

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Salisbury Room - County Hall, Trowbridge
Date: Thursday 10 December 2015
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Beale, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email elizabeth.beale@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
	10 December 2015	9:30am	Salisbury Room

Membership:

Voting Membership

Wiltshire Council Members:

Cllr Tony Deane (Chairman)
Cllr Charles Howard (Vice Chairman)
Cllr Mark Packard
Cllr Sheila Parker
Cllr Roy While

Substitute Members

Cllr Chris Hurst
Cllr Bob Jones MBE
Cllr Gordon King
Cllr Bill Moss
Cllr Fleur de Rhé-Philippe
Cllr Ian Thorn
Cllr Philip Whitehead

Swindon Borough Council Members

Cllr Steve Allsopp
Cllr Steve Weisinger

Substitute Members

Cllr Oliver Donachie

Employer Body Representatives

Diane Hall
Linda Stuart

Non-voting Membership

Observers

Tony Gravier
Mike Pankiewicz

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If you have any queries please contact Democratic Services using the contact details above.

PART I

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

1 **Membership** **10:30am**

To note any changes to the membership of the Committee.

2 **Attendance of non-members of the Committee**

To note the attendance of any non-members of the Committee.

3 **Apologies for Absence**

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

4 **Minutes** (*Pages 7 - 14*)

To confirm the Part 1 minutes of the meeting held on 1 October 2015.

5 **Declarations of Interest**

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

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation and Councillors' Questions**

The Council welcomes contributions from members of the public.

Statements

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

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than 5pm on 3 December 2015. Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee

members prior to the meeting and made available at the meeting and on the Council's website.

8 **CIPFA Business Services Update** (Pages 15 - 30) **10:35am**

A verbal update by Robert Summers (CIPFA Business Services) on current activities and the latest developments / issues within the LGPS sector for Members' information.

9 **Update on the Current Governance Consultations** (Pages 31 - 86) **11:15am**

An update by the Head of Pensions on the latest consultations from the Government on investment reform criteria and guidance and the Investment Regulations for Committee to consider.

10 **CIPFA Benchmarking Review** (Pages 87 - 118) **11:20am**

A paper and report is circulated by the Strategic Pension Manager which compares the administration performance of the Fund in line with the CIPFA Benchmarking club for Members information.

11 **Business Plan Update** (Pages 119 - 122) **11:30am**

A report updates the Committee on the implementation of actions contained within the Business Plan for Members' information.

12 **Pension Fund Risk Register** (Pages 123 - 130) **11:35am**

An update from the Head of Pensions on the Wiltshire Pension Fund Risk Register is circulated for Members to consider.

13 **Internal Audit Report** (Pages 131 - 136) **11:45am**

A report updates the Committee on the actions taken to date on the recommendations within the SWAP internal audit report of the Fund.

14 **Pension Administration Strategy** (Pages 137 - 174) **11:50am**

A report from the Head of Pensions introduces an updated Pension Administration Strategy for Committee consideration.

15 **Administration Authority Discretions** (Pages 175 - 190) **12:00pm**

A report from the Technical & Compliance Manager proposes an update to the Administration Authorities discretions for Committee consideration.

16 **Local Pension Board update** (Pages 191 - 206) **12:20pm**

The minutes and recommendations of the Local Pension Board meeting held on 22 October 2015 are circulated for Members consideration.

- 17 **Local Pension Board: Conflict of Interest Policy** (Pages 207 - 220) **12:25pm**

A paper is circulated which requests that the Conflicts of Interest Policy agreed and recommended by the Local Pension Board is approved by this Committee.

- 18 **Local Pension Board: Breaches Policy** (Pages 221 - 232) **12:30pm**

A paper is circulated which requests that the Breaches Policy agreed and recommended by the Local Pension Board is approved by this Committee to ensure the statutory requirements for reporting now imposed by the Pension Regulator can be met.

- 19 **Date of Next Meeting** **12:45pm**

To note that the next regular meeting of the Committee will be held on 10 March 2016.

- 20 **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.

- 21 **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 22 – 26 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(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

- 22 **Minutes** (Pages 233 - 240) **12:50pm**

To confirm the Part 2 minutes of the meeting held on 1 October 2015.

- 23 **Barings- Review of Mandate** (Pages 241 - 252) **12:50pm**

A confidential paper from the Strategic Pension Manager outlines

the recent performance of Barings. Barings will present to the Committee to outlining their performance over the past 12 months and plans for 2015/16 for the Committee to consider.

24 **Investment Quarterly Progress Report** *(Pages 253 - 320)* **13:50pm**

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of September 2015. These were considered by the Investment Sub-Committee at its meeting on 23 November 2015 and are circulated for information only.

The minutes and recommendations of the Investment Sub-Committee are attached for information.

25 **Triennial Valuation 2016- Actuarial Assumptions** *(Pages 321 - 336)* **13:55pm**

A confidential paper is circulated for Committee consideration and a verbal update will be provided that outlines the proposed approach and key assumptions the Actuary intends to take in relation to the 2016 Valuation.

26 **South West Pooling of Investment Assets Update** **14:20pm**

A verbal update will be provided by the Head of Pensions on the proposed pooling of Local Government Pension Scheme assets in the South West as a response to the Government's consultation.

Close

WILTSHIRE PENSION FUND COMMITTEE

**PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING
HELD ON 1 OCTOBER 2015 AT KENNET ROOM - COUNTY HALL,
TROWBRIDGE BA14 8JN.**

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Tony Gravier, Cllr Charles Howard (Vice-Chair), Mike Pankiewicz, Cllr Sheila Parker, Cllr Steve Weisinger and Cllr Roy While

Also Present:

Cllr Bill Moss, Jim Edney, Joanne Holden, Michael Hudson.

46 Membership

It was noted that Cllr Christopher Newbury was no longer a substitute member of the Committee and had been replaced by Cllr Bill Moss.

47 Attendance of non-members of the Committee

Cllr Bill Moss was present.

48 Apologies for Absence

Apologies for absence were received from Cllr Mark Packard, Linda Stuart and Diane Hall.

49 Minutes

Resolved:

To confirm as a true and correct record the minutes of the meeting held on 25 June 2015.

50 **Declarations of Interest**

There were no declarations of interest.

51 **Chairman's Announcements**

The Chairman invited David Anthony, Head of Pensions, to update the Committee on lobbying from fossil fuel disinvestment groups. The officer advised the Committee that he would circulate a press release responding to the environmental issues that had been raised.

52 **Public Participation and Councillors' Questions**

There were no members of the public in attendance.

53 **External Audit report**

David Anthony drew the Committee's attention to the final audit report from KPMG on the 2014-15 Annual Report to the Wiltshire Pension Fund. The officer was pleased with the report as it did not highlight any significant issues and brought forward no recommendations.

Resolved:

To note the final audit report.

54 **Annual report 2014/15**

The Committee was presented with the draft Wiltshire Pension Fund Annual report which contained details of the accounts of the Fund for the year to 31 March 2015. The report was primarily aimed at participating employer organisations within the Fund.

Members were pleased with the report and thanked officers for their hard work in preparing it.

Resolved:

To approve the Annual Report for financial year 2014-15.

55 **Consultations Update- Public Sector Exit Cap**

The Head of Pensions provided a verbal update on the latest government consultations, particularly the public sector exit cap. The Fund had responded to the consultation with the recommendation that pension straining costs be removed from the cap and a lower limit be set instead, the current proposals could have a considerable impact on those who weren't necessarily high earners. The Government had since confirmed it would move ahead as planned

with the cap, which was expected to come into force in April 2016. Key effects of the cap would be that: pension straining costs would need to be explained to members, there would be reduced flexibility for members, long-serving members would be most impacted, employers would need to review redundancy policies and relevant legislation would need updating.

The Chairman encouraged members of the Committee to contact officers if they wished to submit responses to future consultations and advised that he would be meeting with MPs to discuss Local Government Pensions Scheme (LGPS) concerns.

The Committee heard that the Government was also consulting on HMRC pension tax relief with the intention to develop a better system to provide tax incentives for pension savings. Councillors raised questions over whether state pensions would be taxed and officers confirmed they would look into this. The Committee expressed disappointment that the consultation on the exit cap had been short and insufficient time had been given to consider the responses. It was commented that members of the Fund would experience uncertainty due to these changes and this could potentially impact on local authority restructures.

Resolved:

To note the update on Government consultations.

56 **Local Pension Board Update**

The Committee was updated on items that were discussed at the first meeting of the Local Pension Board. The Board had looked at the Fund's Communications Strategy, Business Plan and suggested items for its own Work Programme. It was expected that two significant items of business could be discussed at each Board meeting. The Board had also discussed potential conflicts of interest and officers were developing a policy to manage this.

Questions were raised over the depth of knowledge Board members would need to oversee the Fund and whether the Board would increase the efficiency of the Fund. It was agreed that the Board should not replicate work done at Committee but had potential to add value, for instance by examining operational compliance and freeing time up at Committee. It was acknowledged that increased resource was needed to support the Board and advisors could be employed to investigate items on behalf of the Board if greater expertise was required.

Resolved:

To note the update on the Local Pension Board.

57 **Budget Monitoring 2015/16 Report**

Catherine Dix, Strategic Pensions Manager, presented the Fund's budget monitoring report for 2015/16. It was highlighted that the Fund would overspend due to staff vacancies, and a high performance fee from Baillie Gifford arising from continued outperformance.

Members were not concerned by the overspend as the investment manager had produced great returns in excess of doubling its benchmark. The Fund's advisors explained it would only pay an extra fee to managers for actual outperformance and fees could only reasonably be projected on the basis of managers meeting their benchmark.

Resolved:

To note the report on the latest budget monitoring position for the Wiltshire Pension Fund.

58 **Annual Benefit Statement Update**

The Head of Pensions provided an update on the Annual Benefit Statement exercise for 2015 which had been the first with the LGPS care scheme in place. Feedback from members had been very positive however it had been more challenging to get details from employers since they now had to provide two figures for year end pay. Due to new statutory requirements, these statements now had to be sent by the end of August instead of November. Although the print extract had been completed prior to the deadline, circulation had been a few days late due to printing problems however officers did not consider this a material breach, therefore would not report it to the Pensions Regulator (tPR). It was noted that data from some employers was missing and they had been written to and warned that lateness would need to be reported to the Regulator in future.

The Committee agreed that the late circulation of statements had not been a material breach and it was confirmed that a breaches policy for the Fund was being developed.

Resolved:

To note the update on the Annual Benefit Statement.

59 **Pension Fund Risk Register**

Members received a report on the Wiltshire Pension Fund Risk Register, a significant change since the last report was the upgrading of PEN008, 'Failure to comply with the LGPS and other regulation', from a low to medium risk. This reflected the increased obligations now imposed on the Fund from the Pension Regulator since it took on responsibility for the public sector pension schemes

from 1 April 2015. Other notable risks were 'Lack of expertise of Pension Fund Officers', and 'Over-reliance on key officers' which remained at medium. The Fund had now appointed a new Technical & Compliance Manager and Fund Development Manager, however the post of Employer Relationship Manager remained vacant. A further recruitment process was underway to recruit to this post, officers advised that Hymans Robertson was helping to support the administration of the Fund in the short term.

The Fund's approach to risk was discussed and advisors agreed that its standards of risk approach were comparable with the best.

Resolved:

To note the update on the Fund's risk register.

60 **Date of Next Meeting**

The next ordinary meeting of the Committee was to be held on 10 December 2015, members were also invited to attend the meeting of the Local Pension Board on 22 October 2015.

61 **Urgent Items**

There were no urgent items.

62 **Exclusion of the Public**

Resolved:

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 Numbers 63- 65 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.

63 **Flight Paths Consideration**

Jo Holden, Mercer, outlined the rationale for developing a 'flight-path' for the Wiltshire Pension Fund. The strategy had been considered and recommended by the Investment Sub Committee at its meeting on 10 September 2015. The advisor explained that the strategy would not change the Fund's investment strategy but aimed to make progression to a 100% funding level as smooth as possible by de-risking.

Resolved:

- a. To note the report and presentation from Mercer on the rationale and purpose of a flight-path; and**
- b. To commission Mercers to further develop a detailed flight-path for implementation and agree the implementation of a be-spoke flight path until March 2016.**

64 Pooling of Investment Assets

A report by the Treasurer to the Pension Fund updated the Committee on the implications of the government's budget announcement for the pooling of Local Government Pension Scheme assets.

The Committee considered the report and recommendations by officers.

Resolved:

This Committee agrees to note the actions and confirm their agreement:

- a) that the Wiltshire Pension Fund support in principles the setting up of a South West Collective Investment Vehicle on the basis of the points of principle (paragraphs 12 and 13 in the Committee report) relating to existing governance arrangements;**
- b) that the Treasurer to the Pension Fund is authorised to continue working with neighbouring funds in the South West to establish proposals for a South West Collective Investment Vehicle;**
- c) that a report is brought to the next meeting of Committee on progress in developing a collective Investment Vehicle and associated developments nationally.**

65 Investments Quarterly Progress Report

Officers reported to Committee on the performance of the Fund's investments as to the end of June 2015.

Resolved:

To note the investment reports and the update provided by officers and advisers at the meeting.

(Duration of meeting: 10.30 am - 12.50 pm)

The Officer who has produced these minutes is Libby Beale (Senior Democratic Services Officer), of Democratic Services, direct line 01225 718214, e-mail elizabeth.beale@wiltshire.gov.uk

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

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Wiltshire Pension Fund 10 December 2015 CIPFA Update

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Bob Summers

Chair CIPFA Pensions Panel & Network

Agenda Item 8

Wiltshire Pension Fund

What Matters - CIPFA Pension Panel

Page 16

- Effective / Efficient Management
- Standards / Comparatives / Transparency
- Compliance
- Best Practice
- Training
- Support
- Clear Accountability

Wiltshire Pension Fund Advice / Direction

- SAB
- DCLG / CIPFA / Treasury / Cabinet Office
- Pensions Regulator
- GAD
- Others

Wiltshire Pension Fund Structure / Asset Pooling

Page 18

- Prior history / Our position
- Consultation November 2015
- Opportunity / Wealth Funds (?)
- Accountability / Risk / Infrastructure
- In progress / Timescales
- Governance

Wiltshire Pension Fund Investment Regulations

- Prior history / Mixed Messages
- Consultation November 2015
- Derivatives
- Local accountability / Intervention
- Prudency / Proper advice / Myners
- Best Practice advice?

Wiltshire Pension Fund Investment Management Costs

Page 20

- Good practice guide (2014)
- Robust consistent comparable data
- Disclosure indirect levied costs, performance fees, transaction costs
- Compliance
- Misleading statements

Wiltshire Pension Fund Investment Management Costs

- Page 21
- Review
 - Additional disclosures / Breakdown of costs
 - Compliance

Wiltshire Pension Fund Separation

Page 22

The backdrop / Pressure

PWC consultancy

- Separate named Pensions Officer
- Introduce a 102 (5) Committee
- Separate legal entity no councillor representatives
- Issues include, Conflicts, IORP, S151 role, Accounts / Audit / Costs

Wiltshire Pension Fund Risk Management

Page 23

- Best Practice Advice
- Wider picture
- Sharing / Understanding

Wiltshire Pension Fund Employers / Resourcing

Page 24

Quantum / Diversity

- Financial Underpinning
- Accountability viz Pensions Committee / Local Pensions Board
- Increasing demands

Wiltshire Pension Fund Local Pension Boards

- SAB Review
- Knowledge / Skills
- Accountability / Reporting
- Materiality / The Regulator
- Effective Governance

Wiltshire Pension Fund Knowledge / Skills

Page 26

- CIPFA Code of Practice
- Regulator
- Pension Panels / Committees
- Professional training
- MIFID / Prudential Investment

Wiltshire Pension Fund Scheme Board

- Direction
- In progress / to come
 - Cost management
 - Deficit management
 - Separation
 - Asset pooling / investment regulations
 - KPI's
 - Local Pension Boards

Wiltshire Pension Fund

Our Possible Agenda

- Page 28
- Consultation responses / guidance
 - FSS updating
 - Separation / Accountability
 - Local Pension Boards / Reporting / CFO role
 - Training / Wider audience
 - Wider debate?

Wiltshire Pension Fund

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Thank you

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WILTSHIRE COUNCIL

WILTSHIRE PENSION COMMITTEE

10 December 2015

Current Government Consultations

Purpose of the Report

1. The purpose of this report is to inform the Committee of the current government consultations issued on 25 November 2015.

Background

2. The Government has now published its response to a consultation exercise on opportunities for collaboration, cost savings and efficiencies in connection with Local Government Pension Scheme (LGPS) funds.
3. This follows the Government's July Budget 2015 where the Chancellor announced the Government's intention to work with LGPS Administering Authorities to ensure they pool investments to significantly reduce costs while maintaining overall investment performance.
4. The Government has now invited administering authorities to submit, by 19 February 2016, their initial proposals for pooling LGPS assets into up to six 'British Wealth Funds', each containing at least £25 billion of assets; with a refined, final submissions expected by 15 July 2016.
5. This consultation provides guidance and criteria for the pooling proposals. The Government's goals are to achieve cost savings, and enhance funds' ability to invest in infrastructure projects; its ambition is to match the infrastructure investment levels of the top global pension funds.
6. Driven in part by its desire to see greater pooling of assets, the Government also proposes to replace the existing legislation governing LGPS investment, thereby removing detailed constraints on particular types of investment. Authorities will instead have to take account of Government guidance (including guidance on pooling) and directions.

Considerations for the Committee

7. The two consultations issued are attached to this report.
 - a) Local Government Pension Scheme: Investment Reform Criteria and Guidance
 - b) Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
8. The first paper relates to the guidance and criteria for pooling of assets while the second document outlines the changes proposed to the Investment Regulations to enable pooling to take place while also providing backstop legislation for the Secretary of State to force a fund to pool should it not come forward with sufficiently ambitious proposals.

9. The initial points that arise from the newly published reform criteria are:
- £25bn is the minimum size for investment pooling
 - The government are looking at up to 6 “Wealth Funds”
 - Strategic Asset Allocation is set to remain within the Administration Authority
 - The argument for Active v Passive investment will still have to be justified
 - Detailed costing, savings, and resources required along with outlines of governance structures will need to form part of the submission
 - Liquid (equities / bonds) assets expected to be moved into a pooling arrangement by April 2018
 - Requirement to outline proposals for amounts to invest in infrastructure will be required
 - Submission based on high level proposals are required by 19 February 2016
 - Detailed submissions with greater detail will be required by 15 July 2016
 - Responses to the consultation can be made as an authority or a group.
10. Officers will provide a further update on how the criteria relate to Project Brunel later on this agenda. This is the South West funds pooling of investments collaboration work which is currently exploring the options available to address the Government’s proposals.
11. The second consultation paper is effectively technical changes to the current investment regulations the LGPS has to operate within, with the proposed changes enabling the use of pooled arrangements, while also moving to a more prudential code basis of managing investments by providing more flexibilities to funds.
12. The Fund will need to decide how it intends to respond to both these consultations, and whether this is done on a Fund basis or as part of a group. Members will be kept updated on the drafting and progress of any response. Officers current thinking is that a special meeting of this Committee will be required in late January / early February 2016 to discuss any proposed response.

Environmental Impact of the Proposal

13. Not applicable.

Financial Considerations & Risk Assessment

14. The financial implications of any investment reforms are currently being reviewed and will need to be a consideration into any response. .
15. PEN020: The pooling of asset is a specific risk identified on the Risk Register elsewhere on this agenda. It is important that any proposal is not undertaken at the detriment to the investment return for the Fund.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Reasons for Proposals

18. To ensure this Committee is aware of the latest consultations issued by the Government and the timetable for responses.

Proposals

19. The Committee is asked to note the attached consultation documents.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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Department for
Communities and
Local Government

Local Government Pension Scheme: Investment Reform Criteria and Guidance



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November 2015

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Bookmark not defined.

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Ministerial Foreword

At the summer Budget 2015, the Chancellor announced our intention to invite administering authorities to bring forward proposals for pooling Local Government Pension Scheme investments, to deliver significantly reduced costs while maintaining overall investment performance.

We have been clear for some time that the existing arrangements for investment by the Local Government Pension Scheme are in need of reform, and the announcement made plain our expectation that authorities would be ambitious when developing their proposals. The publication of these criteria and their supporting guidance marks a significant milestone on the road to reform, placing authorities in a strong position to take the initiative and drive efficiencies in the Scheme, and ultimately deliver savings for local taxpayers.

The Scheme is currently organised through 89 separate local government administering authorities and a closed Environment Agency scheme, which each manage and invest their assets largely independently. Recognising the potential for greater efficiency in this system, the coalition government first began to consider the opportunity for collaboration in 2013 with a call for evidence. Since then, we have been exploring the opportunities to improve; gathering evidence, testing proposals, and listening to the views of administering authorities and the fund management industry.

The Chancellor's announcement draws on this earlier work and in particular the consultation, *Opportunities for collaboration, cost savings and efficiencies*, published in May 2014 by the coalition government. More than 200 consultation responses and papers were received and analysed, leading to the development of a framework for reform that has administering authorities at its centre. The criteria published today make clear the Government's expectation for ambitious proposals for pooling, and invite authorities to lead the design and implementation of their own pools. The criteria have been shaped and informed by earlier consultations, as well as several conversations with administering authorities and the fund management industry which took place over the summer.

Working together, authorities have a real opportunity to realise the benefits of scale that should be available to one of Europe's largest funded pension schemes. The creation of up to six British Wealth Funds, each with at least £25bn of Scheme assets, will not only drive down investment costs but also enable the authorities to develop the capacity and capability to become a world leader in infrastructure investment and help drive growth. I know that many authorities have already started to consider who they will work with and how best to achieve the benefits of scale. These early discussions place those authorities on a strong footing to deliver against our criteria, and I look forward to seeing their proposals develop over the coming months.

