Peer Group Comparison.

Introduction & Background

2. On 25 February 2010 KPMG presented their Pension Schemes Financial Control Peer Group Comparison paper (see attached) to this Committee. The purpose was to provide an overview of how the Wiltshire Pension Fund compared with its peer group (audit clients with assets over £1billion) which included both public and private sector schemes.

3. The areas covered were:
   - Scheme Governance
   - Dealing with Members: Defined Benefit
   - Investments: Segregated Funds
   - Investments: Pooled Investment Vehicles
   - Scheme Accounting

4. In most areas the Fund compared favourably with its peer group. However, the Committee requested a report be brought to this meeting to include proposals to improve those areas which have not achieved full marks.

Main Considerations for the Committee

5. To achieve the top rating in all areas would be an extremely stretching target. To achieve performance in line with the peer group is realistically more achievable and should be the area of focus for the Fund. The biggest drawback will be resources available.

6. The survey includes both private and public sector funds. Some of the areas assessed are not fully aligned to Local Government Pension Schemes (LGPS) so the Fund will by definition have a low score.

7. The areas where full marks (out of 10) haven't been achieved are outlined below along with the Fund's performance against the peer group.

Scheme Governance

External Audit – Score 6 (Peer Group 8)

8. The Fund does not have a separate audit committee to monitor the performance of its auditors. This decision lies with the Audit Commission and is representative of how local authority Funds operate compared to its private sector peers. The Fund's

accounts form part of Wiltshire Council's Statement of Accounts which are presented and reviewed at the Audit Committee. There appears little scope to improve this score.

Internal Audit – Score 6 (Peer Group 6)

9. Internal Audit hasn't reviewed the operations of the Fund within the last two years. This was a conscious decision due to the Fund starting its LEAN review in 2008. The intention was to invite internal audit for a full review when this had been completed.

10. Although much work was undertaken the review of procedures will continue to be an on-going process. Therefore, the recommencement of a rolling internal audit program would now be appropriate. This has been discussed with Internal Audit and is planned in this financial year. This action should assist in the Fund's scores in future years.

Risk Management – Score 8 (Peer Group 8)

11. The Fund already scores highly through the introduction of its risk register last year which is monitored quarterly in line with best practice. To enhance this process further the Fund could look to test the risk controls outlined in the register on a rolling basis.

Management Accounting – Score 4 (Peer Group 7)

12. This area can be improved. Currently, the Committee only receive a budget report and an outturn statement annually. If full management reports were presented to Committee on a more regular basis the score should improve. The intention is to provide the Committee with budget monitoring updates bi-annually which would move the Fund in line with its peers. The Fund could report more often but this would tie up both officers and committee agenda time without perhaps adding significant additional value.

Investments – Score 8 (Peer Group 9)

13. The Fund performs well here but doesn't achieve better marks due to it not having a separate Investment sub-committee. This has been explored before but the feeling from Members was the current arrangements are adequate and investment issues are dealt with in sufficient detail within the normal committee not to warrant a sub-committee with the additional administration and resource this will take up in both officers and Members time.

Custody – Score 9 (Peer Group 8)

14. The Fund almost achieves full marks and is above the peer group. KPMG appear satisfied with the Fund's arrangements and it is difficult to improve from here. The Fund could commission specialist consultants more often to ensure the custodian's performance remains in line with the market (currently this is done when reviewing the contract every 3-5 years) but this takes up more resource in terms of cost and officers time which is not currently felt to outweigh any short-term benefits over this period.

Administration – Score 2 (Peer Group 7)

15. The Fund will score poorly here as it doesn't have a separate administration committee and due to the on-going issue of membership data only being reconciled annually.

16. For similar reasons given in paragraph 12 on investments, the Fund doesn't have an administration sub-committee. However, the Fund does now have an Administration

Strategy in place which the Committee receives updates on. The implementation of a workflow system will assist in monitoring administration performance and the Fund has recently joined the CIPFA Pension benchmarking club which will be used, along with specific internal benchmarks to measure administration performance.

17. Membership data reconciliation is an audit action point and work is being undertaken to set up more regular monitoring to ensure records are as correct as possible.

<u>Funding – Score 8 (Peer Group 8)</u>

18. The Funding level is regularly assessed at the triennial valuations' which informs the employers' contributions and ultimately the cost to the tax payer. This is also monitored quarterly at a high level through the actuary's 'Navigator' reports. There is no requirement to undertake more regular valuations and to do this would not prove value for money unless the scheme substantially changed.

Dealing with Members

<u>Contribution Financial Record Keeping – Score 2 (Peer Group 6)</u>

19. This is an area the Fund is weak and work is underway to improve this. Currently active member records are only reconciled annually, which although was traditionally adequate the Fund needs to undertake this at least quarterly to keep up with its peer group.

<u>Contribution Controls – Score 8 (Peer Group 6)</u>

20. The Fund scores well here and higher than the peer group. A high level review of contributions received from employers is undertaken monthly and actions taken when appropriate. The Fund is looking at carrying out more detailed monthly monitoring but relies on data coming from employers.

<u>Benefit Controls – Score 9 (Peer Group 8)</u>

21. The Fund has scored well in this area and is above the peer group. As part of the on-going review of procedures additional controls and quality assurance checks are being considered which may help in further increasing the overall score.

<u>Pensioner Payroll Controls – Score 8 (Peer Group 8)</u>

22. This is an area where the Fund was doing relatively well with a score equal to the peer group. With the migration to SAP the pensioner payroll reports were more difficult to obtain. This has now been rectified and pension officers now have access to run their own reports which will enable these reconciliations to be undertaken more regularly again.

23. Pensions are currently paid through SAP payroll by payroll services and not direct from the Pension's Alt-Air database. This inevitably leads to reconciliation issues between the two systems although work is on-going to make this transfer of data less manual to avoid errors.

Membership Data Controls – Score 7 (Peer Group 8)

24. As discussed in paragraph 14 the Fund does need to reconcile the membership movements more frequently than annually and the aim is to undertake this at least quarterly to improve this score.

AVC Controls – Score 3 (Peer Group 5)

25. The reason the Fund scores low here reflects the nature of AVCs on LGPS schemes. AVCs are not part of the accounts for LGPS Funds and the contributions into these schemes and value of the investments are reported by way of a disclosure note only.

26. AVC contributions are made direct by the employer's payroll to the provider and the Fund does not see this transaction. The AVC position is important to the Fund when paying out benefits as it counts against the lifetime allowance thresholds. Collating and maintaining additional records would not add value to the administration of the Fund.

Investments: Segregated Funds

Investment Managers – Score 5 (Peer Group 6)

27. The Fund currently receives the AAF01/06 or SAS70 reports from investment managers which are audit reports on their systems and controls. These are reviewed at a high level for any exceptions and passed onto internal audit.

28. The Fund's officers should periodically be discussing these reports along with their systems and controls more regularly with the investment managers. This is an area which officers can try to build into their annual meetings with investment managers. However, without specialist knowledge from either officers or internal auditors' limited value will be added from a detailed exercise. To a certain extent the system report provided offers some assurances as it has been carried out by auditors with the relevant knowledge and skills set.

Custodian – Score 9 (Peer Group 8)

29. The Fund scores highly here and above the peer group. The performance of the custodian could be monitored as discussed in paragraph 14. It would be difficult for officers to undertake this because of the need for specific knowledge and understanding of the market.

Investments: Pooled Investment Vehicles

Investment Managers – Score 5 (Peer Group 6)

30. The same comments as in paragraph 27 and 28.

Segregation of Duties – Score 5 (Peer Group 6)

31. With pooled funds the actual administration of the assets is more opaque than in segregated accounts as the Fund only holds units and not the assets itself. More formal reviewing of these funds by officers in terms of their managers, administrator and custodian could be undertaken. Again, this requires a certain element of specialist knowledge and resource. However, a high level review of the pooled fund accounts would seem appropriate with any specific concerns passed to an investment specialist to investigate.

Scheme Accounting

Key Financial Reconciliations – Score 8 (Peer Group 8)

32. The Fund undertakes most of the key reconciliations. As mentioned in paragraphs 19 to 24 there are areas that can be improved and developed in regards to contributions received and pensioner payroll which will assist performance here.

Consistency of Accounts with Annual Report – Score 7 (Peer Group 9)

33. This refers to the reconciliation of membership movements which were described in paragraphs 15 to 17. More regular monitoring of members would ensure a quality audit trail for the figures that are presented in the annual report. These are currently based on the pension database as at 31 March each year. Implementing this would keep the Fund in line with its peers.

Summary

34. As described above there are a number of changes that can be implemented to assist in improving the score. Some are relatively straight forward and require an additional reconciliation or amendment to current procedures which are already audit action points.

35. Other areas, like the systems testing of the investment managers and custodian require significant investment in terms of resources and the additional value of achieving a higher score needs to be measured against its overall usefulness to the Fund.

36. It should also be remembered the KPMG report compares both the private and public sector clients. It is hoped future reports will look at our performance against public sector peers to provide a more meaningful analysis on this sector and may reduce the anomalies' which are not relevant to LGPS funds.

Risk Assessment

37. The report looks at the financial controls and the governance of the Fund. A low score can indicate a lack of suitable processes or procedures which could impact on the following risks PEN002*: failure to collect and account for contributions from employers and employees,* PEN005*: loss of funds through the fraud and misappropriation and* PEN010*: failure to keep pension records up to date and accurate* which are highlighted in the risk register elsewhere on the agenda.

Environmental Impact of the Proposals

38. There are none.

Financial Considerations & Risk Assessment

39. There are no direct financial considerations. However the failure to have proper financial controls and good governance within the Fund could lead to poor management of assets, incorrect payments being made and ultimately maladministration claims from the membership with fines from the pension regulator.

Proposal

40. The Committee is asked to note the report and actions being taken to improve the performance of the Fund.

DAVID ANTHONY
Head of Pensions

Report Author: David Anthony

Unpublished documents relied upon in the production of this report:

None.

PENSIONS

Wiltshire Pension Fund

KPMG Pension Schemes Financial Controls Peer Group Comparison

16 February 2010

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Introduction

Purpose

The purpose of this document is to provide a high level overview of how your scheme's financial control environment compares to its peer group.

We hope that you find the document a useful comparison tool. We would be happy to discuss further any of the details within the document with the Pension Committee and management.

Source of data

The data has been collected from the results of a survey completed for KPMG's largest pension scheme audit clients, with assets over £1billion.

The peer group results are not best or recommended practice but are the average scores for the peer group.

Results

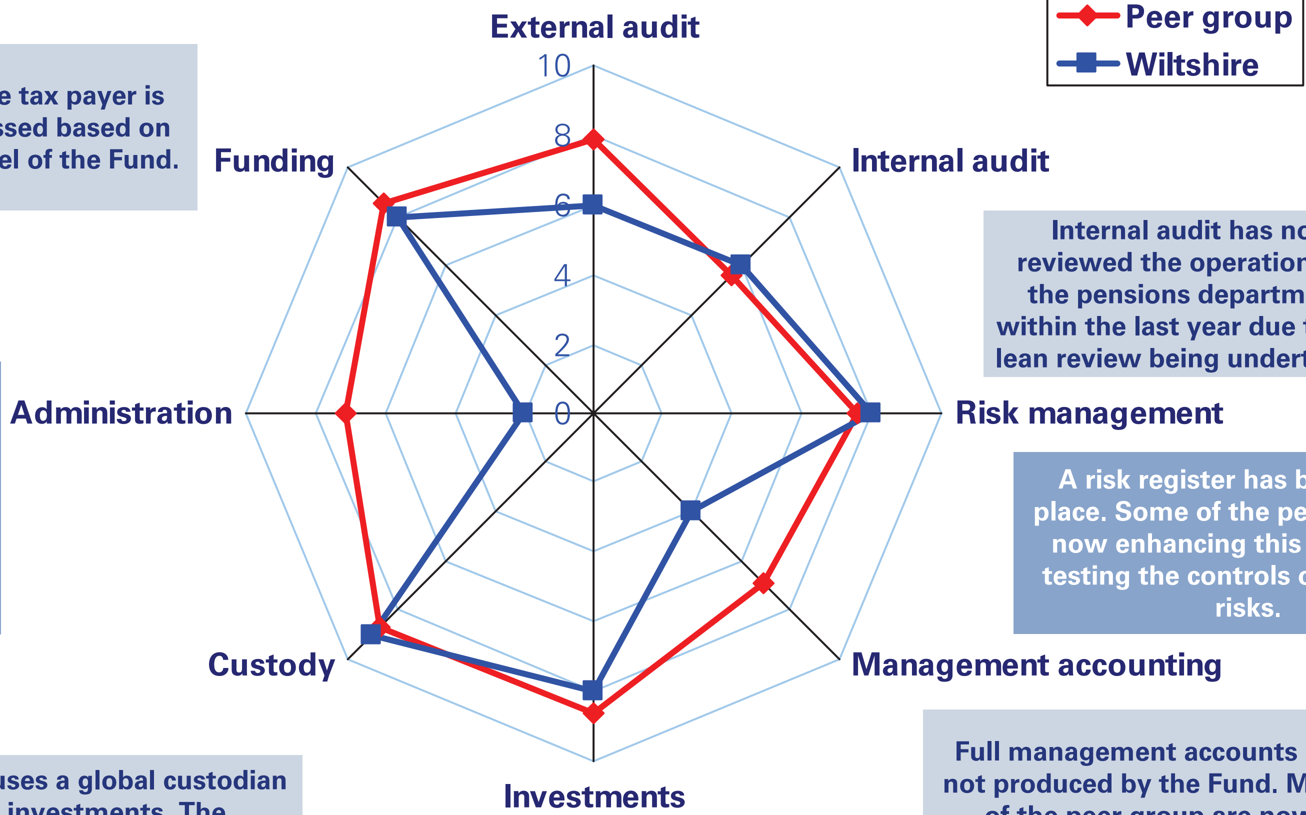
The survey covers the following key areas:

- Scheme Governance
- Dealing with Members: Defined Benefit
- Investments: Segregated Funds
- Investments: Pooled Investment Vehicles
- Scheme Accounting

Scheme Governance

The Fund does not have a separate audit committee to monitor the performance of its auditors. The decision to appoint and review the Fund's auditors lies with the Audit Commission.

The cost to the tax payer is regularly assessed based on the funding level of the Fund.



Internal audit has not reviewed the operations of the pensions department within the last year due to the lean review being undertaken.

Many schemes within the peer group have a separate administration committee which monitors administration however the Fund does not. The membership data of the Fund is only reconciled annually where as the schemes within the peer group complete this more frequently.

A risk register has been put in place. Some of the peer group are now enhancing this process by testing the controls over the key risks.