Marcus Jones

Criteria

1.1 In the July Budget 2015, the Chancellor announced the Government's intention to work with Local Government Pension Scheme (the Scheme) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. Authorities are now invited to submit proposals for pooling which the Government will assess against the criteria in this document. The Chancellor has announced that the pools should take the form of up to six British Wealth Funds, each with assets of at least £25bn, which are able to invest in infrastructure and drive local growth.

1.2 The following criteria set out how administering authorities can deliver against the Government's expectations of pooling assets.

1.3 It will be for authorities to suggest how their pooling arrangements will be constituted and will operate. In developing proposals, they should have regard to each of the four criteria, which are designed to be read in conjunction with the supporting guidance that follows. Their submissions should describe:

A. Asset pool(s) that achieve the benefits of scale: The 90 administering authorities in England and Wales should collaborate to establish, and invest through asset pools, each with at least £25bn of Scheme assets. The proposals should describe these pools, explain how each administering authority's assets will be allocated among the pools, describe the scale benefits that these arrangements are expected to deliver and explain how those benefits will be realised, measured and reported. Authorities should explain:

- The size of their pool(s) once fully operational.
- In keeping with the supporting guidance, any assets they propose to hold outside the pool(s), and the rationale for doing so.
- The type of pool(s) they are participating in, including the legal structure if relevant.
- How the pool(s) will operate, the work to be carried out internally and services to be hired from outside.
- The timetable for establishing the pool(s) and moving their assets into the pool(s). Authorities should explain how they will transparently report progress against that timetable.

B. Strong governance and decision making: The proposed governance structure for the pools should:

- i. At the local level, provide authorities with assurance that their investments are being managed appropriately by the pool, in line with their stated investment strategy and in the long-term interests of their members;
- ii. At the pool level, ensure that risk is adequately assessed and managed, investment implementation decisions are made with a long-term view, and a culture of continuous improvement is adopted.

Authorities should also revisit their internal processes to ensure efficient and effective decision making and risk management, while maintaining appropriate democratic accountability. Authorities should explain:

- The governance structure for their pool(s), including the accountability between the pool(s) and elected councillors, and how external scrutiny will be used.
- The mechanisms by which the authority can hold the pool(s) to account and secure assurance that their investment strategy is being implemented effectively and their investments are being well managed.
- Decision making procedures at all stages of investment, and the rationale underpinning this.
- The shared objectives for the pool(s), and any policies that are to be agreed between participants.
- The resources allocated to the running of the pool(s), including the governance budget, the number of staff needed and the skills and expertise required.
- How any environmental, social and corporate governance policies will be handled by the pool(s).
- How the authorities will act as responsible, long term investors through the pool(s), including how the pool(s) will determine and enact stewardship responsibilities.
- How the net performance of each asset class will be reported publically by the pool, to encourage the sharing of data and best practice.
- The extent to which benchmarking is used by the authority to assess their own governance and performance and that of the pool(s), for example by undertaking the Scheme Advisory Board's key performance indicator assessment.

C. Reduced costs and excellent value for money: In addition to the fees paid for investment, there are further hidden costs that are difficult to ascertain and so are rarely reported in most pension fund accounts. To identify savings, authorities are expected to take the lead in this area and report the costs they incur more transparently. Proposals should explain how the pool(s) will deliver substantial savings in investment fees, both in the near term and over the next 15 years, while at least maintaining overall investment performance.

Active fund management should only be used where it can be shown to deliver value for money, and authorities should report how fees and net performance in each listed asset class compare to a passive index. In addition authorities should consider setting targets for active managers which are focused on achieving risk-adjusted returns over an appropriate long term time period, rather than solely focusing on short term performance comparisons.

As part of their proposals, authorities should provide:

- A fully transparent assessment of investment costs and fees as at 31 March 2013.
- A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2013 for comparison.
- A detailed estimate of savings over the next 15 years.

- A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool(s), and an explanation of how these costs will be met.
- A proposal for reporting transparently against their forecast transition costs and savings, as well as how they will report fees and net performance.

D. An improved capacity to invest in infrastructure: Only a very small proportion of Local Government Pension Scheme assets are currently invested in infrastructure; pooling of assets may facilitate greater investment in this area. Proposals should explain how infrastructure will feature in authorities' investment strategies and how the pooling arrangements can improve the capacity and capability to invest in this asset class. Authorities should explain:

- The proportion of their fund currently allocated to infrastructure, both directly and through funds, or "fund of funds".
- How they might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments directly through the pool(s), rather than existing fund, or "fund of funds" arrangements.
- The proportion of their fund they intend to invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at that amount.

Addressing the criteria

Requirements and Timetable

2.1 Authorities are asked to submit their initial proposals to the Government to LGPSReform@communities.gsi.gov.uk by 19 February 2016. Submissions should include a commitment to pooling and a description of their progress towards formalising their arrangements with other authorities. Authorities can choose whether to make individual or joint submissions, or both, at this first stage.

2.2 Refined and completed submissions are expected by 15 July 2016, which fully address the criteria in this document, and provide any further information that would be helpful in evaluating the proposals. At this second stage, the submissions should comprise:

- for each pool, a joint proposal from participating authorities setting out the pooling arrangement in detail. For example, this may cover the governance structures, decision-making processes and implementation timetable; and
- for each authority, an individual return detailing the authority's commitment to, and expectations of, the pool(s). This should include their profile of costs and savings, the transition profile for their assets, and the rationale for any assets they intend to hold outside of the pools in the long term.

Assessing the proposals against criteria

2.3 The Government will continue to engage with authorities as they develop their proposals for pooling assets over the coming months. The initial submissions will be evaluated against the criteria, with feedback provided to highlight areas that may fall outside of the criteria, or where additional evidence may be required.

2.4 Once submitted, the Government will assess the final proposals against the criteria. A brief report will be provided in response, setting out the extent to which the criteria have been met and highlighting any aspects of the guidance that the Government believes have not been adequately addressed. In the first instance, the Government will work with authorities who do not develop sufficiently ambitious proposals to help them deliver a more cost effective approach to investment that draws on the benefits of scale. Where this is not possible, the Government will consider how else it can drive value for money for taxpayers, including through the use of the "backstop" legislation, should this be in place following the outcome of the consultation described below.

Transitional arrangements

2.5 Plans should be made to transfer assets to the pools as soon as practicable. Analysis commissioned by the Government from PricewaterhouseCoopers (PwC) indicates that, even those pooling mechanisms requiring supporting infrastructure, such as collective investment vehicles, could be established within 18 months. It is expected that liquid assets are transferred into the pools over a relatively short timeframe, beginning from April 2018. It is recognised that illiquid assets are likely to transition over a longer period of time. For the avoidance of doubt, investments with high penalty costs for early

exit should not be wound up early on account of the pooling arrangements, but should be transferred across as soon as practicable, taking into account value for money considerations. Any assets that are held outside of the pool should be kept under review to ensure that arrangement continues to provide value for money.

2.6 While authorities will need to be mindful of their developing pooled approach, they should continue to manage both their investment strategies and manager appointments as they do now until the new arrangements are in place. In keeping with the investment regulations, they are still responsible for keeping both under regular review.

Support to develop proposals

2.7 To help authorities develop proposals quickly and efficiently, the Government has made available PwC's detailed technical analysis of the different collective investment vehicles and their tax arrangements at: <https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>. This paper is provided for information only. It does not represent the view of Government, and authorities should seek professional advice as needed when developing their proposals. Authorities are also strongly encouraged to learn from those who have already begun to develop collective investment vehicles, such as the London Boroughs or Lancashire and the London Pension Fund Authority.

Legislative context

2.8 At the July Budget 2015, the Chancellor also announced the Government's intention to consult on "backstop" legislation that would require those administering authorities who do not come forward with sufficiently ambitious proposals to pool their assets with others. That consultation has now been published and is available on the Government's website at: <https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme>.

2.9 The consultation proposes to introduce a power for the Secretary of State to intervene in the investment function of an administering authority where it has not had sufficient regard to guidance published by the Secretary of State. The intervention should be proportionate and subject to both consultation and review.

2.10 The draft regulations include a provision for the Secretary of State to issue guidance. Subject to the outcome of the consultation, authorities would then need to have regard to that guidance when producing their investment strategy. The Government proposes to issue this document as Secretary of State's guidance if the draft regulations come into effect. The guidance will be kept under review and may be updated, for example if the proposals for pooling that come forward are not sufficiently ambitious.

2.11 The consultation also proposes to replace and update the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 to make significant investment through pooled vehicles possible.

Supporting guidance

3.1 This guidance is to assist authorities in the design of ambitious proposals for pooling investments and to provide ongoing support as they seek to ensure value for money in the long term. It will be kept under review to ensure that it continues to represent best practice.

A. Asset pool(s) that achieve the benefits of scale

Headline criterion: The 90 administering authorities in England and Wales should collaborate to establish, and invest through asset pools, each with at least £25bn of Scheme assets. The proposals should describe these pools, explain how each administering authority's assets will be allocated among the pools, describe the scale benefits that these arrangements are expected to deliver and explain how those benefits will be realised, measured and reported.

3.2 The consultation, *Opportunities for collaboration, cost savings and efficiencies*, set out strong evidence that demonstrated how using collective investment vehicles and pooling investments can deliver substantial savings for the Local Government Pension Scheme without affecting investment performance. Additional advantages to pooling, which should further reduce costs and improve decision making in the long term, include:

- Increasing the range of asset classes to be invested in directly,
- Strengthening the governance arrangements and in-house expertise available to authorities,
- Improving transparency and long-term stewardship, and
- Facilitating better dissemination of best practice and performance data between authorities.

The case for collective investment

3.3 Published in May 2014, the analysis in the Hymans Robertson report evidenced that using collective investment vehicles could deliver savings. In the case of illiquid assets alone, they found that £240m a year could be saved if investments were channelled through a Scheme wide collective investment vehicle rather than the existing "fund of funds" approach.¹

3.4 A review of the academic analysis available also supports the case for larger investment pools. For example, Dyck and Pomorski's paper, *Is Bigger Better? Size and performance in pension fund management*, established that larger pension funds were able to operate at lower cost than their smaller counterparts, through a combination of

¹ Hymans Robertson report: *Local Government Pension Scheme structure analysis*, p.3
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307926/Hymans_Robertson_report.pdf

improved negotiating power, greater use of in-house management, and more cost effective access to alternative assets like infrastructure.²

A third to a half of the benefits of size come through cost savings realized by larger plans, primarily via internal management. Up to two thirds of the economies come from substantial gains in both gross and net returns on alternatives.

3.5 A number of respondents to the May 2014 consultation also set out the case for larger funds being able to access lower cost investments. London Councils, for example, estimated that savings of £120m a year could be delivered if £24bn was invested through the London collective investment vehicle (CIV), as a result of reduced investment management fees, improved performance, and enhanced efficiency.

3.6 Formal mechanisms of pooling, such as collective investment vehicles, offer additional benefits to alternative arrangements such as procurement frameworks. For example, Hymans Robertson explained that larger asset pools would increase the opportunities for buy and sell transactions to be carried out within the Scheme, reducing the need to go to the market and so minimising transaction costs. Their analysis found that this could reduce transaction costs, which erode the value of assets invested, by £190m a year.³

3.7 Pooling investments will also create an opportunity to improve transparency and information sharing amongst authorities. By having a single entity responsible for negotiating with fund managers and reporting performance, authorities can see what they are paying and generating in returns and how it compares with other authorities. Similarly, Lancashire County Pension Fund and the London Pension Fund Authority, who are developing a pool for assets and liabilities, anticipate economies of scale driving improved performance. They have recently estimated that by pooling they can achieve enhanced investment outcomes of £20-£30m a year from their current levels.⁴

Achieving appropriate scale

3.8 The Government expects all administering authorities to pool their investments to achieve economies of scale and the wider benefits of sharing best practice.

3.9 A move to larger asset pools would also be in keeping with international experience. For example, in Ontario, smaller public sector pension funds are being required to come together to form pools of around \$50bn Canadian (approximately £30bn at the time the proposal was made). Similarly, Australian pension funds have been consolidating in recent years, where a formal review in 2010 recommended that each MySuper pension fund be required to consider annually whether they have sufficient scale and membership to continue as a separate pension fund.⁵

² Dyck and Pomorski, *Is bigger better? Size and Performance in Pension Plan Management*, pp.14-15

³ Hymans Robertson report, pp.14-15

⁴ Sir Merrick Cockell, writing in the *Pensions Expert* on 30 September 2015

⁵ Government Response to the Review into the Governance, Efficiency, Structure and Operation of Australia's Superannuation System, Recommendation 1.6,

3.10 The May 2014 consultation sought views on the number of collective investment vehicles to be established. Respondents stressed the importance of balancing the need for scale with local input and practical governance arrangements. It was also argued that while larger asset pools would deliver greater savings, the potential difficulties of successfully investing large volumes of assets in a single asset class, particularly active strategies for listed assets, should also be taken into account. However, while individual managers may restrict the value of assets they are prepared to accept or are able to invest, the selection of a few managers for each asset class would help to mitigate this risk.

3.11 Having reflected on the views expressed in response to the consultation and the experience of pension funds internationally, the Government believes that in almost all cases, fewer, larger assets pools will create the conditions for lower costs and reduce the likelihood of activity being duplicated across the Scheme, for example by minimising pooled vehicle set-up and running costs. It therefore expects authorities to collaborate and invest through no more than six large asset pools, each with at least £25bn of Local Government Pension Scheme assets under management once fully operational.

3.12 However, the Government recognises that there may be a limited number of bespoke circumstances where an alternative arrangement may be more appropriate for a particular asset class or specific investment. As set out below, this may include pooling to invest in illiquid assets like infrastructure, direct holdings in property and locally targeted investments.

Investment in infrastructure and other illiquid or alternative assets

3.13 The Hymans Robertson report highlighted illiquid or alternative assets as an area for significant savings for the Scheme. They found that in 2012-2013, illiquid asset classes like private equity, hedge funds and infrastructure represented just 10% of investments made, but 40% of investment fees. They also demonstrated that changing the way these investments are made, moving away from “fund of funds” to a collective investment vehicle, could save £240m a year.⁶

3.14 The Government expects the pooling of assets to remove some of the obstacles to investing in these asset classes in a cost effective way. A separate criterion has been included on infrastructure, although similar benefits exist for other alternative or illiquid assets, such as private equity, venture capital, debt funds and new forms of alternative business finance. In light of this, authorities should consider how best to access these asset classes in a more cost-effective way. Regionally based pools, such as the London boroughs’ collective investment vehicle, would allow authorities to make best use of existing relationships, while a single national pool for infrastructure or illiquid assets would deliver even greater scale and opportunity for efficiency.

3.15 A considerable shift in asset allocation would be needed to develop a pool of £25bn for investment in infrastructure and other illiquid or alternative assets, such as private equity or venture capital. The Government recognises that such a significant movement in

http://strongersuper.treasury.gov.au/content/Content.aspx?doc=publications/government_response/recommendation_response_chapter_1.htm

⁶ Hymans Robertson report, p.24

asset allocation is unlikely in the near term. As such, should authorities elect to develop a single asset pool for illiquid investments or infrastructure, the Government recognises that a value of assets under management less than £25bn might be appropriate.

Investments outside of the pools

3.16 The Government's presumption is that all investments should be made through the pool, but we recognise that there may be a limited number of existing investments that might be less suitable to pooled arrangements, such as local initiatives or products tailored to specific liabilities. Authorities may therefore wish to explore whether to retain a small proportion of their existing investments outside of the pool, where this can demonstrate clear value for money. Any exemptions should be minimal and must be set out in the pooling proposal, alongside a supporting rationale.

Property

3.17 As of the 31 March 2014, authorities reported that they were investing around 2.5% of their assets in directly held property, with a further 4.1% invested through property investment vehicles.⁷ However, the amount invested varies considerably between authorities, with some targeting investment of around 10% of their assets in direct holdings, for example.

3.18 A number of consultation responses stressed the importance of retaining direct ownership of property outside of any pooled arrangement, a view echoed in our discussions with interested parties over the summer. Directly held property is used by some authorities to match a particular part of an authority's liabilities, or to generate regular income. If these assets were then pooled, while the authority would receive the benefits of the pooled properties, there is a risk that this would not match the liability or cash-flow requirements that had underpinned the decision to invest in a particular property.

3.19 In light of the arguments brought forward by authorities and the fund management industry, the Government is prepared to accept that some existing property assets might be more effectively managed directly and not through a pool at present. However, pools should be used if new allocations are made to property, taking advantage of the opportunity to share the costs associated with the identification and management of suitable investments.

3.20 Where authorities invest more than the reported Scheme average of 2.5% in property directly, they should make this clear in their pooling submission.

Addressing the criterion

3.21 When developing their proposals for pooling, authorities should set out:

- The size of their pool(s) once fully operational.
- In keeping with the supporting guidance, any assets they propose to hold outside the pool(s), and the rationale for doing so.

⁷ Scheme Advisory Board, Annual Report <http://www.lgpsboard.org/index.php/investment-performance-2014>

- The type of pool(s) they are participating in, including the legal structure if relevant.
- How the pool(s) will operate, the work to be carried out internally and services to be hired from outside.
- The timetable for establishing the pool(s) and moving their assets into the pool(s). Authorities should explain how they will transparently report progress against that timetable.

B. Strong governance and decision making

Headline criterion: The proposed governance structure for the pools should:

- i. At the local level, provide authorities with assurance that their investments are being managed appropriately by the pool, in line with their stated investment strategy and in the long-term interests of their members;
- ii. At the pool level, ensure that risk is adequately assessed and managed, investment implementation decisions are made with a long-term view, and a culture of continuous improvement is adopted.

Authorities should also revisit their internal processes to ensure efficient and effective decision making and risk management, while maintaining appropriate democratic accountability.

3.22 A number of consultation responses stressed the importance of establishing strong governance arrangements for pools. Securing the right balance between local input and timely, effective decision making was viewed as essential, but also a significant challenge. The management and governance arrangements of each pool will inevitably be defined by the needs of those participating. However, there are some underlying principles that the Government believes should be incorporated.

Maintaining democratic accountability

3.23 The May 2014 consultation was underpinned by the principle that asset allocation should remain with the administering authorities. Consultation respondents were strongly in favour of retaining local asset allocation, noting that each fund has a unique set of participating employers, liabilities, membership and cash-flow profiles, which need to be addressed by an investment strategy tailored to those particular circumstances.

3.24 Respondents also highlighted the transparency and accountability benefits offered by local asset allocation. If councillors are responsible for setting the investment strategy, then local taxpayers, who in part fund the Scheme through employer contributions, have an opportunity to hold their decisions directly to account through local elections. As one consultation response explained:

The accountability of Members of the employing authorities playing a part in deciding locally how the assets of the Pension Fund are allocated is important. Employer contributions are paid, in the main, by local council tax payers who in turn vote for their local councillors. Those councillors should have the autonomy to make decisions relating to the investment strategy of that Pension Fund.

3.25 The Government agrees that this democratic link is important to the effective running of the Scheme and should not be wholly removed by the pooling of investments. As set out below, determining the investment strategy and setting the strategic asset allocation should remain with individual authorities. When developing a pool, authorities should ensure that there remains a clear link through the governance structure adopted, between the pool and the pensions committee. For example, this might take the form of a shareholding in the pool for the authority, which is exercised by a member of the pension committee.

Strategic asset allocation

3.26 Establishing the right investment strategy and strategic asset allocation is crucial to optimising performance. It is increasingly accepted that strategic asset allocation is one of the main drivers of investment returns, having far greater an impact than implementation decisions such as manager selection.

3.27 The majority of respondents to the May 2014 consultation supported local asset allocation, but discussions with interested parties over the summer have highlighted a lack of consensus as to what constitutes strategic asset allocation. Definitions have ranged from selecting high level asset classes such as the proportions in bonds, equities and property; to developing a detailed strategy setting out the extent and types of investments in each of the different equity or bond markets.

3.28 Informed by these discussions with fund managers and administering authorities, the Government believes that pension committees should continue to set the balance between investment in bonds and equities, recognising their authority's specific liability and cash-flow forecasts. Beyond this, it will be for each pool to determine which aspects of asset allocation are undertaken by the pool and which by the administering authority, having considered how best to structure decision making in order to deliver value for money. Authorities will need to consider the additional benefits of centralising decision making to better exploit synergies with other participating authorities' allocations and further drive economies of scale. When setting out their asset allocation authorities should be as transparent as possible, for example making clear the underlying asset class sought when using pooled funds.

Effective and timely decision making

3.29 Authorities should draw a distinction between locally setting the strategic asset allocation and centrally determining how that strategy is implemented. The Government expects that implementation of the investment strategy will be delegated to officers or the pool, in order to make the most of the benefits of scale and react efficiently to changing market conditions. As one consultation response suggested:

We believe that high-level decisions about Fund objectives, strategy and allocation are best made by individual Funds considering their better knowledge of their liabilities, risk and return objectives and cash flow requirements. More detailed asset allocation decisions should however be centralised to achieve better economies of scale, and to allow more specialist management.

3.30 Authorities will need to revisit and review their decision-making processes as part of their move towards pools. For example, in order to maximise savings, manager selection will need to be undertaken at the pool level. Centralising manager selection would allow the pool to rationalise the number of managers used for a particular asset class. The resulting larger mandates should then allow the pool to negotiate lower investment fees. This approach would also give local councillors more time to dedicate to the fundamental issue of setting the overarching strategy.