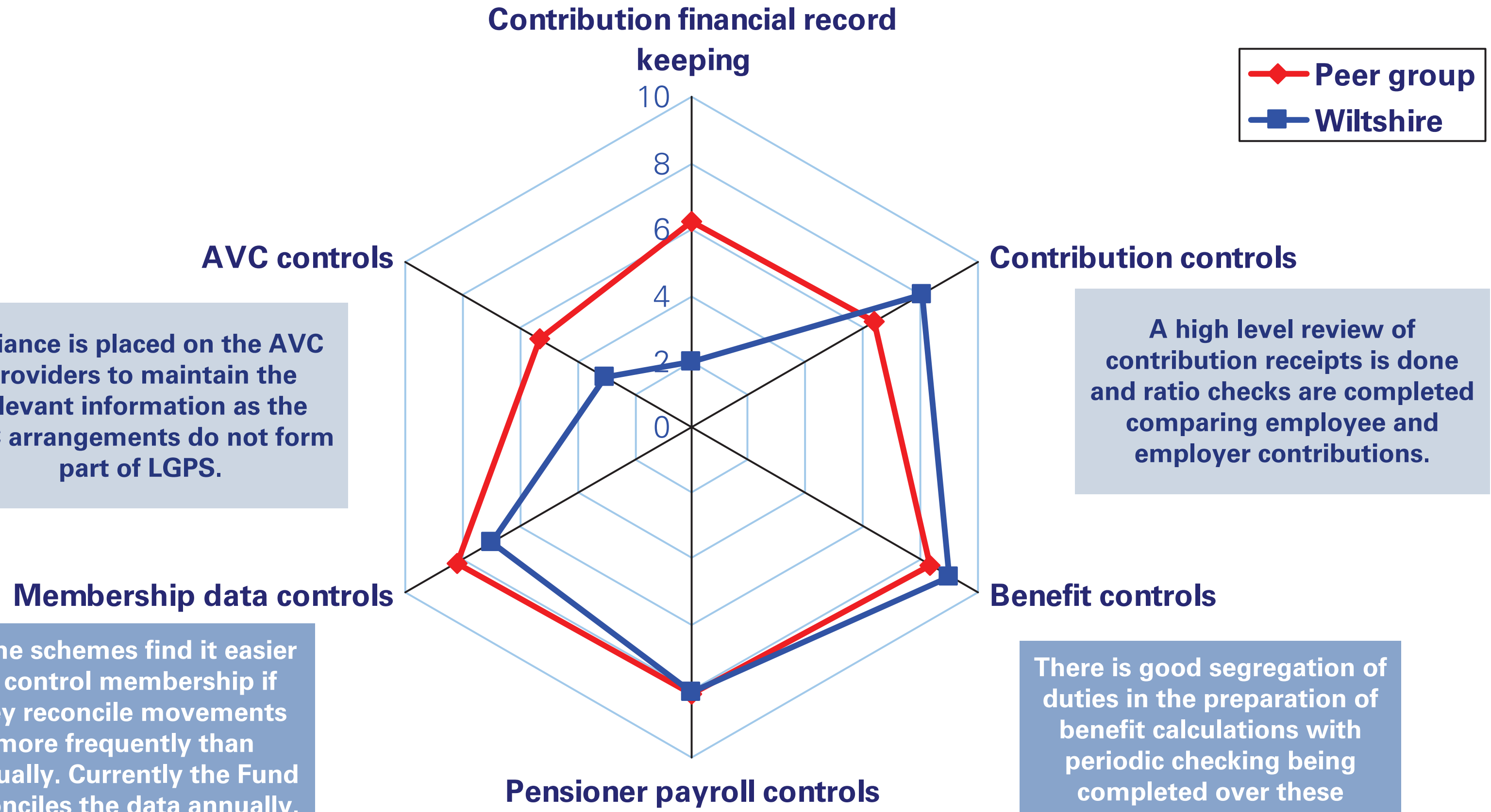
The Fund uses a global custodian for its investments. The agreement with the custodian and their performance is monitored by the Pensions Department and Wiltshire Pension Fund Committee.

Some schemes within the peer group have a separate investment sub-committee to monitor investments. Currently the Fund does not have this arrangement however investments are a key focus of the pensions committee.

Full management accounts are not produced by the Fund. Many of the peer group are now completing at least bi-annual management accounts.

Dealings with Members: Defined Benefit

Member active records are only reconciled to payroll annually.



Reliance is placed on the AVC providers to maintain the relevant information as the AVC arrangements do not form part of LGPS.

A high level review of contribution receipts is done and ratio checks are completed comparing employee and employer contributions.

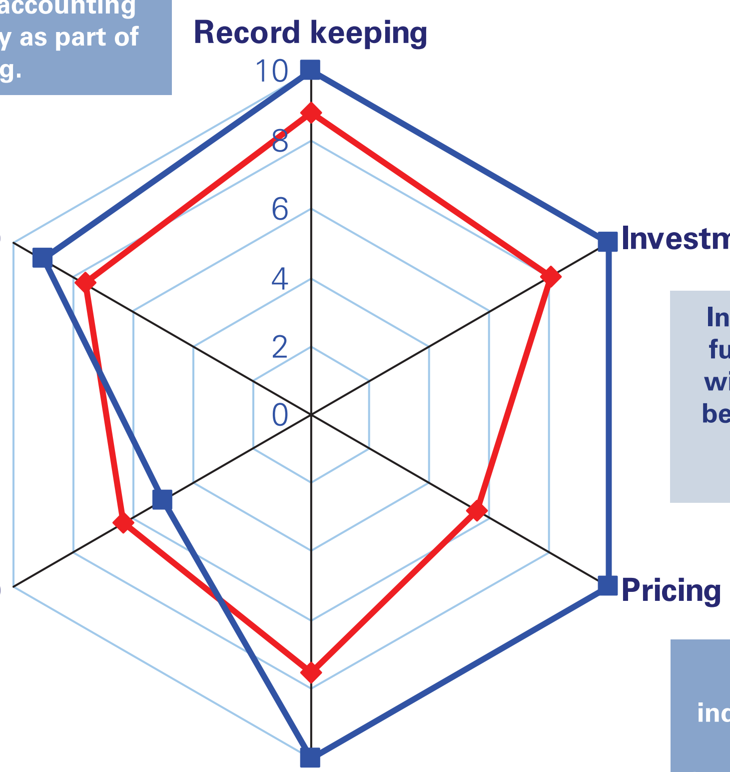
Some schemes find it easier to control membership if they reconcile movements more frequently than annually. Currently the Fund reconciles the data annually.

There is good segregation of duties in the preparation of benefit calculations with periodic checking being completed over these calculations.

Pensioner payroll is reconciled monthly. The Fund also completes an annual check over the existence of its pensioners using the national fraud initiative.

Investments: Segregated Funds

The Fund uses a global custodian who reconciles the holdings with the investment managers at least monthly. The accounting records are also updated monthly as part of the portfolio rebalancing.



The agreement with the Fund's custodian is monitored. The performance of the custodian and its creditworthiness is also monitored regularly by the Fund.

The AAF01/06 or SAS70 reports are obtained and reviewed.. Some schemes within the peer group are moving to visiting the investment managers and discussing the systems, controls and exceptions in relation their scheme.