3.31 A number of authorities have already delegated hiring and dismissing managers to a sub-committee comprised predominantly of officers. This has allowed these authorities to

react more quickly to changes in the market, taking advantage of opportunities as they arise. Similarly, delegating implementation decisions to the pool will allow the participating authorities to benefit not only from more streamlined decision making, but also from effecting those decisions at scale.

3.32 The creation of pools will necessarily lead to a review of decision making within each authority. The Government expects to see greater consolidation where possible. However, as a minimum, we would expect to see the selection of external fund managers and the implementation of the investment strategy to be carried out at the pooled level.

Responsible investment and effective stewardship

3.33 In June 2011, the Government invited Professor John Kay to conduct a review into UK equity markets and long-term decision making. The Kay Review considered how well equity markets were achieving their core purposes: to enhance the performance of UK companies and to enable savers to benefit from the activity of these businesses through returns to direct and indirect ownership of shares in UK companies. The review identified that short-termism is a problem in UK equity markets.⁸

3.34 Professor Kay recommended that Company directors, asset managers and asset holders adopt measures to promote both stewardship and long-term decision making. In particular, he stressed that ‘asset managers can contribute more to the performance of British business (and in consequence to overall returns to their savers) through greater involvement with the companies in which they invest.’⁹ He concludes that adopting such responsible investment practices will prove beneficial for investors and markets alike.

3.35 In practice, responsible investment could involve making investment decisions based on the long term, as well as playing an active role in corporate governance by exercising shareholder voting rights. Administering authorities will want to consider the findings of the Kay Review when developing their proposals, including what governance procedures and mechanisms would be needed to facilitate long term responsible investing and stewardship through a pool. The UK Stewardship Code, published by the Financial Reporting Council, also provides authorities with guidance on good practice in terms of monitoring, and engaging with, the companies in which they invest.

Enacting an environmental, social and corporate governance policy

3.36 The investment regulations currently require authorities to set out within the statement of investment principles the extent to which social, environmental or corporate governance considerations are taken into account in the selection, retention and realisation of investments. The draft regulations published alongside this document do not propose to amend this principle.

3.37 These policies should be developed in the context of the liability profile of the Scheme, and should enhance the authority’s ability to manage down any funding deficit and ensure that pensions can be paid when due. Indeed, environmental, social and

⁸ *The Kay Review of UK Equity Markets and Long-Term Decision Making*, pp. 9-10
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253454/bis-12-917-kay-review-of-equity-markets-final-report.pdf

⁹ The Kay Review, p.12

corporate governance policies provide a useful tool in managing financial risk, as they ensure that the wider risks associated with the viability of an investment are fully recognised.

3.38 As the Law Commission emphasised in its 2014 report on the fiduciary duty of financial intermediaries, the law generally is clear that schemes should consider any factors financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long-term, dependent on the time horizon over which their liabilities arise.

3.39 The Law Commission also clarified that, although schemes should make the pursuit of a financial return their predominant concern, they may take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.

3.40 The Government's intention is to issue guidance to authorities to clarify that such considerations should not result in policies which pursue municipal boycotts, divestments and sanctions, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. Investment policies should not be used to give effect to municipal foreign or munitions policies that run contrary to Government policy.

3.41 Authorities will need to determine how their individual investment policies will be reflected in the pool. They should also consider how pooling could facilitate implementation of their environmental, social and corporate governance policy, for example by sharing best practice, collaborating on social investments to reduce cost or diversify risk, or using their scale to improve capability in this area.

Addressing the criterion

3.42 When developing their proposals for pooling, authorities will need to set out:

- The governance structure for their pool(s), including the accountability between the pool(s) and elected councillors, and how external scrutiny will be used.
- The mechanisms by which the authority can hold the pool(s) to account and secure assurance that their investment strategy is being implemented effectively and their investments are being well managed.
- Decision making procedures at all stages of investment, and the rationale underpinning this.
- The shared objectives for the pool(s), and any policies that are to be agreed between participants.
- The resources allocated to the running of the pool(s), including the governance budget, the number of staff needed and the skills and expertise required.
- How any ethical, social and corporate governance policies will be handled by the pool(s).
- How the authorities will act as responsible, long term investors through the pool(s), including how the pool(s) will determine and enact stewardship responsibilities.

- How the net performance of each asset class will be reported publically by the pool, to encourage the sharing of data and best practice.
- The extent to which benchmarking is used by the authority to assess their own governance and performance and that of the pool(s), for example by undertaking the Scheme Advisory Board's key performance indicator assessment.

C. Reduced costs and excellent value for money

Headline criterion: In addition to the fees paid for investment, there are further hidden costs that are difficult to ascertain and so rarely reported in most pension fund accounts. To identify savings, authorities are expected to take the lead in this area and report the costs they incur more transparently. Proposals should explain how the pool(s) will deliver substantial savings in investment fees, both in the near term and over the next 15 years, while maintaining overall investment performance.

Active fund management should only be used where it can be shown to deliver value for money, and authorities should report how fees and net performance in each listed asset class compare to a passive index. In addition authorities should consider setting targets for active managers which are focused on achieving risk-adjusted returns over an appropriate long term time period, rather than solely focusing on short term performance comparisons.

3.43 As set out in the July Budget 2015 announcement, the Government wants to see authorities bring forward proposals to reform the way their pension scheme investments are made to deliver long-term savings for local taxpayers. Authorities are invited to consider how they might best deliver value for money, minimising fees while maximising overall investment returns.

Scope for savings

3.44 Pooling investments offers an opportunity to share knowledge and reduce external investment management fees, as the fund manager is able to treat the authorities as a single client. There is already a considerable body of evidence in the public domain to support authorities in developing their proposals for investment reform and this continues to grow with new initiatives emerging from local authorities:

- **Passive management:** Hymans Robertson showed that annual fee savings of £230m could be found by moving from active to passive management of listed assets like bonds and equities, without affecting the Scheme's overall return.¹⁰
- Their analysis suggested that since passive management typically results in fewer shares being traded, turnover costs, which are a drag on the performance achieved through active management, might be reduced by £190m a year.¹¹
- **Collective investment:** Hymans Robertson also demonstrated that £240m a year could be saved by using a collective investment vehicle instead of "fund of funds" for illiquid assets like infrastructure, hedge funds and private equity.¹²
- Similarly, the London Pension Fund Authority has estimated that they have reduced their external manager fees by 75% by bringing equity investments in-house, and hope to expand this considerably as part of their collective investment vehicle with Lancashire County Pension Fund.¹³

¹⁰ Hymans Robertson report, p. 12

¹¹ Hymans Robertson report, pp. 14-15

¹² Hymans Robertson report, p. 3

¹³ Chris Rule, LPFA Chief Investment Officer, reported in *Pension Expert* on 1 October 2015

- **Sharing services and procurement costs:** The National Procurement Framework has also helped authorities to address some of the other costs associated with investment, such as legal and custodian fees, reporting measurable savings of £16m so far.¹⁴

3.45 As Hymans Robertson's analysis shows, just tackling the use of "fund of funds" for illiquid assets like infrastructure could save around £240m a year, with clear opportunities to go further. It is in this context that the Government is encouraging authorities to bring forward their proposals for collaboration and cost savings. Although a particular savings target has not been set, the Government does expect authorities to be ambitious in their pursuit of economies of scale and value for money.

In-house management

3.46 Some authorities manage all or the majority of their assets internally and so can already show very low management costs. In these cases, a move to a collective investment vehicle with external fund managers is unlikely to deliver cost savings from investment fees alone. However, there are wider benefits of collaboration which authorities with in-house teams should consider when developing their proposals for pooling. A pool of internally managed assets could lead to further reductions in costs, for example by sharing staff, research and due diligence checks; it may improve access to staff with stronger expertise in particular asset classes; and could introduce greater resilience in staff recruitment, retention and succession planning. Alternatively, newly created pools might wish to work with existing in-house teams to build up expertise and take advantage of their lower running costs.

Active and passive management

3.47 The May 2014 consultation considered the use of active and passive management by the Local Government Pension Scheme. Active management attempts to select fund managers who actively choose a portfolio of assets in order to deliver a return against a specific investment target. In practice, this is often used to try and outperform a benchmark, for that class of assets over a specific period. In contrast, passive management tracks a market and aims to deliver a return in line with that market.

3.48 The consultation demonstrated that when considered in aggregate, the Scheme had been achieving a market return over the last ten years in each of the main equity markets. This suggested that collectively the Scheme could have delivered savings by using less costly passive management for listed assets like bonds and equities, without affecting overall performance. While the majority of consultation responses agreed that there was a role for passive management in a balanced portfolio, most also argued that authorities should retain the use of active management where they felt it would deliver higher net returns.

3.49 In response to that consultation, the Government has now invited authorities to bring forward proposals for pooling investments to deliver economies of scale. The extent to which passive management is used will remain a decision for each authority or pool,

¹⁴ National LGPS Frameworks website, <http://www.nationallgpsframeworks.org/national-lgps-frameworks-win-lgc-investment-award>

based on their investment strategy, ongoing performance and ability to negotiate lower fees with fund managers. However, in light of the evidence set out in the Hymans Robertson report and the May 2014 consultation, authorities are encouraged to keep their balance of active and passive management under review to ensure they are delivering value for money. For example, should their net returns compare poorly against the index in a particular asset class over the longer term, authorities should consider whether they are still securing value for money for taxpayers and Scheme members.

3.50 When determining how to measure performance, authorities are encouraged to consider setting targets for active managers that are focused on achieving risk-adjusted returns over an appropriate long term time period, rather than solely focusing on short term performance comparisons.

Improving the transparency of costs

3.51 In addition to the fees paid to asset managers, there are considerable hidden costs of investment that are difficult to identify and so often go unreported by investors. In the case of the Local Government Pension Scheme, Hymans Robertson showed that investment costs in 2012-13 were at least £790m a year, in contrast to the £409m reported by the authorities.¹⁵ Even the £790m understated the total investment costs as it excluded performance fees on alternative assets such as private equity and hedge funds (it included performance fees on traditional assets) and turnover costs (investment performance figures include the impact of turnover costs).

3.52 To really drive savings within the Scheme, it is essential that these hidden costs are better understood and reported as transparently as possible. Although many of these costs are not paid out in cash, they do erode the value of the assets available for investment and so should also be scrutinised and the opportunities for savings explored.

3.53 The Chartered Institute of Public Finance and Accountancy (CIPFA) has already made some changes to their guidance, Accounting for Local Government Pension Scheme management costs 2014, to encourage authorities to explore these costs and report some through a note to the accounts. For example, these include performance fees and management fees on pools deducted at source. Authorities should have regard to this guidance and ensure that they are reporting costs as transparently as possible.

3.54 In addition, the Scheme Advisory Board is commissioning advice to help authorities more accurately assess their transparent and hidden investment costs. Once available, authorities should take full advantage of this analysis when developing their proposals.

Addressing the criterion

3.55 As set out above, there is a clear opportunity for authorities to collaborate to deliver hundreds of millions in savings in the medium term. Although there is no overall savings target for the Scheme, the Government expects authorities to take full advantage of the benefits of pooling to reduce costs while maintaining performance.

¹⁵ Hymans Robertson report, pp.10-11

3.56 To support the delivery of savings authorities bringing forward proposals are asked to set out their current investment costs in detail, and demonstrate how these will be reduced over time and the savings forecast. Where possible, costs should be reported back to 2012-2013 so that any cost reductions already achieved as a result of procurement frameworks and early fee negotiations are transparently captured.

3.57 Authorities are encouraged to provide:

- A fully transparent assessment of investment costs and fees as at 31 March 2013.
- A fully transparent assessment of current investment costs and fees, prepared on the same basis as 2013 for comparison.
- A detailed estimate of savings over the next 15 years.
- A detailed estimate of implementation costs and when they will arise, including transition costs as assets are migrated into the pool(s), and an explanation of how these costs will be met.
- A proposal for reporting transparently against their forecast transition costs and savings, as well as how they will report fees and net performance.

D. An improved capacity and capability to invest in infrastructure

Headline criterion: Only a very small proportion of Local Government Pension Scheme assets are currently invested in infrastructure; pooling of assets may facilitate greater investment in this area. Proposals should explain how infrastructure will feature in authorities' investment strategies and how the pooling arrangements can improve the capacity and capability to invest in this asset class.

3.58 Investment in infrastructure is increasingly being seen as a suitable option for pension funds, particularly amongst larger organisations. This may in part be the result of the typically long term nature of these investments, which may offer a useful match to the long term liabilities held by pension funds.

International experience

3.59 Multiple large international pension funds are investing a significant proportion of their assets in infrastructure. A recent OECD report, which analysed a sample of global pension funds as at 2012, showed that some Canadian and Australian funds (with total assets of approximately £35-40bn in 2014 terms) were investing up to 10-15% in this asset class.¹⁶ The report also noted that those funds with the largest infrastructure allocations were investing directly, and that such investment was the result of the build up of sector-specific knowledge, expertise and resources.¹⁷ This experience might be demonstrated through an organisation's ability to manage large projects, as well as the associated risk.

3.60 Figures published by the Scheme Advisory Board for the 2013 Annual Report show that around £550m, or 0.3%, of the Scheme's total assets of £180bn was invested in infrastructure.¹⁸ This falls some way behind other large pension funds that have elected to invest in this area, such as those noted above and the Ontario Teachers Pension Plan which invested 6.1% according to the same 2014 report.

Creating the opportunity

3.61 The Scheme's current structure, where assets are locked into 90 separate funds, reduces scale and makes significant direct infrastructure investment more difficult for administering authorities. As a result, authorities may determine that they are unable to invest in infrastructure, or may invest indirectly, through the "fund of funds" structure. Such arrangements are expensive, as the Hymans Robertson report demonstrated and this paper sets out in paragraph 3.13.

3.62 Developing larger investment pools of at least £25bn will make it easier to develop or acquire improved capacity and capability to invest in infrastructure. In so doing, it should be possible to reduce the costs associated with investment in this area. This is likely to be the case particularly if authorities pool their infrastructure investment nationally, where the

¹⁶ OECD, *Annual Survey of Large Pension Funds: report on pension funds' long-term investments*, p.32, available at: <http://www.oecd.org/daf/fin/private-pensions/LargestPensionFunds2012Survey.pdf>

¹⁷ OECD report, p.14

¹⁸ Scheme Advisory Board annual report <http://www.lgpsboard.org/index.php/scheme-investments>

resultant scale may allow them to buy-in or build-up in-house expertise in relevant areas, such as project and risk management.

3.63 In considering such investment, administering authorities might want to reflect on the wide range of assets that might be explored, such as railway, road or other transport facilities; utilities services like water and gas infrastructure; health, educational, court or prison facilities, and housing supply. Authorities should also examine the benefits of both:

- Greenfield infrastructure – projects involving the construction of brand new infrastructure, such as a new road or motorway junction to unlock a housing development, or the recent investment of £25m by the Greater Manchester Pension Fund to unlock new sites and build 240 houses; and
- Brownfield infrastructure – investing in pre-existing infrastructure projects, such as taking over the running of (or the construction of a new terminal building at) an airport.

3.64 As set out above, investment in infrastructure represents a viable investment for pension funds, offering long term returns to match their liabilities. Authorities will need to make their investments based on an assessment of risk, return and fit with investment strategy. However, the creation of large pools will make greater investment in infrastructure a more realistic prospect, opening up new opportunities to develop or buy-in the capacity and capability required.

3.65 In developing their proposals for pooling, authorities should take the opportunity to review their asset allocation decisions and consider how they can be more ambitious in their infrastructure investment. The Government believes that authorities can play a leading role in UK infrastructure and driving local growth, and encourages authorities to compare themselves against the example set by the leading global pension fund investors in their approach to allocating assets in this area.

Addressing the criterion

3.66 Authorities should identify their current allocation to infrastructure, and consider how the creation of up to six pools might facilitate greater investment in this area. When developing proposals, authorities should explain:

- The proportion of their fund currently allocated to infrastructure, both directly and through fund, or “fund of funds”.
- How they might develop or acquire the capability and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments directly through the pool(s), rather than existing fund, or “fund of funds” arrangements.
- The proportion of their fund they intend to invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at that amount.

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Department for
Communities and
Local Government

Local Government Pension Scheme: Revoking and replacing the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

Consultation



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About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department for Communities and Local Government will process your personal data in accordance with DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact DCLG Consultation Co-ordinator.

Department for Communities and Local Government
2 Marsham Street
London
SW1P 4DF

or by e-mail to: consultationcoordinator@communities.gsi.gov.uk

The consultation process and how to respond

Scope of the consultation

<p>Topic of this consultation:</p>	<p>This consultation proposes to revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 with the draft regulations described in this paper. There are two main areas of reform:</p> <ol style="list-style-type: none"> 1. A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk. 2. The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary.
<p>Scope of this consultation:</p>	<p>Views are sought on:</p> <ol style="list-style-type: none"> 1. Whether the proposed revisions to the investment regulations will give authorities the flexibility to determine a suitable investment strategy that appropriately takes account of risk. 2. Whether the proposals to introduce the power of intervention as a safeguard will enable the Secretary of State to intervene, when appropriate, to ensure that authorities take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance.
<p>Geographical scope:</p>	<p>This consultation applies to England and Wales.</p>
<p>Impact Assessment:</p>	<p>The proposed interventions affect the investment of assets by local government pension scheme administering authorities. These authorities are all public sector organisations, so no impact assessment is required.</p>

Basic Information

To:	The consultation is aimed at all parties with an interest in the Local Government Pension Scheme (the Scheme) and in particular those listed on the Government's website: https://www.gov.uk/government/publications/local-government-pension-scheme-regulations-information-on-who-should-be-consulted
Body/bodies responsible for the consultation:	Secretary of State, Department for Communities and Local Government. The consultation will be administered by the Workforce, Pay and Pensions Division.
Duration:	25 November 2015 to 19 February 2016
Enquiries:	Enquires should be sent to Victoria Edwards. Please email LGPSReform@communities.gsi.gov.uk or call 0303 444 4057.
How to respond:	Responses to this consultation should be submitted to LGPSReform@communities.gsi.gov.uk by 19 February 2016 . Electronic responses are preferred. However, you can also write to: LGPS Reform Department for Communities and Local Government 2/SE Quarter, Fry Building 2 Marsham Street London SW1P 4DF
Additional ways to become involved:	If you would like to discuss the proposals, please email LGPSReform@communities.gsi.gov.uk
After the consultation:	All consultation responses will be reviewed and analysed. A Government response will then be published within three months, and subject to the outcome of this consultation, the resulting regulations laid in Parliament.
Compatibility with the Consultation Principles:	This consultation has been drafted in accordance with the Consultation Principles.

Background

<p>Getting to this stage:</p>	<p>The proposals in this consultation are the culmination of work looking into Local Government Pension Scheme investments that began in early 2013. It has been developed in response to the May 2014 consultation, <i>Opportunities for collaboration, cost savings and efficiencies</i>, which considered whether savings might be delivered through collective investment and greater use of passive fund management. A copy of the consultation and the Government's response is available on the Government's website: https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies.</p> <p>The consultation responses called for a voluntary approach to reform, opposing the introduction of a single, national model of pooling. The Government has therefore invited authorities to develop their own proposals for pooling, subject to common criteria and guidance. The criteria for reform have been developed using the consultation responses and following a series of workshops and conversations with authorities and the fund management industry since the July Budget 2015.</p> <p>Some respondents to the May 2014 consultation also suggested that amendments were required to the investment regulations in order to facilitate greater investment in pooled vehicles. In addition, prior to that consultation, authorities and the fund management industry had called for wider reform. A small working group, whose participants are listed in Annex A, was established to look at whether the approach to risk management and diversification in the existing regulations was still appropriate. They recommended moving towards the "prudential person" approach that governs trust based pension schemes. The group also sought clarity as to whether certain types of investment were possible, such as the use of derivatives in risk management. The work of that group has informed the development of this consultation.</p> <p>In relaxing the regulatory framework for scheme investments, it is important to introduce safeguards to ensure that the less prescriptive approach is used appropriately. The July Budget 2015 announcement also indicated that measures should be introduced to ensure that those authorities who do not bring forward ambitious proposals for pooling, in keeping with the criteria, should be required to pool. This consultation therefore sets out how the Secretary of State might intervene to ensure that authorities take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance.</p>
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<p>Previous engagement:</p>	<p>The proposed changes in this consultation are the result of a programme of engagement that began in summer 2013:</p> <ul style="list-style-type: none"> • Round table event, 16 May 2013. Representatives of administering authorities, employers, trade unions, the actuarial profession and academia discussed the potential for increased cooperation within the Scheme. • A call for evidence, run with the Local Government Association, June to September 2013. This gave anyone with an interest in the Scheme the opportunity to inform the Government's thinking on potential structural reform. The results were shared with the Shadow Scheme Advisory Board, which provided the Minister for Local Government with their analysis of the responses. • Consultation, <i>Opportunities for collaboration, cost savings and efficiencies</i>, May to June 2014. The consultation set out how savings of £470-660m a year could be achieved by collective investment and greater use of passive fund management. It also sought views as to how these reforms might best be implemented. The Government's response is available online: https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies. • Informal engagement, July to November, 2015. Since the July Budget 2015 announcement, officials have attended over 25 workshops and bi-lateral meetings with administering authorities and the fund management industry. These discussions have been used to develop the criteria for reform and inform how the proposed power of the Secretary of State to intervene might work. <p>In addition, the Investment Regulation Review Group was formed in 2012 to consider potential amendments to the investment regulations. The group included representatives from administering authorities, actuarial firms, pension lawyers and the fund management industry. An initial proposal for reform was prepared that has also informed the development of the draft regulations that are the subject of this consultation.</p>
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Introduction and Background

Introduction

1.1 In May 2014 the Government published a consultation which set out how savings of up to £660m a year might be achieved through greater use of passive management and pooled investment. Investing collectively can help authorities to drive down costs and access the benefits of scale, and also enables them to develop the capacity and capability to invest more cost effectively in illiquid asset classes such as infrastructure. The Government has therefore invited authorities to develop ambitious proposals for pooling assets that meet published criteria. More information about the criteria and process of reform is available on the Government's website:

<https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>.