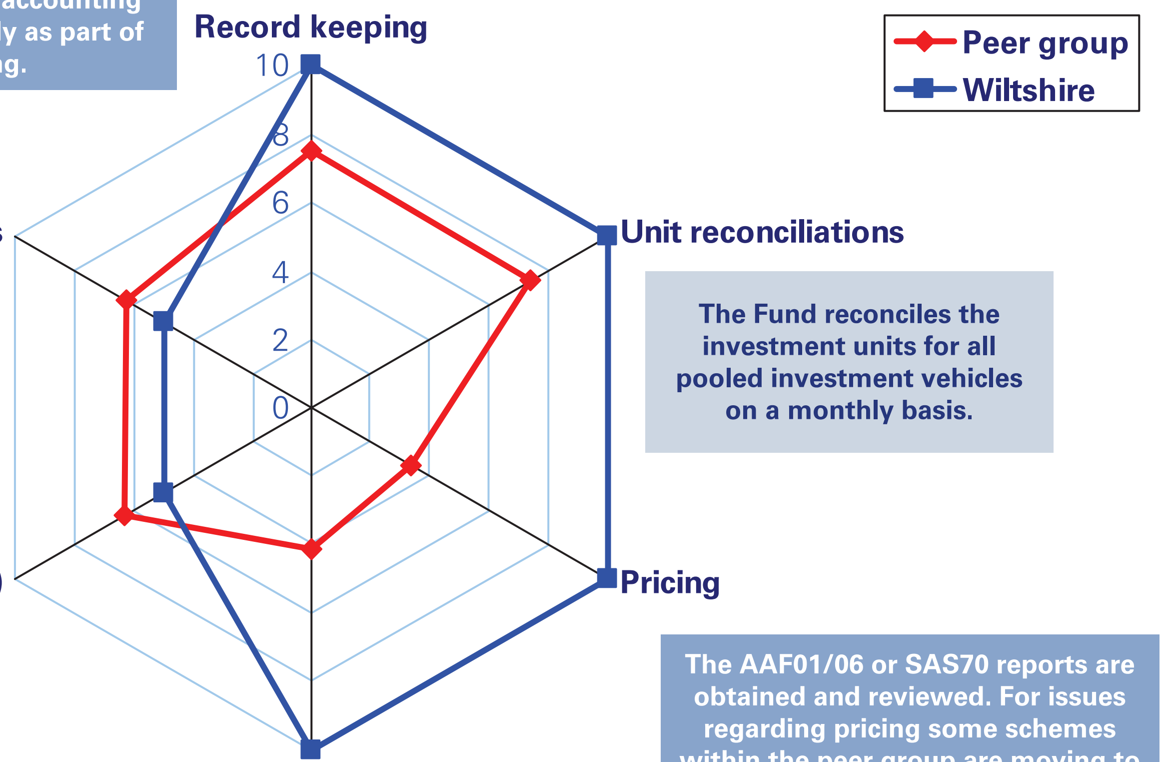
BNY Mellon is used to collect investment income. BNY's cash records are agreed to the investment manager records as part of the monthly reconciliations completed.

Investment transactions are fully reconciled by the Fund with change in market value being proven by reference to realised and unrealised gains/losses.

BNY Mellon complete an independent pricing service as part of their custodial agreement. Pricing is reconciled as part of the monthly reconciliation procedure.

Investments: Pooled Investment Vehicles

The Fund uses a global custodian who reconciles the holdings with the investment managers at least monthly. The accounting records are also updated monthly as part of the portfolio rebalancing.



The set up of the pooled funds in terms of whether they have an independent manager, administrator and custodian is reviewed informally. Some schemes within the peer group are now reviewing this on a formal basis where a substantial amount of their portfolio within a pooled vehicle.

The Fund reconciles the investment units for all pooled investment vehicles on a monthly basis.

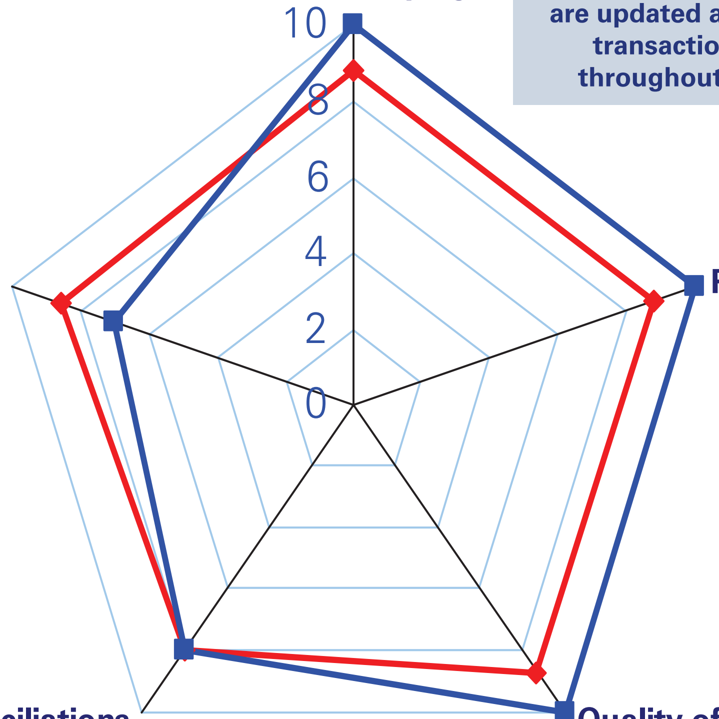
The AAF01/06 or SAS70 reports are obtained and reviewed. Some schemes within the peer group are moving to visiting the investment managers and discussing the systems, controls and exceptions in relation their scheme.

Audited accounts are obtained and reviewed for qualifications and issues for all pooled investment funds that issue them.

The AAF01/06 or SAS70 reports are obtained and reviewed. For issues regarding pricing some schemes within the peer group are moving to visiting the investment managers and discussing the systems, controls and exceptions over pricing. They are also obtaining an understanding of the underlying portfolios within the pools.

KPMG

Scheme Accounting



The Fund accounting records are updated as and when transactions occur throughout the year.

The Fund has a full time accountant and finance team within the pensions department.

The Fund accountant questions transactions, prepares full compliant accounts and there are few, if any, audit adjustments.

Key reconciliations are completed by the finance team for contributions, investments and pensioner payroll.

Consistency between the membership movements and the accounts is not formally reviewed. With the completion of a detailed membership reconciliation, this process could be completed.

This page is intentionally left blank

WILTSHIRE COUNCIL
WILTSHIRE PENSION FUND COMMITTEE
2 December 2010

INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION – CALL FOR EVIDENCE

1. This report asks the Committee to consider the request from the Independent Public Service Pensions Commission for evidence and views to assist the review and to provide comments to be included in the response from Wiltshire Council.

Introduction & Background

2. The Independent Public Service Pensions Commission was set up by the Government to look at the shape and future of Public Sector pensions nationally. The review is being led by Lord Hutton of Furness.

3. The initial report was published in October 2010. This set out the case for change in the public sector: longer lives, the unfairness of a system that rewards high-flyers disproportionately, the imbalance between taxpayers and employees and contribution rates that do not reflect the value of benefits received. The main points from this paper were:

   - Increased contributions from members in the future although the Government will need to decide its implementation and how to protect the lower paid. This will include looking at the size and spread of employee contributions and when they would be implemented from.

   - A move away from a Final Salary Defined Benefit scheme with various options being considered including a Career Average Defined Benefit scheme, a notional Defined Contribution scheme with protection, or a hybrid type arrangement which combines elements of both.

   - A potential increase in the normal retirement age to reflect the fact members are living longer.

   - The potential to change the accrual rates for pension service as currently these are different across all the public sector schemes.

   - The potential to reduce and standardise Discount Rates across public sector scheme and reducing deficit recovery periods all which would increase liabilities.

4. The second report is due for publication in the spring (anticipated in March 2011) which is thought will outline options that the Government could implement. This has the potential to fundamentally change the current scheme.

5. The Commission wrote to all public sector funds on 1 November 2010 with the ‘call for evidence’ that would be considered as part of the review and any responses received will be published on their website shortly after the publication of the final report.

Main Considerations for the Committee

6. Appendix B shows a copy of the 'call for evidence' letter and the questions being asked by the Commission. Officers have presented suggested wording to form a response which is generally supportive (Appendix A) but Members are asked to consider these questions, after taking advice from officers and advisors and suggest amendments to the wording to form the response from Wiltshire Council for submission by 12 December 2010.

Risk Assessment

7. An area where the Fund usually has little influence is over its liabilities as highlighted in *PEN006: Significant rises in employer contributions for employers due to increases in liabilities* on the risk register. This provides an opportunity to assist in shaping the future of the scheme which makes it important to consider and submit a response.