1.2 This consultation complements that invitation, recognising that the existing regulations place restrictions on certain investments that may constrain authorities considering how best to pool their assets. It therefore proposes to move to a prudential approach to securing a diversified investment strategy that appropriately takes account of risk. In so doing, and to ensure that authorities take advantage of the benefits of scale, the Government proposes to introduce a power to allow the Secretary of State to intervene to ensure that authorities take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance.

1.3 This paper sets out the purpose and rationale of the suggested amendments to the investment regulations, and seeks views as to whether the proposed approach would best deliver those stated aims.

Background

1.4 With assets of £178bn at its last valuation on 31 March 2013, the Local Government Pension Scheme is one of the largest funded pension schemes in Europe. Several thousand employers participate in the Scheme, which has a total of 4.68 million active, deferred and pensioner members.¹ The Department for Communities and Local Government is responsible for the regulatory framework governing the Scheme in England and Wales.

1.5 The Scheme is managed through 90 administering authorities which broadly correspond to the county councils following the 1974 local government reorganisation as well as each of the 33 London boroughs. In most cases, the administering authorities are upper tier local authorities such as county or unitary councils, but there are also some authorities established specifically to manage their pension liabilities, for example the London Pension Fund Authority and the Environment Agency Pension Fund. The

¹ Scheme asset value and membership figures taken from Department for Communities and Local Government statistical data set - Local government pension scheme funds summary data: 2012 to 2013 <https://www.gov.uk/government/statistical-data-sets/local-government-pension-scheme-funds-summary-data-2012-to-2013>

administering authorities have individual governance and working arrangements. Each has its own funding level, cash-flow and balance of active, deferred and pensioner members. Authorities take these circumstances into account when preparing their investment strategies, which are normally agreed by the councillors on each authority's pension committee. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 set the legal framework for the development of these investment strategies and the investments carried out by administering authorities. This consultation proposes that the Government revokes and replaces those regulations.

1.6 Under the Public Service Pensions Act 2013, there is a requirement for a national scheme advisory board, as well as a local board for each of the 90 funds. In 2013, Scheme employers and the trade unions established a shadow board, which has been considering a number of issues connected with the Scheme, including its efficient management and administration. Appointments have now been made to the national scheme advisory board and the Chair is expected to be appointed shortly.

Getting to this stage

2.1 The consultation is formed of two main proposals:

1. A package of reforms that propose to remove some the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk. The changes proposed would move towards the “prudent person” approach to investment that applies to trust based pension schemes.
2. The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately, and that the guidance on pooling assets is adhered to, including a power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary.

Pooling assets to deliver the benefits of scale

2.2 The proposals set out in this consultation are the culmination of work carried out over the last two and a half years to explore how to reform the way the Scheme makes its investments in order to achieve the benefits of scale and drive efficiencies.

2.3 In summer 2013, the coalition government launched a call for evidence to explore how the Scheme might be made more sustainable and affordable in the long term. 133 responses were received, many of which took the opportunity to discuss whether collective investment and greater collaboration might deliver savings for the Scheme.

2.4 Following the call for evidence, the Minister for the Cabinet Office and Minister for Local Government commissioned a cost-benefits analysis from Hymans Robertson on a range of proposals. Hymans Robertson’s report explored three areas:

- **The cost of investment:** Many of the costs associated with investment are not transparent and so difficult to capture. The costs of managing and administering the Scheme were reported as being £536 million in 2012-13.² However, Hymans Robertson found that the actual cost was likely to be rather higher; with investment costs alone estimated as in excess of £790 million a year.³
- **Approaches to collaboration:** Hymans Robertson was asked to examine the costs and benefits of three options for reform: merging the authorities into 5-10 funds, creating 5-10 collective investment vehicles, or establishing just 1-2 collective investment vehicles. They found that the net present value of savings over ten years was highest with a small number of vehicles, while merging funds offered the lowest benefit.⁴

² Local government pension scheme funds summary data: 2012 to 2013

³ Department for Communities and Local Government: Local Government Pension Scheme structure analysis, Hymans Robertson pp. 10-11. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

⁴ Hymans Robertson, p.6

- **The aggregate performance of the scheme:** The report found that the Scheme as a whole had been achieving the market rate of return in each of the main equity markets over the ten years to March 2013. If the Scheme's investments in bonds and equities had been managed passively instead of actively, authorities could have saved at least £230m a year in management fees without affecting overall investment returns.⁵

2.5 Drawing on the Hymans Robertson report and the call for evidence, the coalition government published a consultation in May 2014 entitled *Opportunities for collaboration, cost savings and efficiencies*. This set out how the Scheme could save up to £660m a year by using collective investment vehicles and making greater use of passive management for listed assets like bonds and equities. The consultation sought views on these proposals, and how they might be most effectively implemented. Respondents were broadly in favour of pooling assets, but felt that any reform should be voluntary and led by administering authorities. While many recognised a role for passive management in an investment strategy, most also felt that some active management should be retained.

2.6 At the July Budget 2015, Ministers having reflected on the consultation responses, the Chancellor announced the Government's intention to invite administering authorities to bring forward proposals for pooling local government pension scheme investments. Authorities' proposals would be assessed against published criteria, designed to encourage ambition in the pursuit of efficiencies and the benefits of scale. These criteria have now been published and are available online at <https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>.

Updating the investment regulations

2.7 When considering the implications of creating asset pools amongst authorities, some respondents to the May 2014 consultation took the opportunity to call for a review of the existing investment regulations. At their introduction in 2009, the regulations sought to ensure that authorities established a balanced and diversified portfolio by placing restrictions on the proportion of their assets that could be invested in different vehicles. For example, deposits with a single bank, institution or person, (other than the National Savings Bank), were restricted to 10% of an authority's assets. These restrictions have been kept under regular review and have been subject to change following representations from the investment sector and pension fund authorities.

2.8 Some respondents to the consultation suggested that the current limits on investments would prevent authorities from making meaningful allocations to a collective investment vehicle, one of the leading options for asset pooling, as the allocation to particular types of vehicle is capped at 35%. Participants in the London Boroughs' collective investment vehicle and the collaboration between the London Pension Fund Authority and Lancashire County Council also wrote to the Department encouraging reform in this area.

⁵ Hymans Robertson, p.12

2.9 While the proposals for collective investment in the May 2014 consultation prompted encouragement to review the investment regulations, the idea of reform was not new. In 2012, following representations from the investment sector, the Government formed a small working group to revisit and examine the investment regulations with input from actuaries, fund managers and administering authorities. This group, whose membership is set out in Annex A, recommended that a more permissive approach should be taken to the legislative framework, similar to the “prudent person” model that applies to trust based pension schemes. This approach places the onus on the pension fund to determine a suitable balance of investments to meet its liabilities, which are clearly articulated in an investment strategy. The group also felt that the existing regulations introduced uncertainty for some authorities as to what constituted a permitted investment, as some asset classes were explicitly referenced but others were not. In particular, concern has been expressed as to whether or not pension fund authorities are permitted to invest in vehicles such as derivatives, hedge funds and forward currency contracts.

2.10 The proposals in this consultation paper therefore seek to address these issues, placing the onus on authorities to determine a diversified investment strategy that appropriately takes risk into account.

2.11 However, in relaxing the regulatory framework for scheme investments, it is also important to introduce safeguards to ensure that the less prescriptive approach proposed is used appropriately. Similarly, the July Budget 2015 announcement stated that draft regulations would be introduced to require an authority to pool its investments if it did not bring forward ambitious proposals that met the Government’s criteria. This consultation therefore sets out how the Secretary of State might intervene to ensure that authorities take advantage of the benefits of scale offered by pooling and deliver investment strategies that adhere to regulation and guidance.

Response to the Law Commission’s Review of Fiduciary Duty

2.12 The Kay Review on Fiduciary Duty published its final report in July 2012. In addition to making a number of recommendations to address the excessive focus on short-term performance in equity investment markets, it recommended that the Government ask the Law Commission to review the fiduciary duties of investment intermediaries amid concerns that these common law duties were being interpreted by some pension schemes as a requirement to focus solely on short-term financial returns.

2.13 In their report, published in July 2014, the Law Commission called on the Department to review:

- Whether the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 should transpose article 18(1) of the Institutions for Occupational Retirement Provision (IORP) Directive, and
- Those aspects of Regulation 9 of the 2009 Regulations which require investment managers to be appointed on a short-term basis and reviewed every three months.

2.14 These recommendations were supported by the Government's progress report on the implementation of the Kay Review published in October 2014 by the Department for Business Innovation and Skills.

2.15 Article 18(1) of the IORP Directive requires assets to be invested in the best interests of members and beneficiaries and, in the event of a conflict of interest, in the sole interests of members and beneficiaries.

2.16 Regulation 4 of The Occupational Pension Schemes (Investment) Regulations 2005 (SI 2005 No 3378) transposed Article 18(1):

"4. (1) The trustees of a trust scheme must exercise their powers of investment, and any fund manager to whom any discretion has been delegated under section 34 of the 1995 Act (power of investment and delegation) must exercise the discretion, in accordance with the following provisions of this regulation

(2) The assets must be invested:

- (a) In the best interests of members and beneficiaries; and
- (b) In the case of a potential conflict of interest, in the sole interest of members and beneficiaries."

2.17 The Local Government Pension Scheme is a statutory scheme made under section 1 of the Public Service Pensions Act 2013 and previously under The Superannuation Act 1972. It is not subject to trust law and those responsible for making investment decisions in the Scheme are not therefore required to comply with Regulation 4 of the 2005 Regulations.

2.18 However, this does nothing to change the general legal principles governing the administration of Scheme investments and how those responsible for such decisions should exercise their duties and powers under the Scheme's investment regulations.

2.19 In a circular issued by the then Department of the Environment in 1983 (No 24), the Secretary of State took the view that administering authorities should pay due regard to the principle contained in the case of *Roberts v Hopwood* [1925] A.C. 578 p. 595:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons, the body stands somewhat in the position of trustees or managers of the property of others."

2.20 Those in local government responsible for making investment decisions must also act in accordance with ordinary public law principles, in particular, the ordinary public law principles of reasonableness. They risk challenge if a decision they make is so unreasonable that no reasonable person acting reasonably could have made it.

2.21 Having considered fully the recommendation made by the Kay Review and supported by both the Law Commission and the Government, Ministers are satisfied that the Scheme is consistent with the national legislative framework governing the duties placed on those responsible for making investment decisions. The position at common law

is also indistinguishable from that produced by the 2005 Regulations applicable in respect of trust-based schemes.

2.22 We do, however, propose to remove the requirement for the performance of investment managers to be reviewed once every three months from the regulations.

Proposal 1: Adopting a local approach to investment

Deregulating and adopting a local approach to investment

3.1 In developing these draft regulations, the Government has sought, where appropriate, to deregulate and simplify the regulations that have governed the management and investment of funds since 2009. Some of the existing provisions have not been carried forward into the draft 2016 Regulations in the expectation that they would be effectively maintained by general law provisions and so specific regulation is no longer needed. For example, those making investment decisions are still required to act prudently, and there remains a statutory requirement to take and act on proper advice. Some of the provisions in the 2009 Regulations which have not been carried forward on this basis include:

- Stock lending arrangements under Regulation 3(8) and (9) of the 2009 regulations. The view is taken that the definition of “investment” in draft Regulation 3 is sufficient given that a stock lending arrangement can only be used if it falls within the ordinary meaning of an “investment”.
- Regulation 8(5) of the 2009 regulations ensures that funds are managed by an adequate number of investment managers and that, where there is more than one investment manager, the value of the fund money managed by them is not disproportionate. Here, the view is taken that administering authorities should be responsible for managing their own affairs and making decisions of this kind based on prudent and proper advice.
- There are many provisions in the 2009 Regulations which impose conditions on the choice and terms of appointments of investment managers. Since the activities of investment managers are governed by the contracts under which they are appointed, the view is taken that making similar provision in the 2016 Regulations would be unnecessary duplication. Examples include the requirement for investment managers to comply with an administering authority’s instructions and the power to terminate the appointment by not more than one month’s notice.
- Regulation 12(3) of the 2009 Regulations requires administering authorities to state the extent to which they comply with guidance given by the Secretary of State on the Myners principles for investment decision making. As part of the wider deregulation, the draft regulations make no provision to report against these principles, although authorities should still have regard to the guidance.

3.2 These examples of deregulation are for illustrative purposes only. It is not an exhaustive list of provisions which the Government proposes to remove. Consultees are asked to look carefully at the full extent of deregulation and comment on any particular case that raises concerns about the impact such an omission might have on the effective management and investment of funds.

Investment strategy statement

3.3 As part of this deregulation, the draft regulations also propose to remove the existing schedule of limitations on investments. Instead authorities will be expected to take a prudential approach, demonstrating that they have given consideration to the suitability of different types of investment, have ensured an appropriately diverse portfolio of assets and have ensured an appropriate approach to managing risk.

3.4 Key to this will be the investment strategy statement, which authorities will be required to prepare, having taken proper advice, and publish. The statement must cover:

- A requirement to use a wide variety of investments.
- The authority's assessment of the suitability of particular investments and types of investments.
- The authority's approach to risk, including how it will be measured and managed.
- The authority's approach to collaborative investment, including the use of collective investment vehicles and shared services.
- The authority's environmental, social and corporate governance policy.
- The authority's policy on the exercise of rights, including voting rights, attached to its investments.

Transitional arrangements

3.5 Draft regulation seven proposes to require authorities to publish an investment strategy statement no later than six months after the regulations come into force (this is currently drafted as 1 October 2016, in case the draft regulations come into effect on 1 April 2016). However, the draft regulations would also revoke the existing 2009 Regulations when they come into effect. Transitional arrangements are therefore required to ensure that an authority's investments and investment strategy are regulated between the draft regulations coming into effect and the publication of an authority's new investment strategy statement. The transitional arrangements proposed in draft regulation 12 would mean that the following regulations in the 2009 Regulations would remain in place until the authority publishes an investment strategy or six months lapses from the date that the regulations come into effect:

- 11 (investment policy and investment of pension fund money)
- 14 (restrictions on investments)
- 15 (requirements for increased limits)
- Schedule 1 (table of limits on investments)

Statement of Investment Principles

3.6 We do not propose to carry forward the existing requirement under regulation 12 of the 2009 Regulations to maintain a Statement of Investment Principles. However, the main elements, such as risk, diversification, corporate governance and suitability, will instead be carried forward as part of the reporting requirements of the new investment strategy

statement. Administering authorities will still be required to maintain their funding strategy statements under Regulation 58 of the 2013 regulations.

Non-financial factors

3.7 The Secretary of State has made clear that using pensions and procurement policies to pursue boycotts, divestments and sanctions against foreign nations and the UK defence industry are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. The Secretary of State has said, “Divisive policies undermine good community relations, and harm the economic security of families by pushing up council tax. We need to challenge and prevent the politics of division.”

3.8 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 already require administering authorities to publish and follow a statement of investment principles, which must comply with guidance issued by the Secretary of State. The draft replacement Regulations include provision for administering authorities to publish their policies on the extent to which environmental, social and corporate governance matters are taken into account in the selection, retention and realisation of investments. Guidance on how these policies should reflect foreign policy and related issues will be published ahead of the new Regulations coming into force. This will make clear to authorities that in formulating these policies their predominant concern should be the pursuit of a financial return on their investments, including over the longer term, and that, reflecting the position set out in the paragraph above, they should not pursue policies which run contrary to UK foreign policy.

Investment

3.9 A few definitions and some aspects of regulation 3, which describes what constitutes an investment for the purpose of these regulations, have been updated to take account of changing terminology and technical changes since the regulations were last issued in 2009. For example, the reference to the London International Financial Futures Exchange (LIFFE) has been removed as it now operates as a clearing house and so is covered by the approved stock exchange definition.

3.10 Some additional information has been included to make clear that certain investments, such as derivatives, may be used where appropriate. The Government expects that having considered the appropriateness of an investment in their investment strategy statement, authorities would only use derivatives as a means of managing risk, and so has not explicitly stated that this should be the case.

Questions

1. Does the proposed deregulation achieve the intended policy aim of removing any unnecessary regulation while still ensuring that authorities' investments are made prudently and having taken advice?
2. Are there any specific issues that should be reinstated? Please explain why.

3. Is six months the appropriate period for the transitional arrangements to remain in place?
4. Should the regulation be explicit that derivatives should only be used as a risk management tool? Are there any other circumstances in which the use of derivatives would be appropriate?

Proposal 2: Introducing a safeguard - Secretary of State power of intervention

Summary of the proposal

4.1 The first part of this consultation lifts some of the existing restrictions on administering authorities' investments in order to make it easier for them to pool their investments and access the benefits of scale. To ensure that this new flexibility is used appropriately, the consultation also proposes to introduce a power to intervene in the investment function of an administering authority if the Secretary of State believes that it has not had regard to guidance and regulations. The consultation sets out the evidence that the Secretary of State may draw on before deciding to intervene, and makes clear that any direction will need to be proportionate. The power proposed in this consultation is intended to allow the Secretary of State to act if best practice or regulation is being ignored, which will help to ensure that authorities continue to pursue more efficient means of investment.

4.2 The July Budget 2015 announcement set out the Government's intention to introduce "backstop" legislation to require those authorities who do not bring forward sufficiently ambitious plans to pool their investments. It also explained that authorities' proposals would need to meet common criteria, which have been published with draft guidance alongside this consultation. The draft power to intervene discussed in this paper could be used to address authorities that do not bring forward proposals for pooling their assets in line with the published criteria and guidance. The guidance will be kept under review, and will be revised as circumstances change and authorities' asset pools evolve.

4.3 The following sections set out the process for intervention described in draft regulation 8.

Determining to intervene

4.4 The draft regulations propose to give the Secretary of State the power to intervene in the investment function an administering authority, if the Secretary of State has determined that the administering authority has failed to have regard to the regulations governing their investments or guidance issued under draft regulation 7(1). In reaching that conclusion, the Secretary of State will consider the available evidence, which might include:

- Evidence that an administering authority is ignoring information on best practice, for example, by not responding to advice provided by the scheme advisory board to local pension boards.
- Evidence that an administering authority is not following the investment regulations or has not had regard to guidance published by the Secretary of State under draft Regulation 7 (1). For example, this might include failing to participate in one of the large asset pools described in the existing draft guidance, or proposing a pooling arrangement that does not adhere to the criteria and guidance.

- Evidence that an administering authority is carrying out another pension-related function poorly, such as an unsatisfactory report under section 13(4) of the Public Service Pensions Act 2013, or another periodic reporting mechanism. (Section 13(4) of the 2013 Act requires a person appointed by the Secretary of State to report on whether the actuarial valuation of a fund has been carried out in accordance with Scheme regulations, in a way that is consistent with other authorities' valuations, and so that employer contribution rates are set to ensure the solvency and long term cost efficiency of the fund.)

4.5 If the Secretary of State has some indication to suggest that intervention might be necessary, the draft regulations propose that he may order a further investigation to provide him with the analysis required to make a decision. If additional evidence is sought, draft regulation 8(5) would allow the Secretary of State to carry out such inquiries as he considers appropriate, including seeking advice from external experts if needed. In this circumstance, the administering authority would be obliged to provide any data that was deemed necessary to determine whether intervention is required. The authority would also be invited to participate in the review and would have the opportunity to present evidence in support of its existing or proposed investment strategy.

The process of intervention

4.6 If the Secretary of State is satisfied that an intervention is required, he would then need to determine the appropriate extent of intervention in the authority's investment function. The draft regulations propose to allow the Secretary of State to draw on external advice to determine what the specific intervention should be if necessary.

4.7 Draft regulation 8(2) describes the interventions that the Secretary of State may make. The power has been left intentionally broad to ensure that a tailored and measured course of action is applied, based on the circumstances of each case. For example, in some cases it may be appropriate to apply the intervention just to certain parts of an investment strategy, whereas in particularly concerning cases, more substantial action might be required. The proposed intervention might include, but is not limited to:

- Requiring an administering authority to develop a new investment strategy statement that follows guidance published under draft Regulation 7(1).
- Directing an administering authority to invest all or a portion of its assets in a particular way that more closely adheres to the criteria and guidance, for instance through a pooled vehicle.
- Requiring that the investment functions of the administering authority are exercised by the Secretary of State or his nominee.
- Directing the implementation of the investment strategy of the administering authority to be undertaken by another body.

4.8 The Secretary of State will write to the authority outlining the proposed intervention. As a minimum, this proposal will include:

- A detailed explanation of why the Secretary of State is intervening and the evidence used to arrive at their determination.

- A clear description of the proposed intervention and how it will be implemented and monitored.
- The timetable for the intervention, including the period of time until the intervention is formally reviewed.
- The circumstances under which the intervention might be lifted prior to review.

4.9 The authority will then be given time to consider the proposal and present its argument for any changes that it thinks should be made. If, at the end of that period an intervention is issued, any resulting costs, charges and expenses incurred in administering the fund would be met by the pension fund assets.

Review

4.10 As set out above, each intervention will be subject to a formal review period which will be set by the Secretary of State but may coincide with other cyclical events such as the preparation of an annual report or a triennial valuation. At the end of that period, progress will be assessed and the Secretary of State will decide whether to end, modify or maintain the current terms of the intervention, and will notify the authority of the outcome. The authority will also have the opportunity to make representations to the Secretary of State if it feels a different course of action should be followed. Throughout this period of intervention, the authority will be supported to improve its investment function, so that it is well placed to bring the intervention to an end at the first opportunity.

4.11 The Secretary of State's direction will include details about what is required of the authority in order to end the intervention, and how progress will be measured. Progress could, for example, be measured by creating a set of performance indicators to be monitored on an ongoing basis by Government officials, the local pension board, the scheme advisory board, or an independent body. A regime of regular formal reports to the Secretary of State could also be required.

4.12 The draft regulations also allow the Secretary of State to determine that sufficient improvement has been made to end the intervention before the review date. The administering authority may also make representations to the Secretary of State before that date, if it has clear evidence that the prescribed action is no longer appropriate.

Questions

5. Are there any other sources of evidence that the Secretary of State might draw on to establish whether an intervention is required?
6. Does the intervention allow authorities sufficient scope and time to present evidence in favour of their existing arrangements when either determining an intervention in the first place, or reviewing whether one should remain in place?
7. Does the proposed approach allow the Secretary of State sufficient flexibility to ensure that he is able to introduce a proportionate intervention?

8. Do the proposals meet the objectives of the policy, which are to allow the Secretary of State to make a proportionate intervention in the investment function of an administering authority if it has not had regard to best practice, guidance or regulation?

Summary of the draft regulations

(1) Citation, commencement and extent

This details the citation and scope of the draft regulations, and gives the date at which they will come into force.

(2) Interpretation

These provisions define terms used in the draft regulations with reference to legislation, and cite the legislation that gives administering authorities the powers that may be impacted by the draft regulations.

(3) Investment

This draft regulation defines what is considered an investment for the purposes of the regulations. This definition includes futures, options, derivatives, limited partnerships and some types of insurance contracts. It also defines who a person with whom a contract of insurance can be entered into is.

(4) Management of a pension fund

This draft regulation lists the monies that an administering authority must credit to its pension fund, including employer and employee contributions, interest, and investment capital and income. It also sets out the administering authority's responsibility to pay benefits entitled to members, and states that, except where prohibited by other regulations, costs of administering the fund can be paid by the fund.

(5) Restriction on power to borrow

This proposed regulation outlines the limited circumstances under which an administering authority can borrow money that the pension fund is liable to repay.

(6) Separate bank account

The draft regulation states that an administering authority must deposit all pension fund monies in a separate account, and lists those institutions that can act as a deposit taker. It also states that the deposit taker cannot use pension fund account to set-off any other account held by the administering authority or a connected party.

(7) Investment strategy statement

This draft regulation places an obligation on the administering authority to consult on and publish an investment strategy statement, which must be in accordance with guidance from the Secretary of State. The statement should demonstrate that investments will be suitably diversified, and it should outline the administering authority's maximum allocations for different asset classes, as well as their approach to risk and responsible investing.

In many respects, the investment strategy statement replaces the list of restrictions given in Schedule 1 of the 2009 Regulations and enables the criteria to be determined at local

level. Schedule 1 of the 2009 Regulations will remain in force until such time that the new investment strategy statements have to be published.

Provision is made for authorities to publish their policy on the extent to which environmental, social and corporate governance factors are taken into account in the selection, retention and realisation of investments.

Separate guidance will be issued by the Secretary of State that will clarify how the Government's recent announcement on boycotts, sanctions and disinvestment will be exercised.

(8) Directions by the Secretary of State

This provision would grant the Secretary of State the power to intervene in the investment function of an administering authority if he is satisfied that the authority is failing to have regard to regulation and guidance. He can also initiate inquiries to determine if an intervention is warranted, and must consult with the authority concerned. Once it is determined that an intervention is needed, the Secretary of State can intervene by directing the authority undertake a broad range of actions to remedy the situation.

(9) Investment managers

This draft regulation details how an administering authority must appoint external investment managers.

(10) Investments under section 11(1) of the Trustee Investments Act 1961

This draft regulation allows administering authorities to invest in Treasury-approved collective investment schemes.

(11) Consequential amendments

This proposed regulation lists the prior regulations that are amended by the draft amendments.

(12) Revocations and transitional provisions

The draft provision lists the regulations that would be revoked if the draft regulations come into effect. It also proposes transitional arrangements to ensure that the existing regulations governing the investment strategy remain in place until a new investment strategy statement is published by an authority under draft regulation seven. These transitional arrangements would apply for up to six months after the draft regulations came into effect.

Annex A: Members of the Investment Regulation Review Group

Alison Hamilton	Barnet Waddingham
Bob Claxton	Wandsworth Pension Fund
Clifford Sims	Squire Patton Boggs
Dawn Turner	Environment Agency Pension Fund
Geoff Reader	Bedford Pension Fund
Graeme Russell	Greater Gwent Pension Fund
Guy Sears	Investment UK
Loretta Stowers	Greater Manchester Pension Fund
Nick Buckland	Dorset Pension Fund
Nigel Keogh	Chartered Institute of Public Finance and Accountancy
Paul Dale	Bromley Borough Council
Peter Morris	Greater Manchester Pension Fund

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 December 2015

PENSION FUND BENCHMARKING UPDATE

Purpose of the Report

1. This report presents to the Committee the CIPFA Benchmarking club results for 2015.

Introduction & Background

2. The Wiltshire Pension Fund (WPF) joined the CIPFA benchmarking club in August 2010 with the intention to gain a better understanding of how WPF's service compares to those of its peers.
3. The club compares the Fund against the other 44 LGPS authorities within the club.
4. The results of the 2015 survey are shown in the attached report. This covers the financial year 2014/15. Results of the 2014 survey are shown in brackets for comparison. It is important to remember this survey merely reviews costs and processes but doesn't test or have a measure for 'quality' of service. Lowest cost in itself does not necessarily represent the best outcome, if this is achieved at a cost to the quality of the service.
5. These statistics do come with a health warning. The survey is based on pension administration only. All authorities are set up with different structures. The WPF moved to a single team section including administration, accounting and investment activities in 2007. Most other authorities still include administration within their payroll section with the accounting and investments functions separate within their finance teams. The allocation of costs into the categories, especially the apportionment of overheads, can also be treated differently between authorities. Nevertheless, this data remains useful as it enables officers to question and challenge areas of performance.

Main Considerations for the Committee

6. This paper highlights the main points from the reports.

Administration Costs

7. The total administration cost per member is £19.84 (£20.86 in 2014) which is slightly higher than the average (£19.17). This does provide an element of comfort that at a high level the cost of operating the scheme is in line with its peers.
8. Staff costs per member £7.79 (£7.74 in 2014) are broadly in line with the average (£7.83). WPF did however carry a number of vacancies during the year.
9. The pension payroll cost per member £2.46 (£2.59 in 2014) is slightly higher than the average (£1.85). A more meaningful metric is the cost per pensioner (which this activity relates to) of £12.67 (£13.15 in 2014) for WPF compared with £8.16 for the average. Note again this year there has been a marked decrease in the average figures for pension payroll cost per member and cost per pensioner. This will all depend on the results of the individual authorities from which the average is calculated

(there is a comparison group of 44 authorities for year ending 2015 compared to 49 authorities for the year ending 2014).

10. The survey shows that the overhead cost per member of £5.62 (£5.55 in 2014) is slightly higher than the average (£5.38). This includes IT, accommodation, central services charges and external audit.
11. The direct cost per member is £14.51 (£15.61 in 2014), slightly higher than the average (£12.59). This figure now includes staff costs (£7.79), payroll costs (£2.46) and external audit costs (£0.73) in addition to communications, actuarial and other running costs.
12. Of direct costs, communications is £1.28 (£1.06 in 2014) per member, higher than average (£0.78), but this is in line with our service plan and focus on communications. WPF has a dedicated Communications Manager and are proactive in communicating the recent changes in LGPS reforms and tax relief allowances.
13. The actuarial cost per member £1.58 (£3.06 in 2014), still higher than the average (£1.14). This is a reflection of the greater activity undertaken by WPF which includes the number of outsourcings, cessations and bulk transfers taking place along with the continued need for additional support on benefits advice due to the makeup of membership and the complexity that brings.

Membership

14. It can be seen from the membership profile that WPF has proportionately less pensioners 19.0% (20.0% in 2014) than the average (23.9%) but a significantly greater proportion of deferred members 39% (38% in 2014) than the average (31.1%). The proportion of active members is similar at around 34%, split 15% full-time/20% part-time.

Administration

15. WPF appears to be slightly higher than the average in relation to members joining the scheme, however the Fund appears to be average on the number of retirements, deaths and other leavers it processed.
16. The number of quotations provided on the whole appears in line with the average.

Staff

17. The survey suggests on an all scheme basis that WPF has an above average number of staff earning £20k-£25k but a lower than average earning £25k-30k and £15k-20k This is as a result of the team structure and overall costs remain broadly in line see paragraph 8.
18. The survey indicates that 35% (38% in 2014) of the Administration team have a relevant qualification, or are working towards a qualification, which is slightly below the average (42%). WPF have a good proportion of staff who have achieved the Institute of Pensions Professional Managers (IPPM) Foundation level. This is an area of continued focus.
19. WPF has a slightly higher than average proportion of staff with more than 10 years experience, although, the majority of the team now have between 5 to 10 years (42%)

compared to 50% the previous year) which reflects the growing level of experience within the team.

20. Sickness levels at 10.1 days (4.3 days in 2014) per employee are higher than the industry average of 5.9. However, this increase relates to long term sickness and the short term figure is 2.4 days lower than the average of 3.1.
21. WPF have this year submitted performance indicator data and appears in most instances to be achieving above average performance.

Conclusions from the CIPFA Benchmarking Survey

22. The survey does provide an element of comfort that WPF is broadly in line with other LGPS schemes in terms of work being processed. The areas where WPF is higher is a reflection of the proactive approach being taken in respect of communicating with members, improving its ICT capabilities and monitoring and managing its liability risks through its work with the actuary.

Risk Assessment

23. The CIPFA benchmarking survey identifies relatively higher costs for actuarial and communications compared to the Fund's peers. Any reduction of costs in these areas could potentially impact on PEN008: *failure to comply with LGPS and other regulations* and PEN013: *failure to communicate properly with stakeholders* highlighted in the risk register elsewhere on this agenda and would need careful consideration.

Environmental Impact of the Proposals

24. There are none.

Financial Considerations & Risk Assessment

25. The report considers the financial aspects from the CIPFA Benchmarking survey.

Safeguarding Considerations/Public Health Implications/Equalities Impact

26. There are no known implications at this time.

Proposal

27. The Committee is asked to note the report.

MICHAEL HUDSON
Treasurer to Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

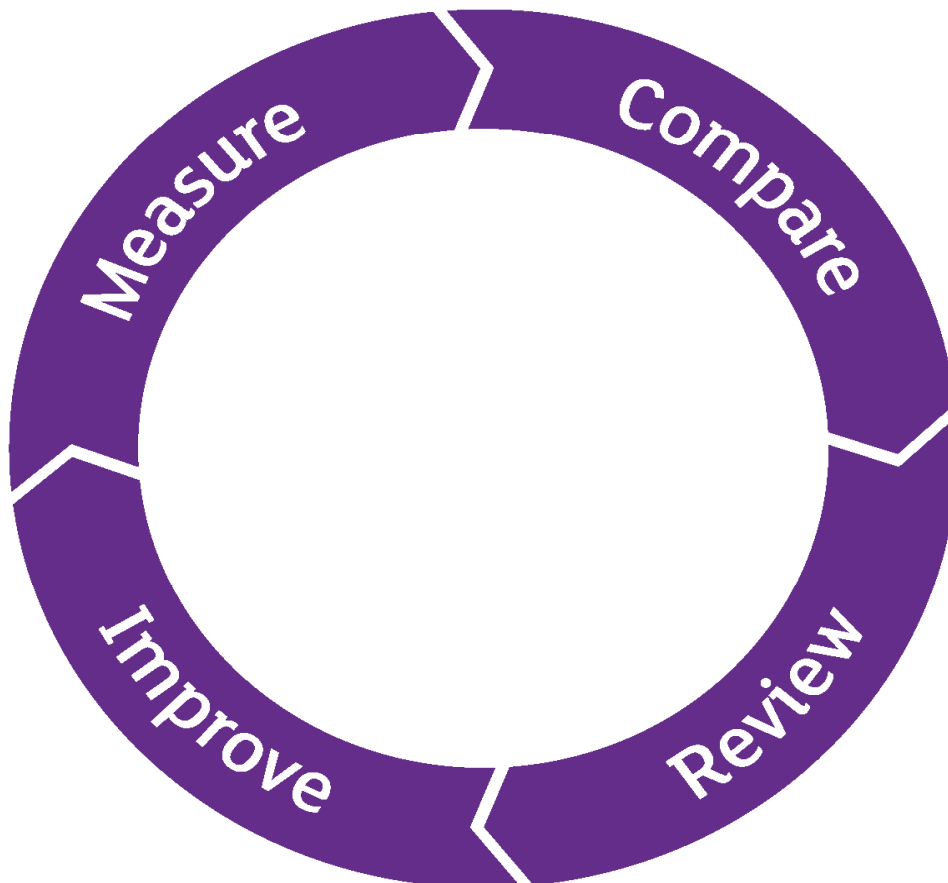
Unpublished documents relied upon in the production of this report: *None*

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Information Services

pensions administration benchmarking club

2015 - Wiltshire Final Report



PREFACE

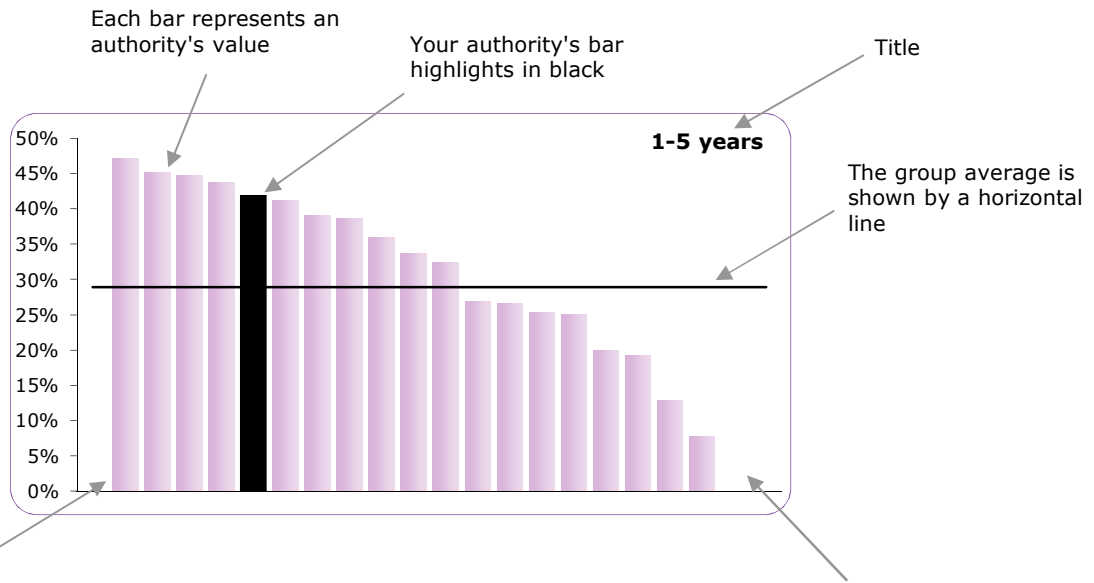
This report compares your data with the group of authorities specified on the title page.

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages: Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts: We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts: These are our standard method of displaying a full set of data



'Missing bars' on the left represent missing data or excluded data and are not included in calculating the average

Staff experience			
	FTE	%	Avg
< 1 year	1.5	10%	9%
1-5 years	6.5	42%	29%
5-10 years	3.5	23%	21%
> 10 yrs	4.0	26%	41%
Total	15.5		

'Missing bars' on the right represent zero values and are included in the average

INTRODUCTION

This report compares your performance with the group of authorities specified on the title page. It is divided into the following sections.

	Page
1 Summary 2015	4
2 Cost Measures	5
3 Workload Measures	11
4 Staff Related Measures	20
5 Industry Standard Performance Indicators	24
6 Comparison by method of service delivery } <i>final reports</i>	25
7 Timeseries } <i>final reports only</i>	26

Section 1 - Summary 2015

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by staff costs, payroll costs, direct costs, overheads and income. Further analysis of direct costs and overheads is also provided in this section.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers.

Other workload measures include:

- Joiners and leavers with a full analysis of the various types of retirements
- Number of quotations provided and actual events processed
- AVCs, ARCs and Added years
- Appeals

Section 4 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, sickness absence, pensions work experience, staff qualifications and staff turnover.

Section 5 - Industry Standard Performance Indicators

In this section we show how authorities perform against each of the LGPC performance indicators.

Section 6 - Comparison by Method of Service Delivery (final report only)

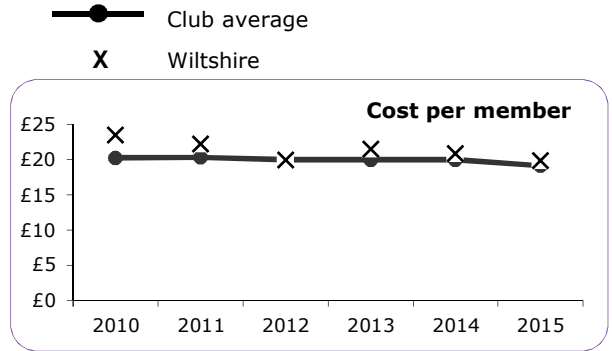
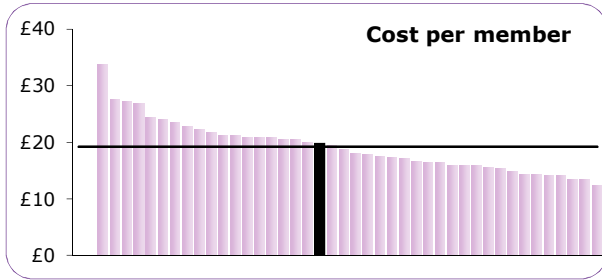
This shows members' costs and averages compared for in-house and externally managed pension schemes.

Section 7 -Timeseries (final report only)

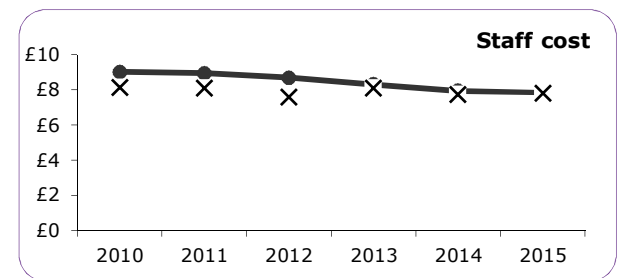
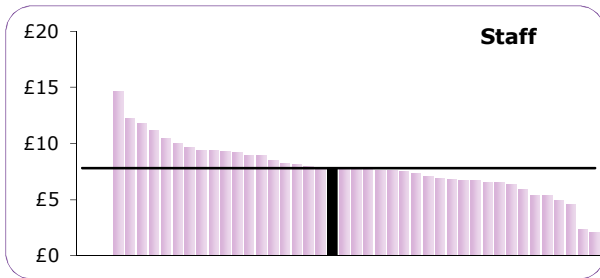
This shows the individual members' performance over time compared to the club average for cost per member, which is analysed over staff cost and other costs.