Environmental Impact of the Proposals

8. There are none.

Financial Considerations & Risk Assessment

9. There are no direct financial considerations. However the outcome of the review may lead to a different scheme for members that may lead to changes in employer and employee contributions and the future funding of its liabilities.

Proposal

10. The Committee is asked to note the request for evidence as part of the Independent Public Service Pensions Commission review and to propose a response for submission by 12 December 2010.

DAVID ANTHONY
Head of Pensions

Report Author: David Anthony

Unpublished documents relied upon in the production of this report:

None.

APPENDIX A

Draft Response

Lord Hutton of Furness,

Re: Call for evidence for final report

Thank you for this opportunity to outline our views on the proposed changes to public service pensions. We administer the Local Government Pension Scheme (LGPS), Police Schemes and Fire Schemes for Wiltshire.

Scheme Design
Q1. What is an appropriate scheme design for public service pensions? Why

It is difficult to evaluate The Local Government Pension Scheme (LGPS) schemes with others in the public sector as the LGPS is a funded scheme with assets to back up its liabilities unlike many of the other funds which operate on a Pay as You Go (PAYG) bases with the full cost being met by the public purse. The LGPS model appears a sensible approach for the long term sustainability of pension provision.

Assuming Final Salary Defined Benefits Schemes are being ruled out on the basis of being too expensive and unfair and Defined Contributions (DC) Schemes as being inadequate, the remaining options appear to be either Career Average Relating Earnings (CARE) for all or a type of Hybrid Scheme.

CARE Scheme for all members, with an accrual rate of 60ths or 70ths, would appear to meet the requirement of adequacy and with the principle being understood by employees. It addresses the fairness issue which currently favours those members who have substantial promotions or pay increases late in their working life and furthermore lower earners whose average salary will often not be significantly lower than their final salary. It also means members are receiving an equal financial unit of benefit for each pound they contribute which appears a fairer approach. This would be the most desirable scheme design if the associated costs and risks were acceptable.

Any Hybrid arrangement wouldn't be beneficial for employee understanding, while its levels of adequacy would be depend on the exact parameters. If a Hybrid Scheme is implemented, it is felt an element of defined benefit is highly desirable to ensure that employees remain in the scheme by enabling them to assess with some degree of certainty their likely levels of retirement income. A capped Career Average Scheme with 60ths accrual on the first £30,000 - £40,000 of pay and Notional DC Scheme beyond that would appear to provide an appropriate balance of adequacy, particularly for lower to medium earners who would not exceed this limit, while lowering employer costs and funding risks.

It is felt that the equalisation of benefits for the different public service pensions (with the exception of Fire, Police and the Armed Services) would help public understanding and reduce costs. There is good argument that the Fire & Police Schemes should be administered nationally considering the relative low numbers and the ad-hoc arrangements from authority to authority that are currently in place.

Risk-sharing
Q2. Which risks associated with pension savings should the scheme members bear, which by the employer and which should be shared? Why?

Normal Retirements Ages should (with the exception of the Armed forces, and Police & Fire Schemes) be consistent. The effect of increasing longevity should be borne by the member with increasing retirement ages in line with the state pension age. However, flexibility should be allowed to provide members with a choice of taking reduced benefits earlier.

Indexation factors could be shared between the employer and member with adjustments being made to account for changes in longevity and economic conditions. However, is would appear to be 'moving the goal posts' if applied to accrued benefits (as with the CPI issue) which increase uncertainty in the scheme.

The potential to share risks through sharing of contribution increases already exists in the LGPS from 2011 onwards. It is felt that significant variations of employee contributions from year to year (or triennially) are not acceptable because of the impact on members net pay and their personal financially planning. Meanwhile, small variations would have little effect on sharing risk.

Q3. What mechanisms could be used to help control costs in public service schemes? For example, is there merit in flexible normal pension ages linked to changes in longevity? What indexation factor should be used in a career average type scheme to ensure a reasonably balance of risk between scheme members and taxpayers?

The issue of Normal Retirement Age has been answered in Q2. Indexation factors should be aligned as closely as possible to the benefits (i.e. RPI was suitable for an inflation linked benefit) and in most cases for a funded scheme this increase can be matched by index linked gilts.

Q4. Where and how have risks associated with pensions been effectively shared in private sector companies?

We have little experience of private sector pensions and therefore we are unable to effectively answer this question.

Q5. Which international examples of good practice in the area of risk sharing should the Commission consider when compiling the final report? Why?

We have little experience of foreign pensions and therefore we are unable to effectively answer this question.

Q6. What should the split between member and employer contributions look like?

Its felt the target ratio should be 1/3 member to 2/3 employer as a reasonable balance. However, employee contributions rates for the lower paid should be capped at around 6% to prevent large numbers opting out based on the perceived affordability and value for money.

Q7. Should there be different treatment of different professions (for example, lower normal pension ages for some public service employees)?

There is an argument for lower retirement ages for Police Officers, Firepersons and the Armed Services and any other similar workforce schemes to be maintained. A normal retirement age between the ages of 55 to 60 would seem appropriate considering the physical requirements of the job.

Other major schemes such as Local Government, Teachers, Civil Service and the NHS should have their normal retirement age linked to the state retirement age, although greater flexibility should be allowed for members to retire early or on flexible retirement with actuarially reduced benefits.

As discussed earlier, for the latter mentioned schemes it's believed there is good argument for making the Scheme Benefits identical for the 'non-uniform' schemes although the transition arrangements would need to be carefully considered.

It would substantially increase administrative difficulties and member confusion if distinctions where made within individual schemes (such as different types of job classification for pension purposes within Local Government).

Q8. Should there be different treatment for those at different income levels?

If a CARE scheme is implemented the argument for different treatment is reduced and a common employee contribution rate would make more sense. If a pensions cap was introduced into the scheme for higher earners this could be enhanced by contributing into AVCs or some other form of pension provision.

Q9. What is the appropriate normal pension age for the different public service schemes? Should this vary across schemes, and, if so, why?

Answered as part of Q7.

<u>Adequacy</u>
Q10. How should the Commission think about measuring adequate levels of resources in retirement?
and
Q11. What should be considered an adequate level of resources in retirement?

Measuring levels of adequacy should be on the basis of reliable poverty thresholds by area of residence. The goal should be that every pensioner receives sufficient income from state and occupational pensions so that they are not reliant on means-assessed benefits.

Ensuring a high percentage of nationwide membership of pension schemes throughout someone's working life would facilitate the reaching of this goal. A relatively low employee contribution rate for lower earners, easy to understand schemes and avoidance of low level pension provision as is now prevalent in the private sector all assist in attaining this.

Q12. Should a full state pension and a full public service pension ensure people have adequate resources in retirement? Or should room be left for individuals to make their own arrangements?

Yes, the combination of a full state pension and full public service pension should be at a level that is adequate for a pensioner. There are already provisions for members of the public to make additional arrangements if they wish to top up their pension provision such as Additional Voluntary Contributions (AVCs) and personal pension schemes.

Q13. How should this change where people work part careers in public service?

Private sector pensions should be subject to minimum level of acceptability in terms of risk and adequacy, to reduce the current discrepancy between public and private pension provision. With time, NEST could be used as the benchmark of what is the minimum level of adequacy – this would help address the issues and principles from Q12. This would also assist in the portability of pensions between the private and public sectors.

Employee understanding and choice

Q14. How much do workers value and understand pensions? Is there any evidence this differs between groups (for example, by age, by income)?

Through reading reports from various organisations and speaking regularly with our own members, it is clear that the average member of a pension scheme has a poor understanding of how it works and how benefits accrue.

As a result, people can make irrational decisions regarding membership of a pension scheme. For example we are aware of members opting out of our final salary scheme because they believe that they are better off investing their money in an ISA or a personal pension scheme. Other members defer the accruing of pension benefits until they are close to retirement age without realising they don't have time to accrue an adequate pension without making substantial additional contributions. Similarly members are suspicious about the security of the pension held by the Government or companies and have unrealistic expectations of their future plans when they are older. These are issues which are in the national interest to address at both a local and national level; an easy to understand scheme design and regulations would help greatly as would increase levels of communications.

Q15. Which forms of scheme design will encourage employees to save for their retirement? Is there any evidence from pension scheme reforms influencing opt out rates in the private sector?

Auto-enrolment is necessary to keep relatively high numbers enrolled in good final salary schemes as otherwise given the choice people can make poor long-term financial decisions. A danger of significantly increasing employee contributions rates or reducing benefits is a higher number of people will opt out all together.

Auto-enrolment in the LGPS is effective as only those who opt out within 3 months are permitted a refund. Other options that could be considered are compulsory membership or repeated auto-enrolment as we understand was proposed for NEST. There are practical difficulties with repeated auto-enrolment, while the former could appear too heavy handed and inflexible.

Q16. What best practice exists in the private sector around communication of benefits with scheme members?

We have little knowledge of private sector pension communication.

Q17. Should any new scheme design offer members a degree of choice in the level of contributions paid and benefits received? For example, should members be able to receive a higher pension if they want to take the pension later? Why?

Contributions paid – on a non-DB element, it seems reasonable that contributions payable should be flexible to some degree as long as employer rates vary accordingly.

Benefits received – benefits should be actuarially decreased or increased in line with the person's age. At present in the LGPS the minimum retirement age (with reductions) is 60. This could be lowered further if the appropriate actuarial reduction is applied (e.g. 55). Otherwise actuarially decreasing and increasing pensions already occur in our main scheme and this would appear to be consistent with offering flexibility and fairness.

Pensions and plurality of provision of public services

Q18. Whether and how public service pensions could be structured to support a more level playing field between the public and private sectors when tendering for contracts?

In the LGPS, private sector organisations are able to become admitted bodies when they take on TUPE transferred staff from an employer in the LGPS. There is a perception that LGPS employers form other sectors are almost always more risky which drives up employer rates which would be less costly in a hybrid scheme. However, two organisations are already able to take on risk sharing arrangements as part of their agreement to enter the Fund and in our Fund we have already seen this happen on a number of occasions. By expanding this fairly flexible provision to other public services schemes, we believe private sector companies would have a more level playing field to operate on.

The concept of 'Fair Deal' and protecting pension provision in line with the other protections in place under TUPE as it clear the pensions should be valued in a similar way to someone's standard remuneration package.

The 'playing field' would also be levelled further if private sector pension provision was improved alongside the reduction of any public sector pension provision.

Q19. Which non-public service employees should be eligible for membership of public service schemes?

There is no apparent reason why non-public service employees should not be eligible for membership of public service schemes as along as appropriate guarantees and bonds are in place, as necessary, and paid for by the non-public service person's employer. The LGPS already hosts non-public service employees as result of TUPE transfers

Administration Costs

Q20. What evidence is there on administration costs (excluding fund management costs) of private sector schemes? How do these compare with those in the public service schemes?

We do not have sufficient information to make a reasonable comparison. However, care needs to be taken to ensure comparisons are made between Defined Benefit schemes in the private sector. There are also issues around scheme size and maturity profile that needs consideration.

We are aware that our administrative costs are likely to be higher than the equivalent in the private sector because of the level of complexity and lack of flexibility which exists in the Local Government Pension Scheme.

Regulatory changes and an improvement in the consultation and transition arrangements when regulations do change, as well as greater clarity over how they should be interpreted, would greatly help keep our administration costs low.

Q21. How do private sector scheme ensure that there is good quality and efficient scheme administration? Which measures can be applied to public service schemes.

Please see the answers to Q20 and Q22.

Q22. Is there scope for rationalising the number of local government pension funds? If so, how could this be achieved?

There is certain scope for rationalising the number of local government pension funds, especially for the smaller funds. Funds could probably achieve lower investment management costs if they could procure on a larger scale and the merging of administration services could potentially benefit funds from great economies of scale but there are many issues associated from this. Issues to consider is the point where efficiencies flatten out and what happens to the service to individual members. Examples of large national providers can already be seen with schemes like the NHS which should be contrasted with the LGPS set up. The current LGPS structure does appear to be aligned with the Coalition Governments approach of decentralisation and giving more power to the local people.

What would benefit LGPS funds would be greater collaboration and closer working to prevent the duplication of costs and lead to the benefits associated from economies of scale and greater purchasing power. This has been witnessed in the South West were the funds have already set up a framework agreement for legal services and are currently tendering to establish a framework for actuarial, benefits and investment services.

As mentioned earlier the Fire and Police Schemes should be administered centrally to reduce costs due to their low membership levels in each authority.

Transition Issues

Q23. How can the Commission ensure an effective transition to the new arrangements?

The Commission needs to strongly recommend transition timeframes that are realistic and by ensuring the new technical/administrative arrangements are clear from the beginning to ensure implementation costs are minimised.

The introduction of the LGPS Regulations 2008 is a good example where important aspects were not confirmed until at least a year after their introduction and clarifying amendments are still being made over two years later. Constant change to the benefit structure and the treatment of technical elements is highly undesirable in the interests of keeping administrative costs at reasonable levels, enhancing employee understanding and avoiding technical mistakes or issues adversely affecting current or former employees.

Although difficult to recommend a specific timeframe and process without knowing what change will occur, all administrators need to be issued with detailed draft regulations at least a year before the implementation with a detailed consultation period before and after this time. Again, in our experience, many of the transitional problems that occur would be minimal if an effective consultation process takes place as actual administrators and support authorities (e.g. advisors) are the best placed to point out technical issues, as they will be responsible for administering or advising on the new schemes on a day to day basis.

In addition an effective and efficient communication exercise for members would need to be planned in advance of the changes to ensure an understanding of the “new” scheme is taken on by members. As previously noted in general the vast majority of members are not aware of the “benefits” of being a member of the LGPS.

Q24. What can the Commission learn about moving to a new scheme from the best practice in the private sector and internationally?

We have little awareness of the process and issues in the private sector and internationally, but as pointed out in Q23, lessons can be learned from changes made to individual schemes in the public sector.

Q25. How have accrued rights been protected or transferred during changes in schemes in the private sector?

We have limited knowledge of the private sector but we would comment that not providing adequate protection of accrued rights would appear to be legally challengeable and could result in a serious loss of confidence in the effectiveness of pensions and the Government as whole. Where the Commission is seeking to improve membership numbers and employee engagement in pensions, failing to adequately protect accrued rights would seem highly counterproductive.

Wiltshire Pension Fund (administered by Wiltshire Council)
November 2010

This page is intentionally left blank

Independent Public Service Pensions Commission
Independent Public Service Pensions Commission
1 Horse Guards Road
London
SW1A 2HQ
0207 270 5186
pensions.commission@hmtreasury.gsi.gov.uk

1 November 2010

Call for evidence for final report

On 7 October I published the interim report of my independent review of public service pensions. This reflected the large number of submissions of evidence received in response to my first call for evidence for which I was very grateful.

The interim report set out the landscape around public service pensions and considered the case for reform. My final report will look at options for structural reform. I consider such reform is vital, given concerns around fairness, increases in longevity, management of risk and the need to reduce barriers to different ways of providing public services and mobility between public and private sectors.

I would like to invite evidence and views from you by Friday 17th December that will assist me in considering the issues outlined below.