SECTION 1 - SUMMARY 2014/15

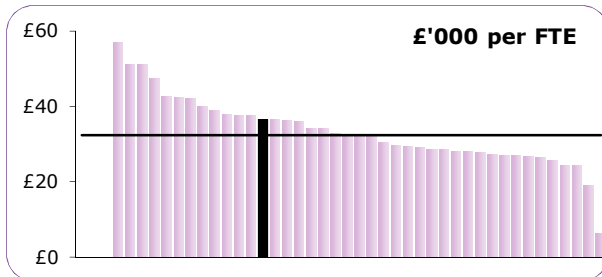
NET COST / MEMBER 2014/15



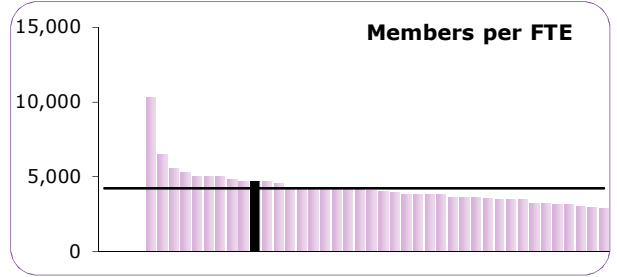
STAFF COST / MEMBER 2014/15



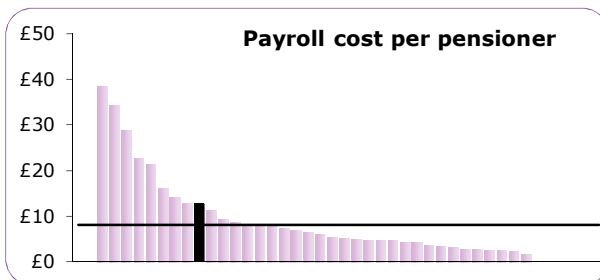
COST £'000 / FTE



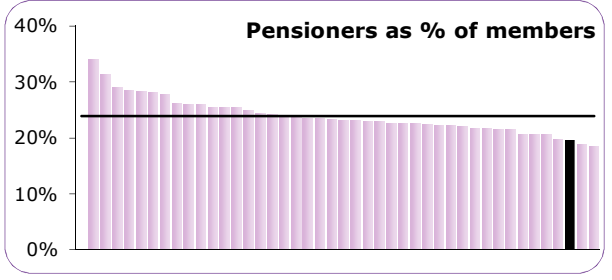
MEMBERS LGPS / ADMIN FTE



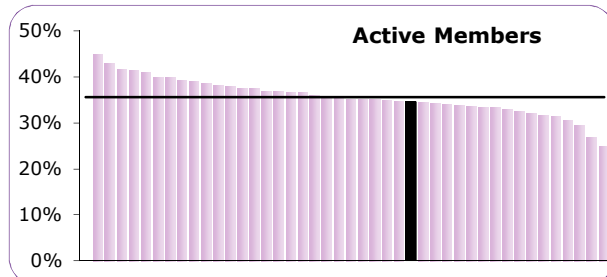
PAYROLL COST / PENSIONER



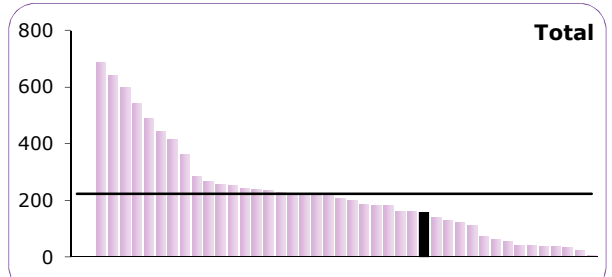
PENSIONERS AS A % MEMBERS



ACTIVES AS A % MEMBERS



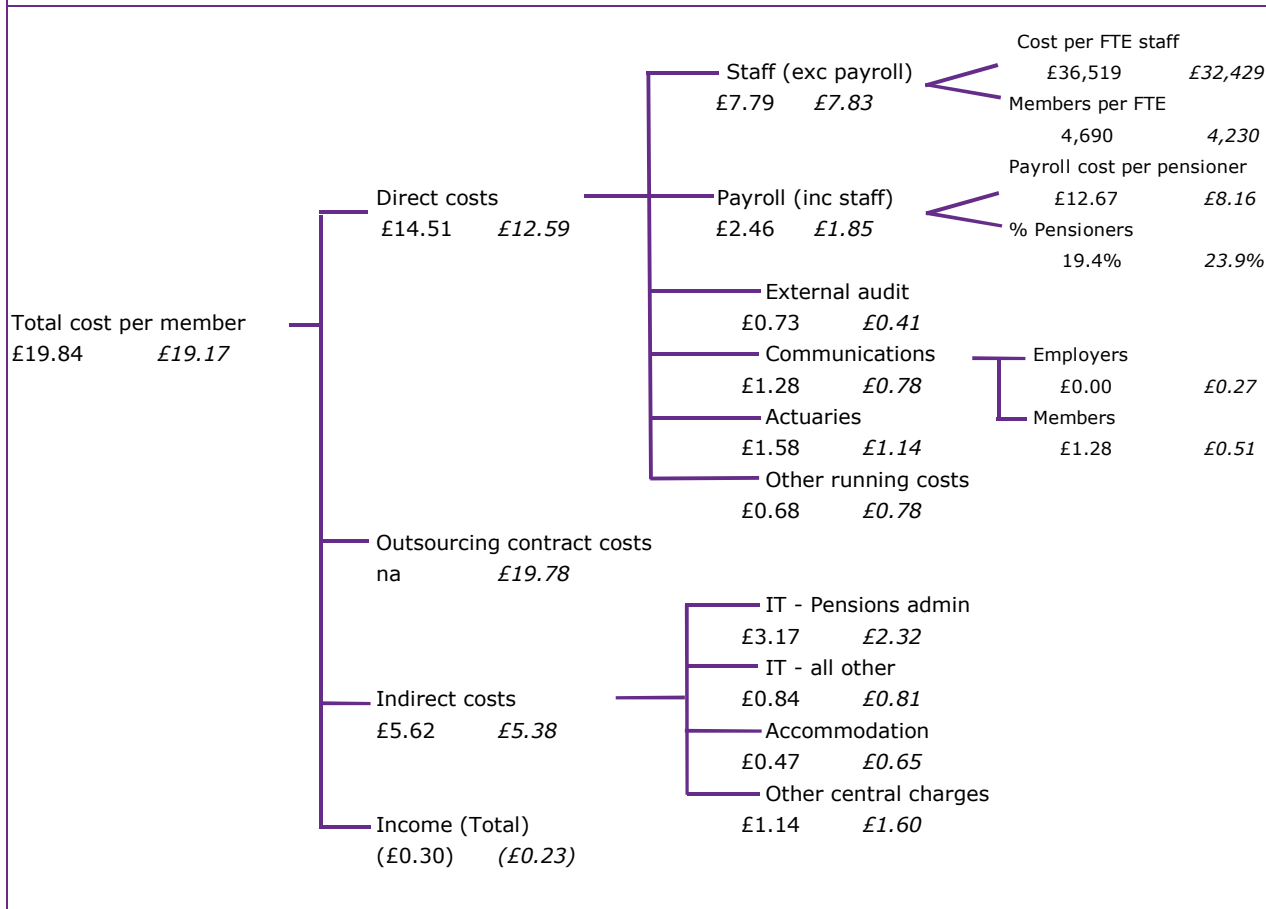
NUMBER OF LGPS EMPLOYERS



SECTION 2 - COST MEASURES

COST/MEMBER TREE 2014/15

This tree diagram analyses the cost per member. For each benchmark two figures are given the first being the authority's cost and the second (in italics) is the group average.



FTE staff	
Pension Section total	22.6
less	
IT staff	3.0
Payroll staff	-
Communications staff	2.0
Employing authority work	-
Work for other schemes	0.5
Other work	3.6
Admin of LGPS	13.5

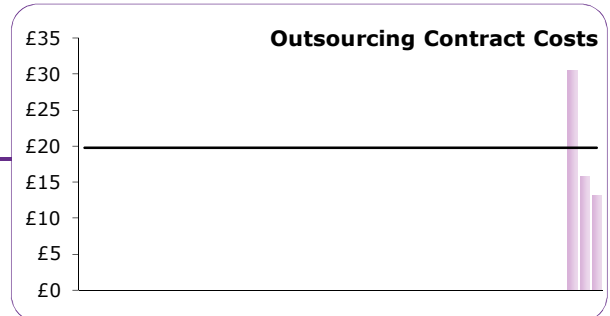
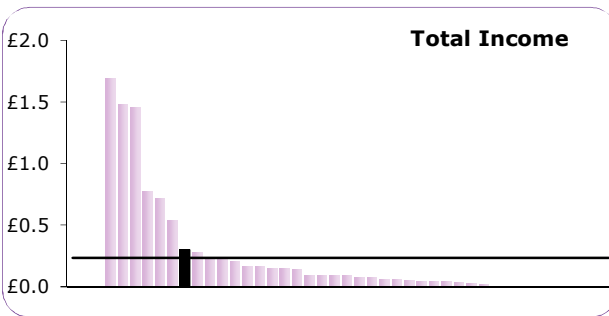
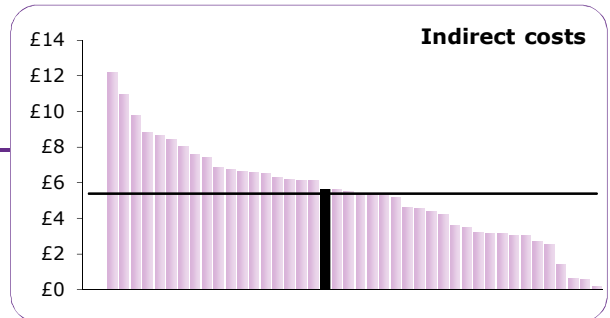
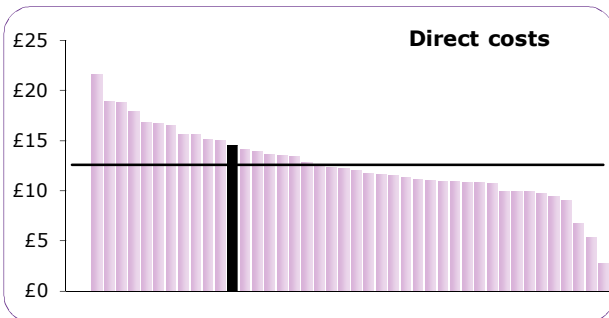
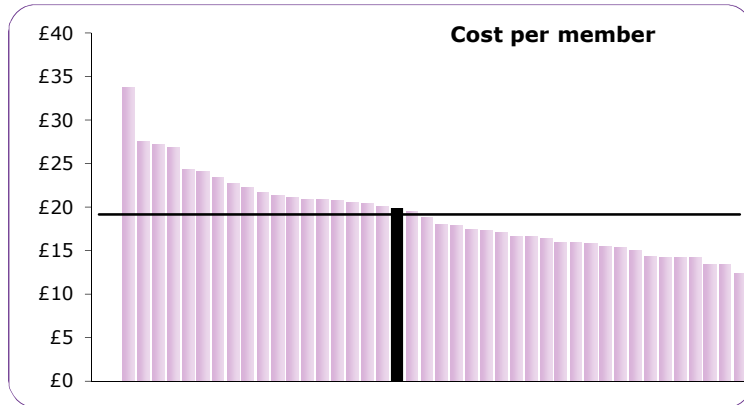
Net Costs £'000	
	£'000
Pension Section total	1,472
less	
Work for other schemes	12
Employing authority work	37
Other work	167
Admin of LGPS	1,256

Admin of LGPS costs	£'000	£ per member	Avg
	Staff - administration	493	7.79
Staff - payroll	-	-	0.36
Payroll	156	2.46	1.49
Communications (Total)	81	1.28	0.78
Actuaries	100	1.58	1.14
External audit	46	0.73	0.41
Other running costs	43	0.68	0.78
Total Direct Costs	919	14.51	12.59
Outsourcing costs	-	na	19.78
IT - Pensions admin	201	3.17	2.32
IT - All other	53	0.84	0.81
Accommodation	30	0.47	0.65
Other central charges	72	1.14	1.60
Total Indirect Costs	356	5.62	5.38
Gross Cost	1,275	20.14	19.39
Income - Members	-	-	(0.06)
Income - Employers	-	-	(0.11)
Income - Other	(19)	(0.30)	(0.06)
Total Income	(19)	(0.30)	(0.23)
Net Cost	1,256	19.84	19.17

Total Scheme Membership 63,319

*Outsourcing Contract Costs average only includes those members who have outsourcing costs.

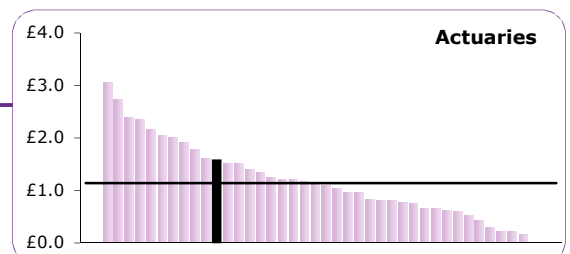
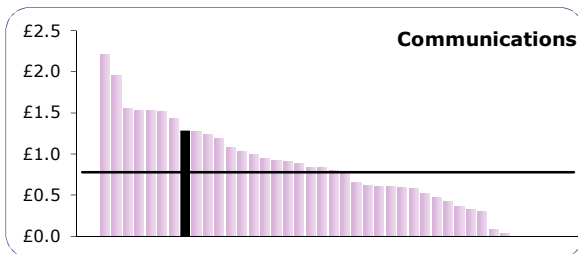
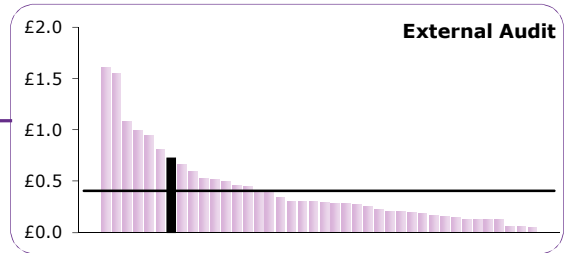
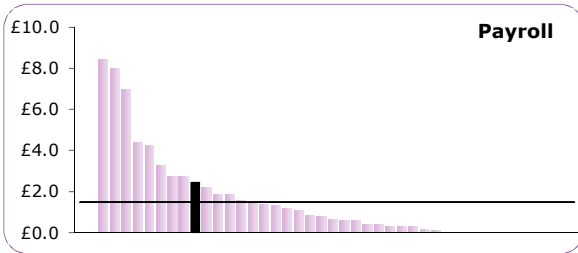
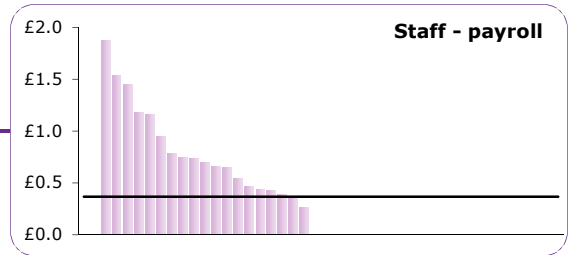
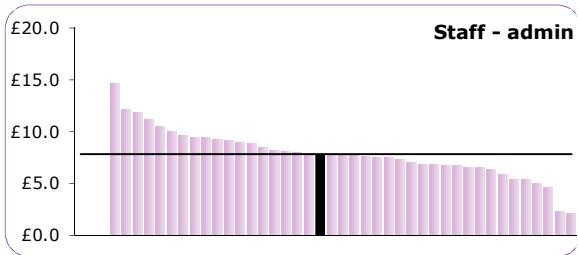
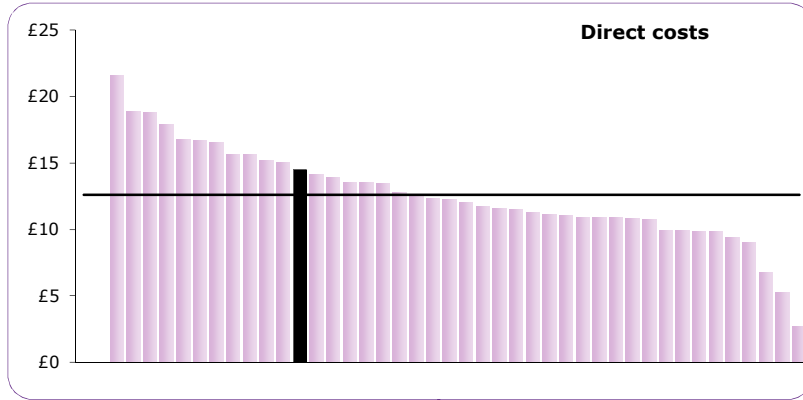
COST PER MEMBER 2014-15



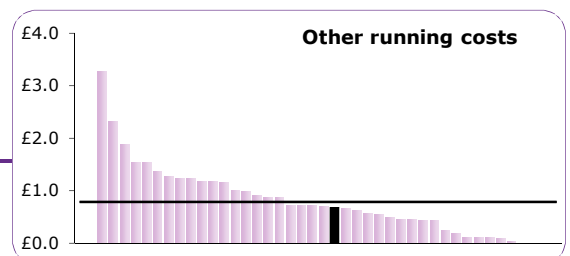
Admin of LGPS costs		£ per member	
	£'000		Avg
Total Direct Costs	919	14.51	12.59
Outsourcing costs	-	na	19.78
Total Indirect Costs	356	5.62	5.38
Total Income	(19)	(0.30)	(0.23)
Net Cost	1,256	19.84	19.17

Total Scheme Membership	63,319
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COSTS PER MEMBER - Direct costs 2014/15

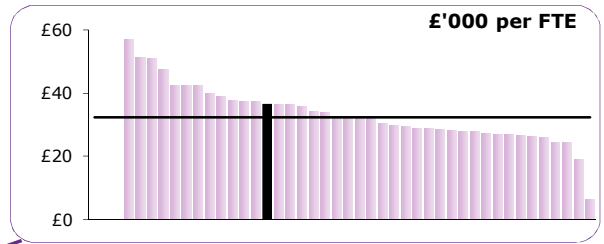
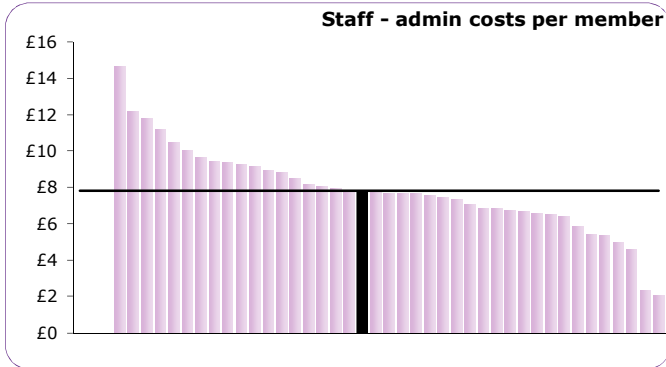


Direct costs	£'000	£ per member	Avg
Staff - admin	493	7.79	7.83
Staff - payroll	-	-	0.36
Payroll	156	2.46	1.49
External audit	46	0.73	0.41
Communications	81	1.28	0.78
Actuaries	100	1.58	1.14
Other running costs	43	0.68	0.78
Total	919	14.51	12.59

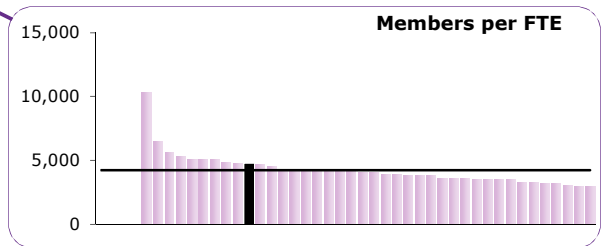


DIRECT COSTS PER MEMBER - Staff and Payroll costs 2014/15

	£'000	£ per member	Avg
Staff - admin	493	7.79	7.83

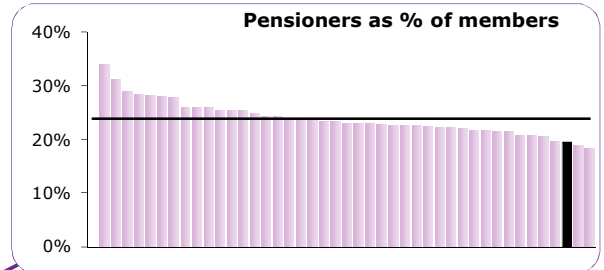
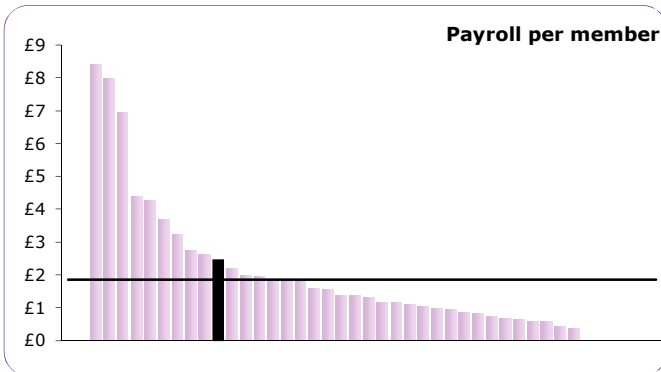


Wiltshire 36.5 Avg 32.4

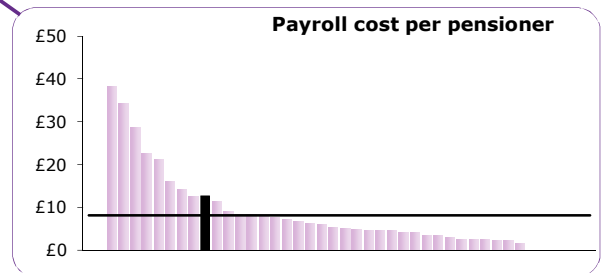


Wiltshire 4,690 Avg 4,230

	£'000	£ per member	Avg
Payroll (combined)	156	2.46	1.85

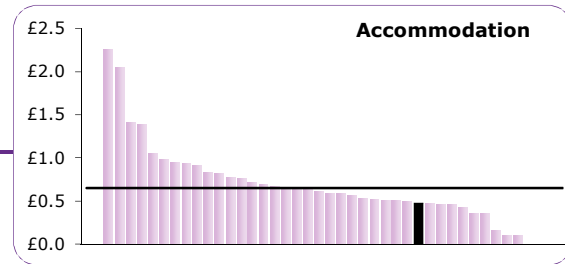
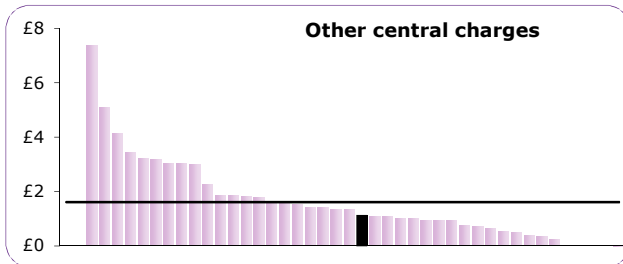
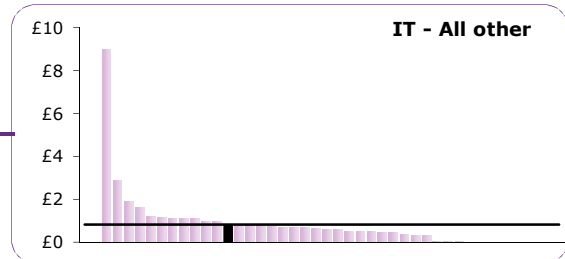
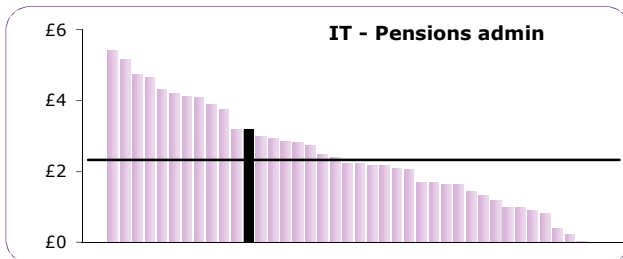
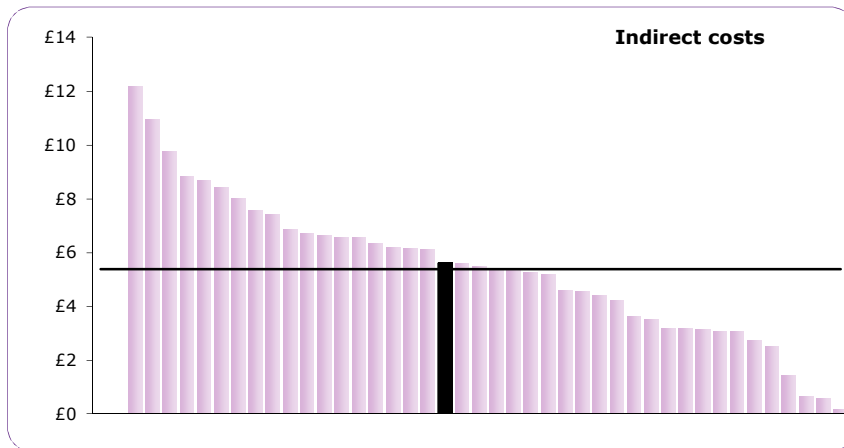