Scheme Design

There are many different types of pension schemes that exist in the UK and throughout the world. Traditional models include:

- Final salary schemes, which generate a pension based on salary towards the end of employment;
- Career average schemes, where the amount of pension received is usually based on salary across a period of employment;
- Defined contribution (DC) schemes, where the amount of pension usually relies on the level of contributions paid into a fund, the investment performance of the fund and the annuity rate which converts the fund into an income in later life;

There are also a range of hybrid schemes, which usually combine elements of final salary or career average schemes (DB schemes) with elements of defined contribution (DC) provision. Some possibilities include:

- ‘Capped schemes’ - a DB scheme up to an income level, with a DC scheme for any income over that level;
- ‘Combination schemes’ - a scheme where a member simultaneously earns benefits that are part DB and part DC on the same income;

- ‘Nursery schemes’ – where a member starts in a DC scheme and then earns DB benefits after a number of years in employment;

There are also examples of different types of scheme design that operate in different countries. These include:

- Collective DC schemes – which are similar to DC schemes but where an attempt is made to manage investment risk across generations in an effort to improve returns on average across generations;
- Notional DC schemes – which are unfunded DC schemes and protect members from some of the investment risk associated with typical DC schemes;

Q1) What is an appropriate scheme design for public service pensions? Why?

Risk-sharing

As well as the overall scheme design, there are certain parameters such as normal pension age, indexation factors and contribution rates that can be used to manage risks in different types pension schemes.

There are different risks involved with saving for retirement that are faced by members of pension schemes or by employers who provide the pension scheme. For example, there is a chance that pension scheme members will live longer than expected when the scheme was established which will result in either increased costs for the employer or reduced benefits for scheme members. Other risks associated with some forms of pension saving include risks that investment returns deviate from what has been expected or that earnings grow at a different rate from that assumed.

Generally speaking, in pure defined contribution schemes the scheme members bear most risks and in final salary schemes employers bear most risks (and ultimately in the case of public service schemes, taxpayers). I am seeking views on how risks should be managed between scheme members and public service employers. Specifically:

Q2) Which risks associated with pension saving should the scheme members bear, which by the employer and which should be shared? Why?
Q3) What mechanisms could be used to help control costs in public service schemes? For example, is there merit in flexible normal pension ages linked to changes in longevity? What indexation factor should be used in a career average type scheme to ensure a reasonable balance of risk between scheme members and taxpayers?
Q4) Where and how have risks associated with pensions been effectively shared in private sector companies?
Q5) Which international examples of good practice in the area of risk sharing should the Commission consider when compiling the final report? Why?
Q6) What should the split between member and employer contributions look like?
Q7) Should there be different treatment of different professions (for example, lower normal pension ages for some public service employees)?

Q8) Should there be different treatment for those at different income levels?
Q9) What is the appropriate normal pension age for the different public service schemes? Should this vary across schemes and, if so, why?

Adequacy

A key outcome for public service pensions is that they offer an adequate level of income in retirement, particularly where people have devoted the majority of their working life to public service.

There are different views about what an adequate level of income is in retirement and how this should be measured. Lord Turner's Pension Commission produced some benchmark replacement rates but other approaches could include using poverty thresholds at lower income levels. Other commentators suggest looking at household resources rather than individual income, which could give a broader picture of potential standards of living in retirement.

Q10) How should the Commission think about measuring adequate levels of resources in retirement?
Q11) What should be considered an adequate level of resources in retirement?
Q12) Should a full state pension and a full public service pension ensure people have adequate resources in retirement? Or should room be left for individuals to make their own arrangements?
Q13) How should this change where people work part careers in public service?

Employee understanding and choice

A principle against which options for long-term structural reform will be judged is that schemes should be widely understood. But this principle may require trade offs to be made with other principles outlined in the interim report such as fairness and sustainability. I would therefore welcome views on:

Q14) How much do workers value and understand pensions? Is there any evidence this differs between groups (for example, by age, by income)?
Q15) Which forms of scheme design will encourage employees to save for their retirement? Is there any evidence from pension scheme reforms influencing opt out rates in the private sector?
Q16) What best practice exists in the private sector around communication of benefits with scheme members?
Q17) Should any new scheme design offer members a degree of choice in the level of contributions paid and benefits received? For example, should members be able to receive a higher pension if they want to take the pension later? Why?

Pensions and plurality of provision of public services

It is important that public service pensions support productivity and ensuring plurality of provision of public services is an important part of this. Different public service pension structures and eligibility for public service schemes may impact differently on the ability of providers outside of the public sector to supply public services. Therefore I would be interested in views on:

Q18) Whether and how public service pensions could be structured to support a more level playing field between the public and private sectors when tendering for contracts?
Q19) Which non-public service employees should be eligible for membership of public service schemes?

Administration costs

There appears to be a wide variation in the administration costs across different public service schemes, and costs seem to be higher than those in the private sector in some cases. The final report will consider whether there is scope for rationalisation and cost reduction.

Q20) What evidence is there on administration costs (excluding fund management costs) of private sector pension schemes? How do these compare with those in the public service schemes?
Q21) How do private sector schemes ensure that there is good quality and efficient scheme administration? Which measures can be applied to public service schemes?
Q22) Is there scope for rationalising the number of local government pension funds? If so, how could this be achieved?

Transition issues

Ensuring there is a smooth transition from the current pension scheme structures to whatever new arrangements are put in place will be crucial if scheme members and taxpayers are to have confidence that the new arrangements are fair, suitable and sustainable in the long-term.

Q23) How can the Commission ensure an effective transition to the new arrangements?
Q24) What can the Commission learn about moving to a new scheme from best practice in the private sector and internationally?
Q25) How have accrued rights been protected or transferred during changes in schemes in the private sector?

In addition, I would also be interested in any further views respondents may have on any other issues relating to public service pensions that are not outlined above, including those raised in my interim report.

I look forward to receiving your input by Friday 17th December emailed to pensions.commission@hmtreasury.gsi.gov.uk. Any responses received will be published on the Independent Public Service Pensions Commission website shortly after the publication of my final report.

Yours sincerely

Lord Hutton of Furness
Chair, Independent Public Service Pensions Commission

Independent Public Service Pensions Commission: terms of reference (issued 20 June 2010)

To conduct a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

In reaching its recommendations, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes;
- implementation and transitional arrangements for any recommendations; and
- wider Government policy to encourage adequate saving for retirement and longer working lives.

As part of the review, the Commission is invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit. The commission is invited to produce the final report in time for Budget 2011.

Scheme coverage

- For civil servants:
    - Principal Civil Service Pension Scheme
    - Principal Civil Service Pension Scheme (Northern Ireland)
- Armed Forces Pension Scheme
- For NHS employees:
    - NHS Pension Scheme
    - NHS Superannuation Scheme (Scotland)
    - Health and Personal Social Services Northern Ireland Superannuation Scheme
- For teachers:
    - Teachers' Pension Scheme (England and Wales)
    - Scottish Teachers' Superannuation Scheme
    - Northern Ireland Teachers' Superannuation Scheme

- For Local Government:
    - o Local Government Pension Scheme (England and Wales)
    - o Local Government Pension Scheme (Scotland)
    - o Northern Ireland Local Government Pension Scheme

- Police Pension Scheme (administered locally)

- Firefighters' Pension Scheme (administered locally)

- United Kingdom Atomic Energy Authority Pension Schemes

- Judicial Pensions Scheme

- Department for international Development – Overseas Superannuation Scheme

- Research Councils' Pension Schemes

In addition to the schemes mentioned above, there are a number of smaller schemes and many established to cover only one senior appointment which do not specifically need to form part of the review but which will be required to act on the recommendations.