Wiltshire 19% Avg 24%



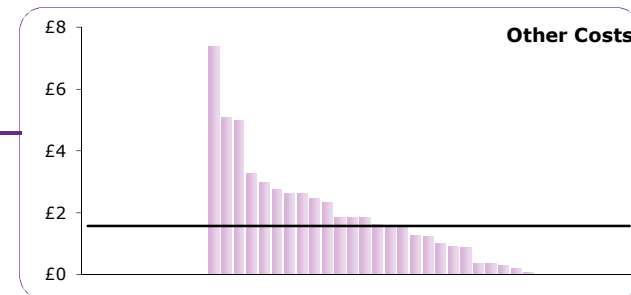
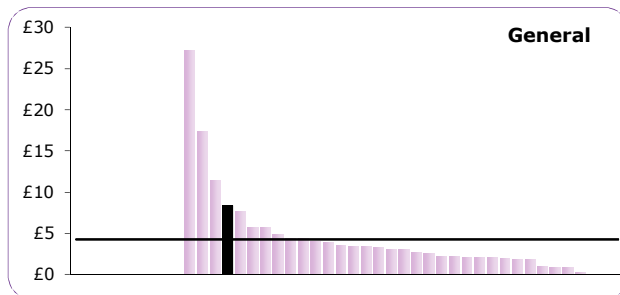
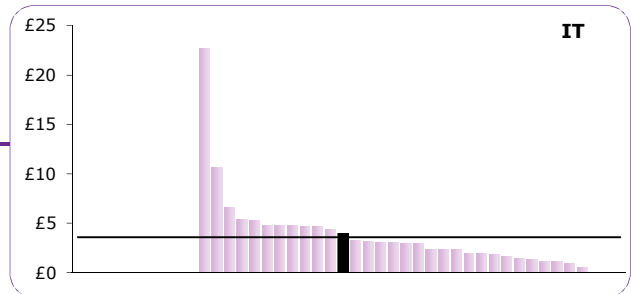
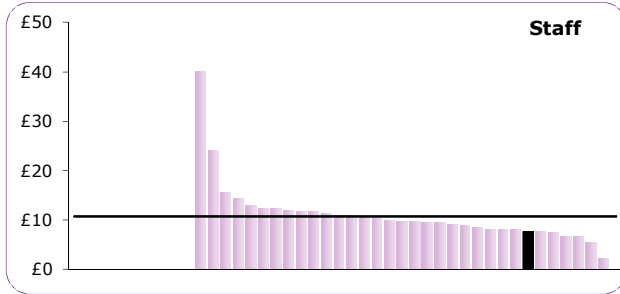
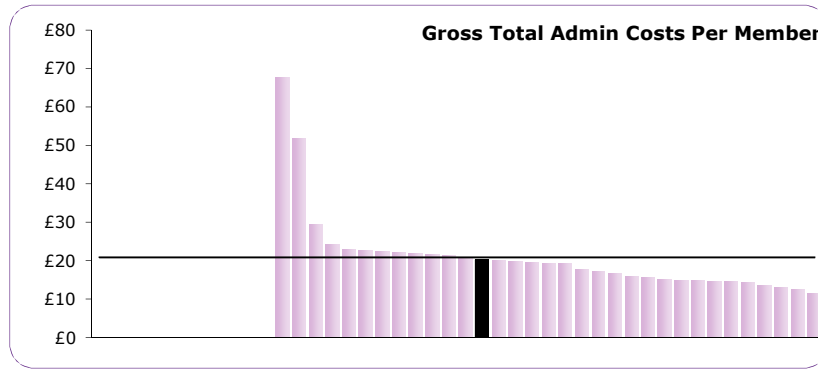
Wiltshire 12.7 Avg 8.2

COSTS PER MEMBER - Indirect costs 2014/15



Indirect costs	£ per member		
	£'000	£ per member	Avg
IT - Pensions admin	201	3.17	2.32
IT - All other	53	0.84	0.81
Accommodation	30	0.47	0.65
Other central charges	72	1.14	1.60
Total	356	5.62	5.38

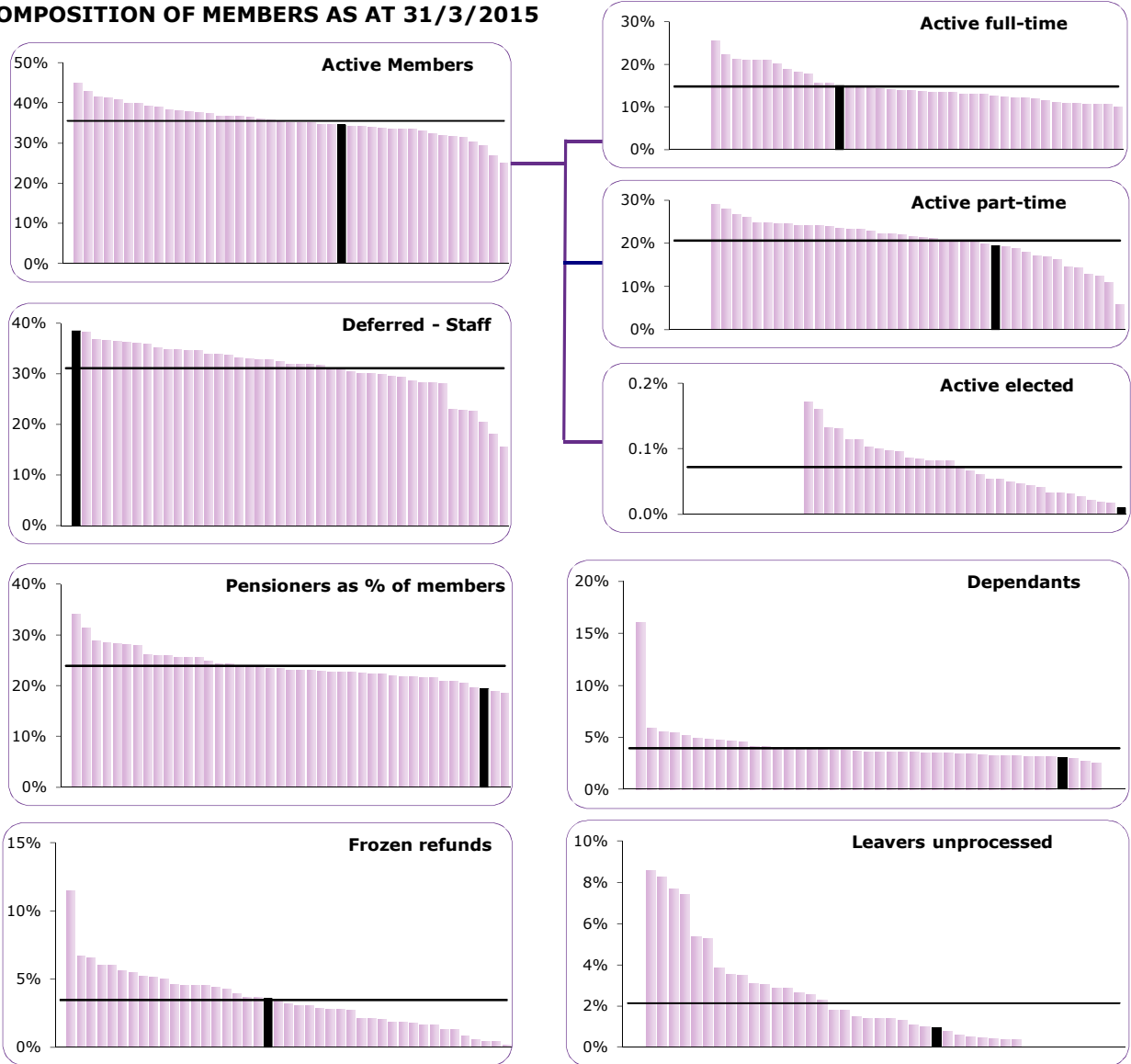
COSTS PER MEMBER - LGPS Administration Expenses Analysis 2014/15



LGPS Administration Expenses		£ per member	Avg
	£'000		
Staff Costs	493	7.79	10.71
IT Costs	254	4.01	3.59
General Costs	528	8.34	4.25
Other Costs	-	-	1.57
Gross LGPS Admin Exp.	1,275	20.14	20.84
Gross LGPS Income	19	0.30	0.44
Net LGPS Admin Exp.	1,256	19.84	23.87

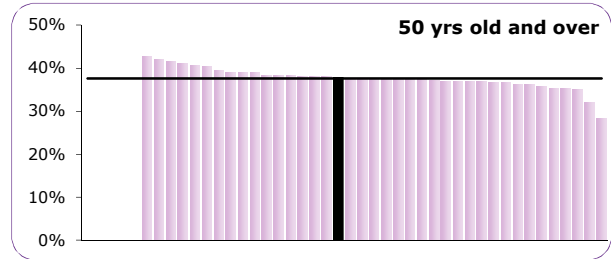
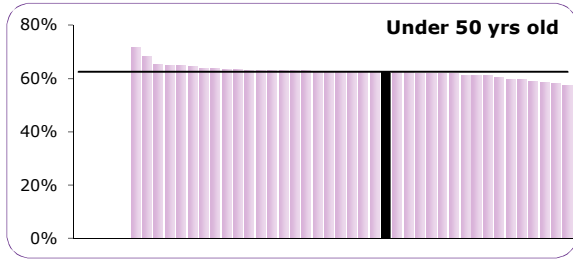
SECTION 3 - WORKLOAD MEASURES

COMPOSITION OF MEMBERS AS AT 31/3/2015



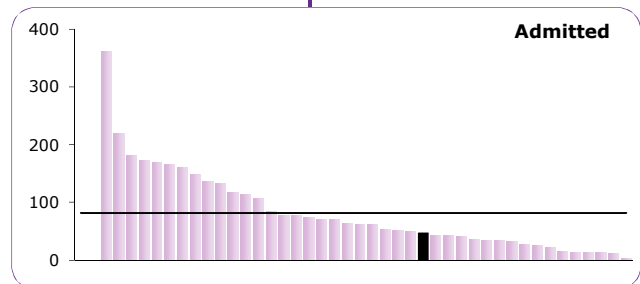
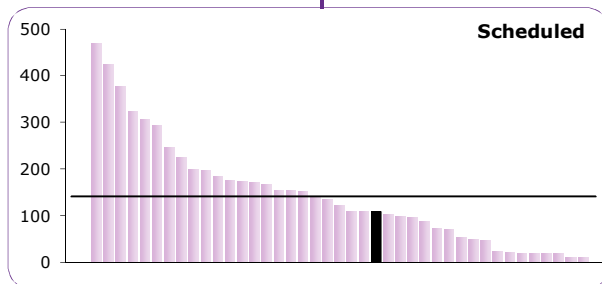
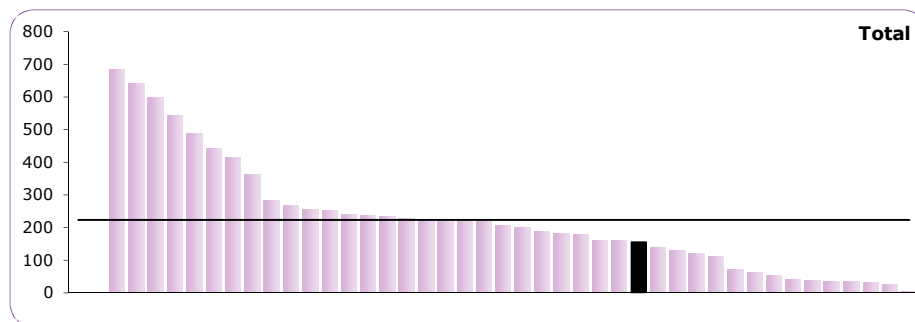
Composition of members				
	No.	%	Avg	Avg %
Active:				
- full-time	9,467	15%	15,569	14.8%
- part-time	12,353	20%	17,862	20.7%
- no. of elected Members	6	0.01%	52	0.07%
- sub-total	21,826	34%	33,067	35.5%
Deferred:				
- Staff	24,413	39%	27,618	31.1%
- Elected Members	4	0.0%	21	0.0%
Pensioners	12,315	19%	22,128	23.9%
Dependants	1,917	3.0%	3,629	3.9%
Frozen refunds	2,253	3.6%	2,848	3.4%
Leavers unprocessed	591	0.9%	1,805	2.1%
Total	63,319		91,115	

COMPOSITION OF MEMBERS AS AT 31/03/2015



Composition of active members			
	No.	%	Avg
Under 50 yrs old	13,568	62%	62%
50 yrs old and over	8,258	38%	38%

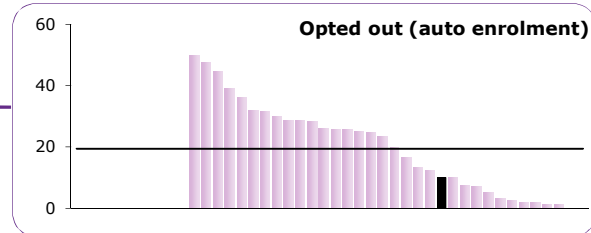
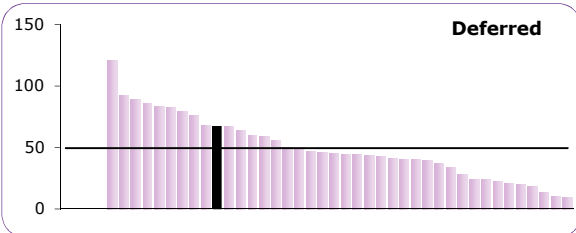
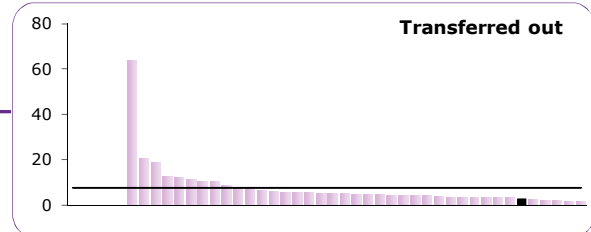
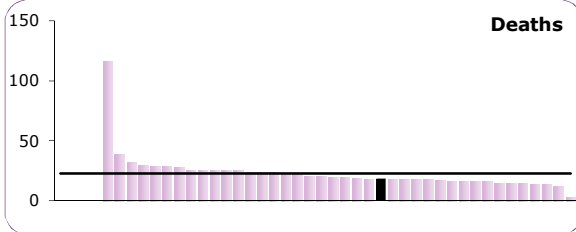
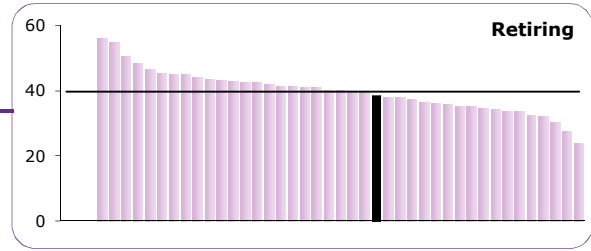
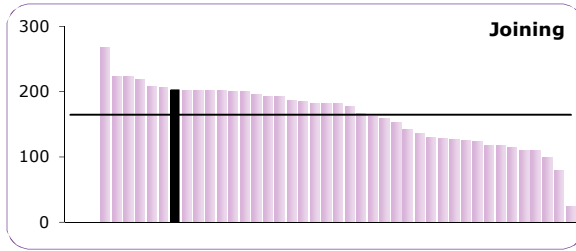
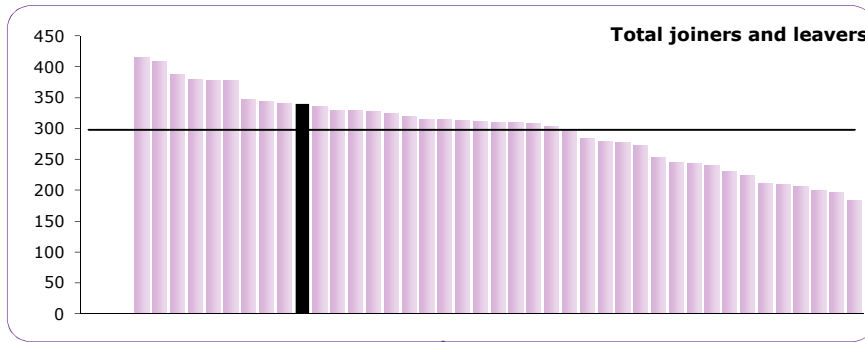
NUMBER OF LGPS EMPLOYERS AS AT 31/03/2015



LGPS employers (31/3/15)						
	No.	Avg	of which:	No.	%	Avg
Scheduled	109	141	Local Authorities	2	2%	9%
Admitted	47	82	Transferee	32	68%	46%
Total	156	223				

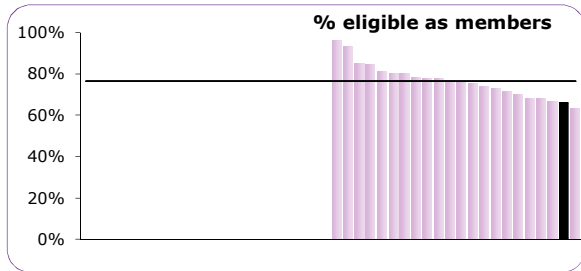
Employer changes 2014/15						
	Applied		Admitted		Leaving	
	No.	Avg	No.	Avg	No.	Avg
Scheduled	9	17	9	20	1	3
Admitted	6	9	6	9	-	4

JOINERS & LEAVERS (per '000 active members)

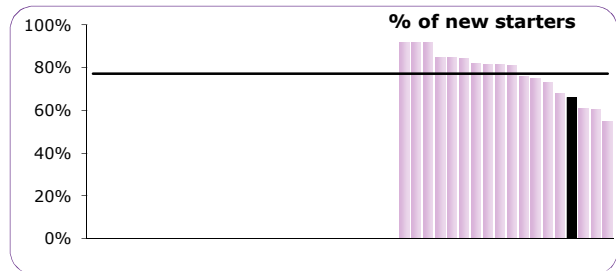


Joiners & leavers (per '000 active members)			
	No.	'000	Avg
Joining	4,423	203	164
Retiring	842	39	40
Deaths	395	18	23
Transferred out	61	3	8
Deferred	1,467	67	50
Opted out	219	10	19
Total	7,407	339	298