This page is intentionally left blank

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
2 December 2010

UPDATE OF MEMBERS' TRAINING PLAN

Purpose of the Report

1. The purpose of this report is to present a new Members' Training Plan for approval.

Background

2. Ensuring Members are aware of the Pension Fund's activities and that they have the skills and knowledge to, with the assistance of the advisers, make informed decisions is not only good governance but is underpinned by the Myners Principles as outlined in the Fund's Statement of Investment Principles.

3. The CIPFA Knowledge & Skills Framework (KSF) which was published last year assists by providing a framework for a more formal and structured approach to Members training. One of its primary objectives is to encourage training plans for Members that take a medium term view aligned with the major events of a Fund, namely the triennial valuation and local election cycles. The training plan needs to show any skills gap are how these are being addressed.

4. Funds are expected to adhere with the KSF and disclose in its Annual Report on a "comply or explain" basis from 2010/11 onwards. The KSF is currently voluntary but its anticipated future legislation from the Government will make this mandatory.

5. The current Members Training Plan was approved by this Committee in November 2009 following a workshop seminar which assessed the areas for Members' training needs in relation to the work of the Committee over the next four years. This Plan was completed with the final training session on 5 November 2010.

6. On 14 July this Committee agreed to undertake a 'Self Assessment' to assist in identifying areas for further development. This would inform a revised training plan for 2011 onwards.

7. It was also agreed to assess the Chairman's and Vice Chairman's training requirements by reviewing the requisite skills needed to undertake the principal responsibilities of these posts and to produce a separate plan to meet their requirements.

8. A draft Member Training Plan and Chairman's Training Plan is now included in this report for Members' perusal and approval.

Main Consideration for Committee

2009 Members Training Plan

9. The 2009 Plan covered a wide range of subjects specifically to ensure new Members to the Committee had a broad understanding of how the Wiltshire Pension Fund operated. This programme appeared successful with relatively high attendance at the sessions.

10. It’s not proposed to publish attendance logs. However, this might be a requirement for Annual Reports from future legislation.

Self Assessment Returns

11. Nine Self-Assessment forms were returned from a potential fifteen, representing 60% of the Committee (including substitutes and observers). More returns would have enhanced the outcome but sufficient were received to identify at a high-level the areas where knowledge needs developing for Members as a group and this will be the focus of the new training plan.

12. The Self Assessment returns also highlight specific areas for individual Members where knowledge gaps exist. Hopefully, the training plan addresses these but where it doesn’t specific training can be targeted on an individual basis.

13. The intention is to have some form of ‘Self-Assessment annually to capture any issues not currently met by the training plans.

Chairman’s & Vice Chairman’s – Review of Requisite Skills for Principal Responsibilities

14. A ‘one to one’ was undertaken with both the Chairman and Vice Chairman. This examined the principal responsibilities outlined in the role profile agreed at the meeting on 14 July 2010. This was reviewed alongside their current skills set.

15. This was a useful process and enabled specific areas for training to be developed which is shown at the bottom of the training plan.

Proposed Members Training Plan for 2011-2013

16. The proposed Training Plan for Wiltshire Pension Fund Committee Members is shown in the Appendix. This Plan incorporate the ideas, themes and preferences identified in the Self Assessment of Training Needs.

17. The Plan aims to give an indication of the delivery method and target completion date for each area identified. If the Plan is approved, then officers will start to investigate and arrange the actual training over the next few months, consulting with Members as appropriate concerning their availability.

18. The Committee is asked to approve the Training Plan, although comments and suggestions on it are obviously very welcome.

19. The KSF recommend a Members Training Plan should take a medium term view. Therefore, the new plan has been extended to cover the period from 2011-2013. This will take Members up to the next local elections for Wiltshire Council and triennial valuation in 2013.

20. The intention is to hold at least two ‘in-house’ training days in the year. This will be similar to this year with one in the spring and autumn focussing on specific areas.

21. This will be complemented by ‘short seminars’ before the Committee meetings on subjects either pertinent to the forthcoming agenda or on a subject that can best explained through a brief overview.

22. Where applicable, external conferences will be recommended to Members by the officers if they are deemed to contain appropriate content. Specific training sessions can also be

set up with investment managers either at County Hall or at their offices when required which are usually provided at no cost to the authority.

23. From time to time, relevant briefing notes will be emailed to Members (with copies held on the Members secure area of the Pension Fund website) by officers. Occasionally, webcasts and videos are made available that are specific enough to the Fund and may be of interest to Members and again will be forwarded on by officers occasionally.

24. For Members who wish to further their knowledge, there are specific courses that can be attended. The Local Government Pension Committee Annual LGPS Fundamentals 3 day course has been attended and well received by Members of this committee and details will be provided by Officers when the next dates become available.

Training Logs

25. Although there is no requirement to publish training logs these will be kept moving forward as reference of Members attendances at conferences and training sessions along with a brief analysis of individuals potential future training needs.

26. This will be useful for development of future training plans and, if it becomes legislation, to be published in the future.

Financial Implications

27. An allowance is made in the Pension Fund Administration Budget each year for Members training. It is anticipated to maintain this for the next three years to ensure this important area of governance is resourced when looking at the budget for 2011-12 onwards.

Risk Assessment

28. This report addresses the risk *PEN017: Lack of Expertise on the Pension Fund Committee* identified 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. We must remember that, although Wiltshire Council has the statutory responsibility as the Administering Authority, we are in fact administering the scheme on behalf of around 65 employer bodies.

Environmental Impact of the Proposals

29. This is no environmental impact of these proposals.

Proposals

30. The Committee is asked to approve the attached Members' Training Plan.

DAVID ANTHONY
Head of Pensions

Report Author: David Anthony

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

APPENDIX

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN – NOVEMBER 2011-2013

TRAINING NEED	PROPOSED DELIVERY METHODS: 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	COMPLETION TARGET DATE
GENERAL TRAINING								
General overview of LGPS	✓							Completed
Members’ individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
• LGPS discretions & policies			✓					31-Oct-11
• Implications of the Hutton Review		✓		✓	✓			30-Apr-11
Pensions Legislation & Governance:								
• Roles of the Pension Regulator, Pension Advisory Service & Pension Ombudsman in relation to the scheme		✓		✓				30-Apr-12
• Review of Myners principles and associated CIPFA & SOLACE guidance		✓		✓				30-Apr-12
Pension Accounting & Auditing standards:								
• Accounts & Audit regulations and the legislative requirements			✓					31-Oct-11
Financial Services procurement:								
• Current public procurement policy & procedures				✓				31-Oct-11
• UK & EU procurement legislation				✓				31-Oct-11
Investment Performance & Risk Management:					✓			Invite to be circulated to relevent ones
• Monitoring asset returns relative to liabilities				✓				31-Oct-12
• Myners principles of performance management				✓				31-Oct-12
• Setting targets for committee and how to report against them				✓				31-Oct-12
Financial markets & products knowledge:								
• Refresh the importance of setting investment strategy			✓					31-May-12
• Limits placed by regulation on investment activities in the LGPS				✓				
• Understanding of the operations of the fixed income manager					✓			Visit to WAM by 30-Apr-11
• Understanding of Alternative asset classes				✓				30-Apr-11

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 methods, standards and practices:								
• Considerations in relation to outsourcings and bulk transfers			✓					31-Oct-12
• Triennial Valuation refresher			✓					30-Apr-10
CHAIRMAN / VICE CHAIRMAN TRAINING								
• Fund benchmarking							✓	31-Oct-11
• Stakeholder feedback							✓	31-Oct-11
• Appreciation of changes to scheme rules					✓			Invite to be circulated to relevant ones

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Agenda Item 16

Document is Restricted

This page is intentionally left blank