LGPS members as % eligible employees

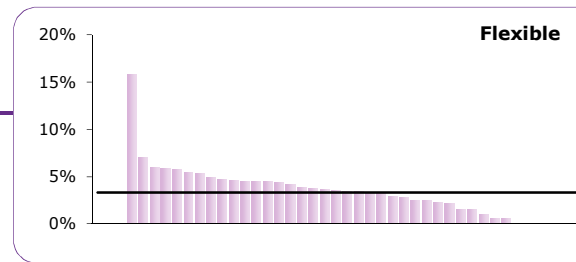
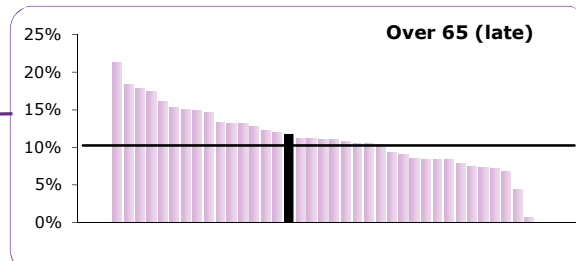
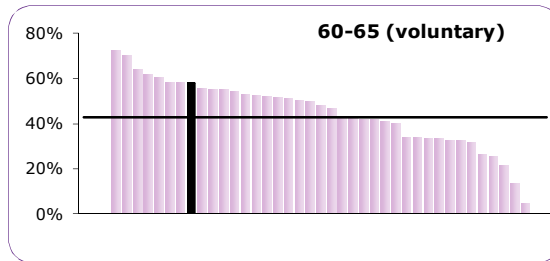
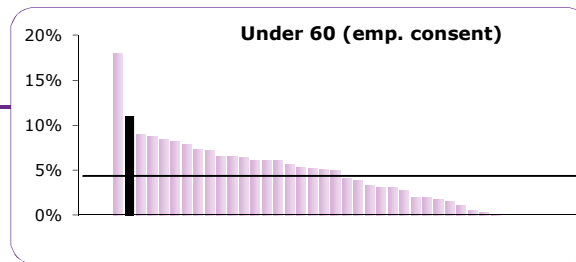
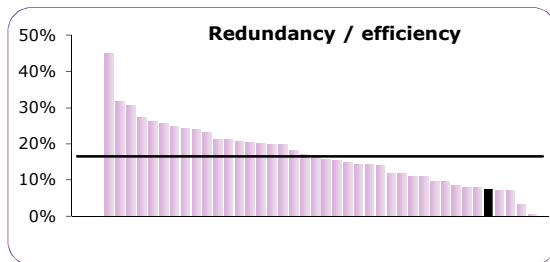
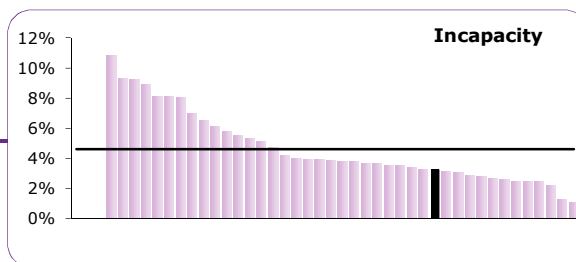
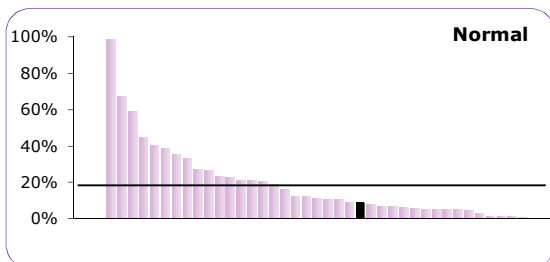
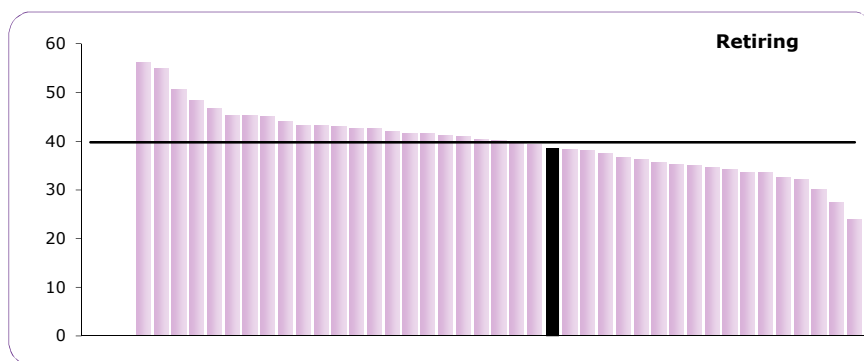


Wiltshire 66% Avg 76%



Wiltshire 66% Avg 77%

RETIRING (per '000 active members)

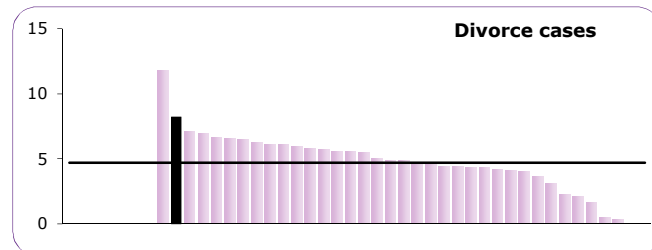
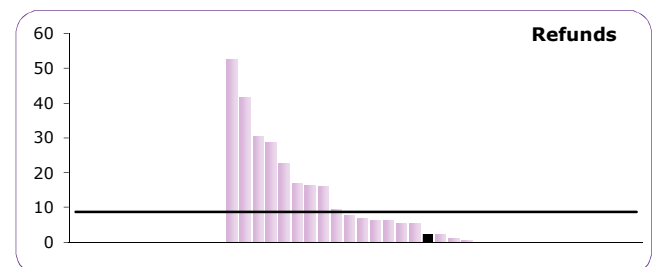
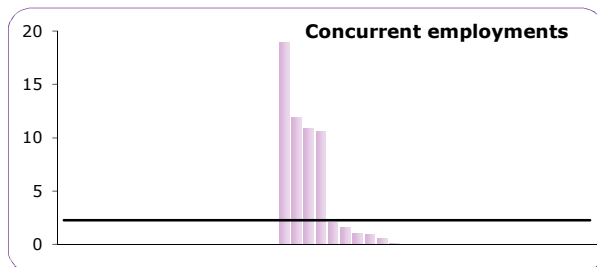
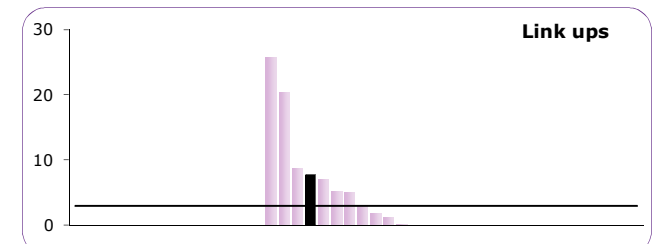
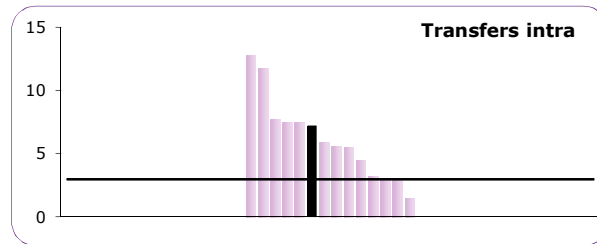
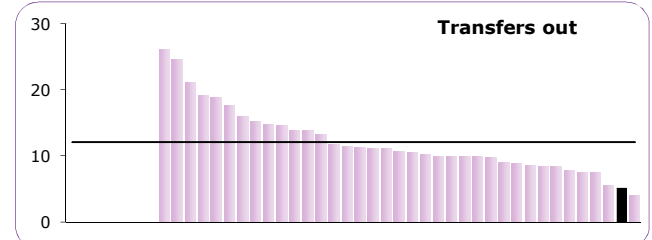
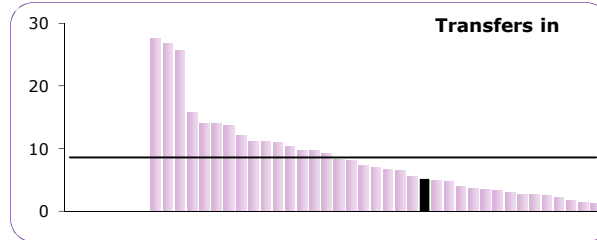
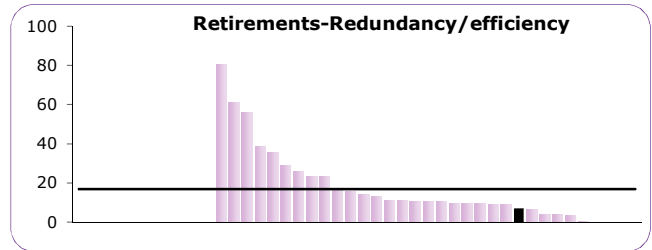


Retirements	No.	%	Avg
Normal	72	9%	18%
Incapacity/ill-health	27	3%	5%
Redundancy/efficiency	62	7%	17%
Under 60 (emp. consent)	92	11%	4.4%
60-65 (voluntary)	487	58%	43%
Over 65 (late)	99	12%	10%
Flexible	-	0.0%	3.3%
Total	839		

Retiring (per '000 active members)			
	No.	'000	Avg
Retiring	839	39	40

Active members	
	21,826

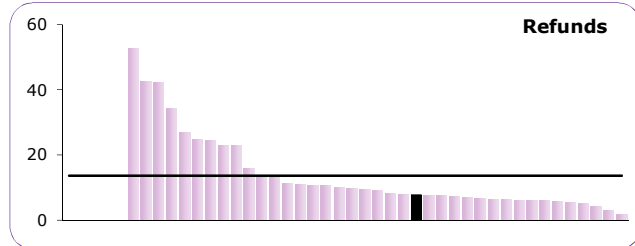
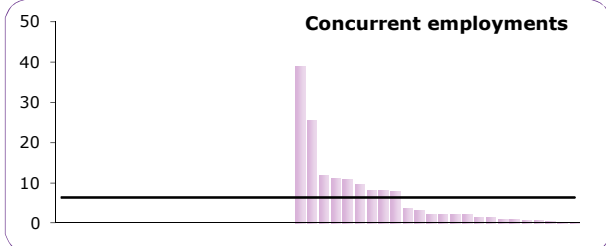
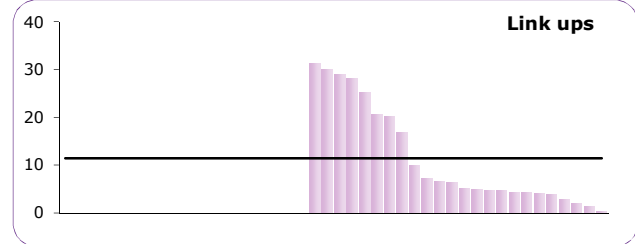
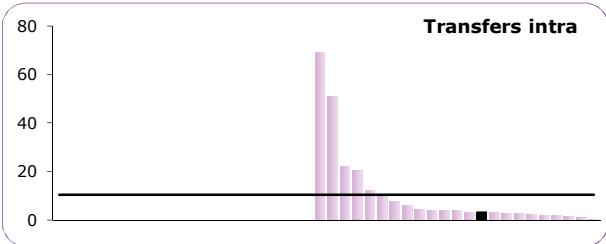
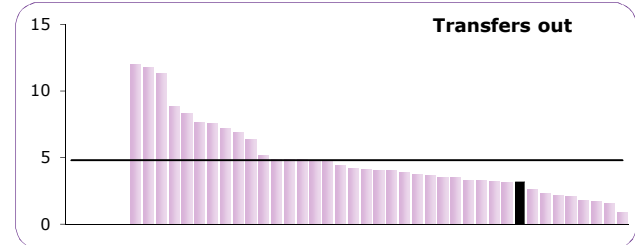
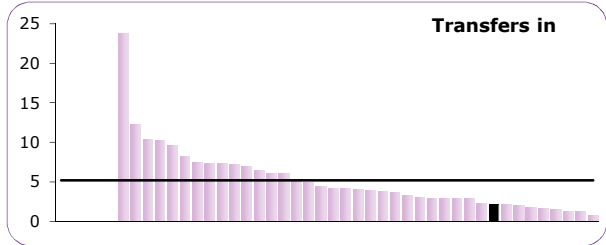
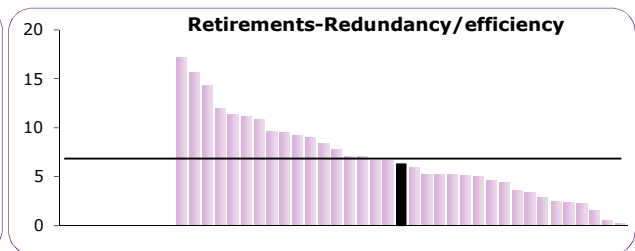
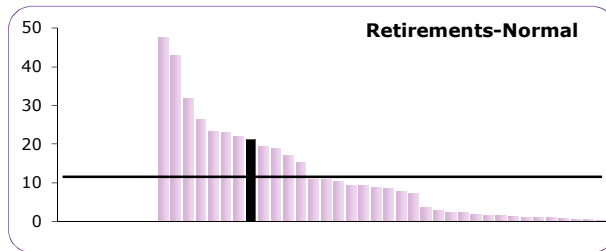
NUMBER OF QUOTATIONS PROVIDED (per '000 active members)



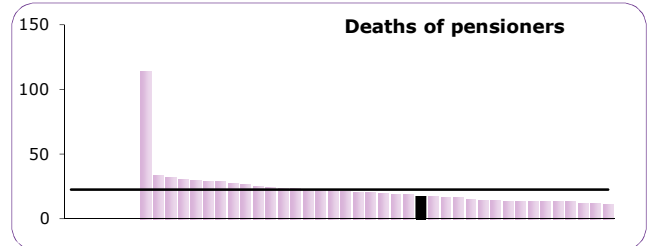
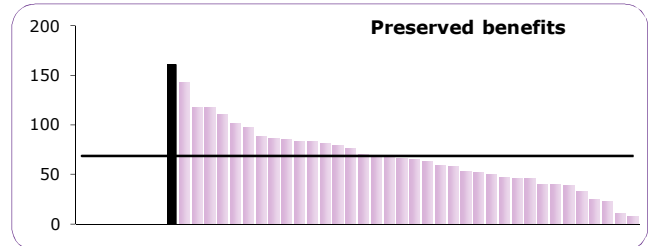
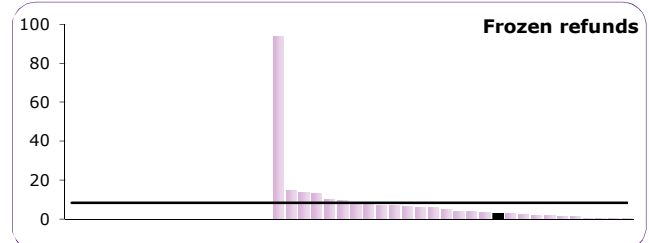
Active members: 21,826					
Quotations provided	No.	'000	Avg		
TUPE -in	-	-	0		
TUPE -out	-	-	0		
Retirements:					
- Normal	529	24	17		
- Incapacity/ill-health	-	-	2		
- Redundancy/efficiency	151	7	17		
- Flexible	-	-	1		
- All other	-	-	22		
Transfers in	110	5	9		
Transfers out	111	5	12		
Transfers intra	157	7	3		
Link ups	169	8	3		
Concurrent employments	-	-	2		
Refunds	45	2	9		
Divorce cases	179	8	5		
Deaths in service	-	-	0		
Deaths of pensioners	-	-	4		

No of bulk transfers	No.	'000	Avg
TUPE -in	-	-	5
TUPE -out	-	-	4

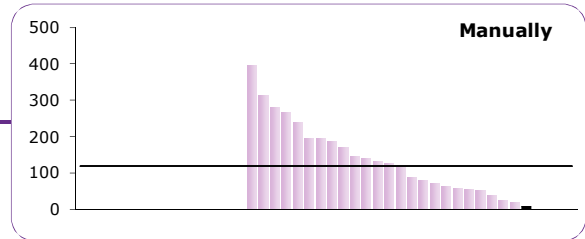
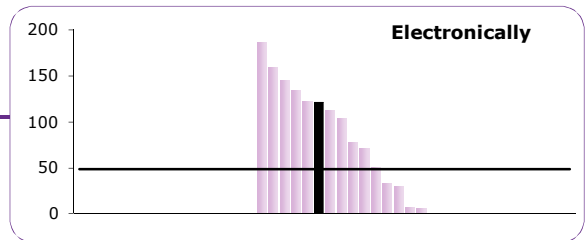
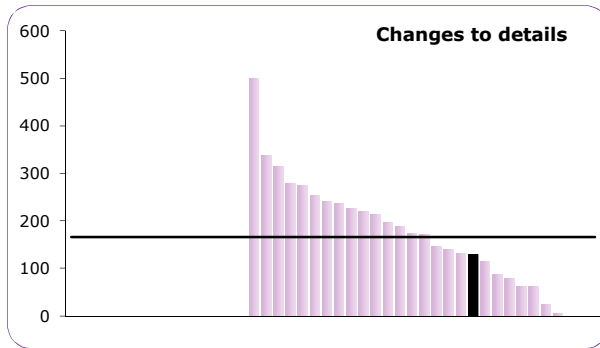
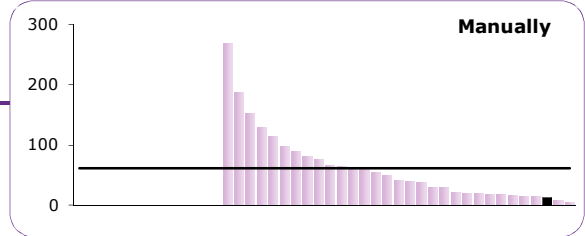
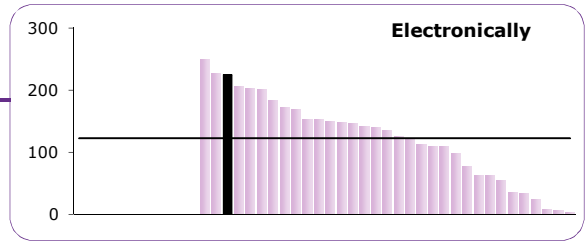
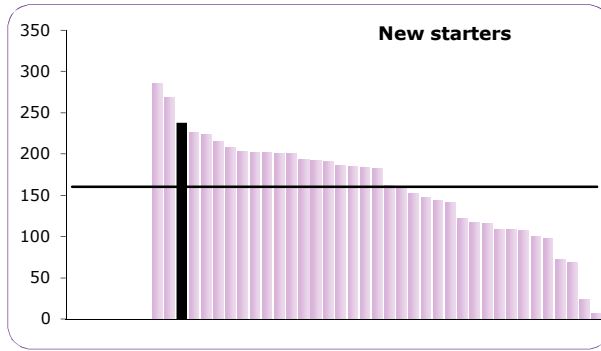
NUMBER OF ACTUAL EVENTS (per '000 active members)



Active members:		21,826		
Actual events	No.	'000	Avg	
TUPE -in	-	na	19	
TUPE -out	-	na	17	
Retirements:				
- Normal	462	21	12	
- Incapacity/ill-health	-	na	2	
- Redundancy/efficiency	138	6	7	
- Flexible	-	na	1	
- All other	-	na	18	
Transfers in	47	2	5	
Transfers out	69	3	5	
Transfers intra	71	3	10	
Link ups	-	na	11	
Concurrent employments	-	na	6	
Refunds	170	8	14	
Frozen refunds	65	3.0	8	
Preserved benefits	3,515	161	69	
Divorce cases	180	8	1	
Deaths in service	15	0.7	1	
Death of pensioners	381	17	23	
Single Status / Job Evaluation	-	na	na	



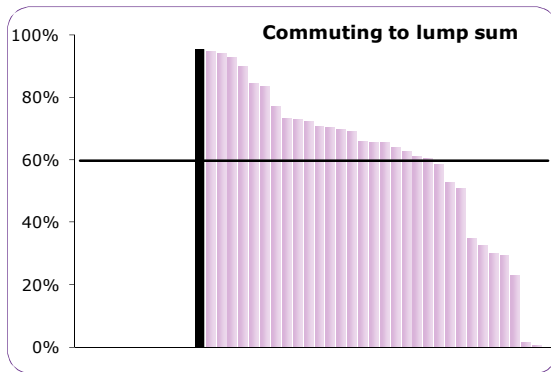
ACTUAL CALCULATIONS (per '000 active members)



RETIREMENTS

Active members
21,826

Retirements commuting to lump sum

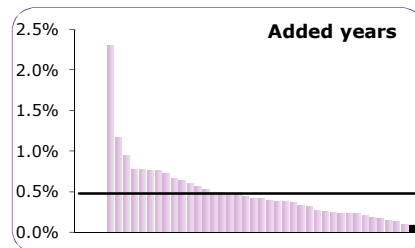
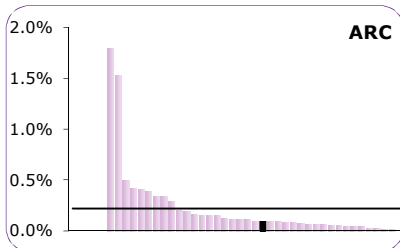
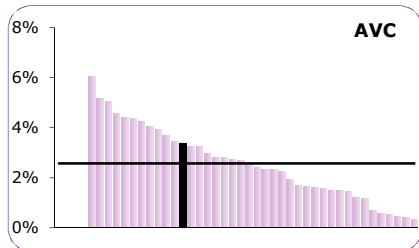


Actual calculations			
	No.	'000	Avg
New starters	5,184	238	160
- electronically	4,904	225	122
- manually	280	13	61
Changes to details	2,837	130	166
- electronically	2,639	121	48
- manually	198	9	119

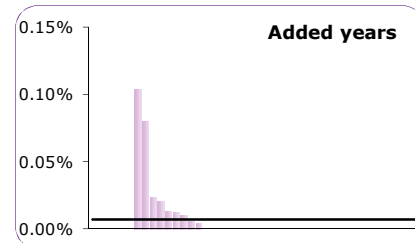
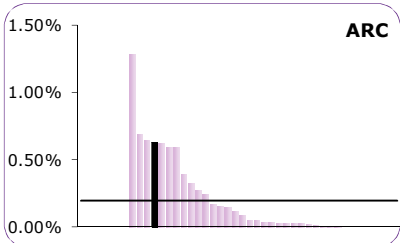
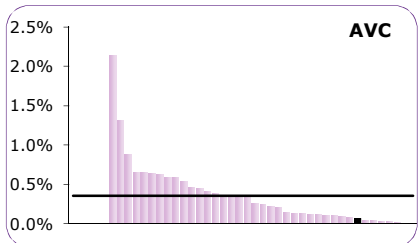
Retirements commuting lump sum		
Number	% total	Avg
801	95%	60%

AVCs, ARCs and Added years

% Currently contributing



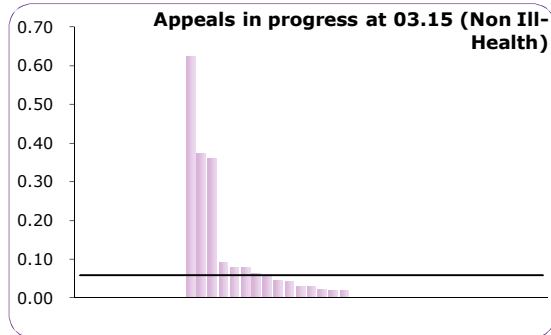
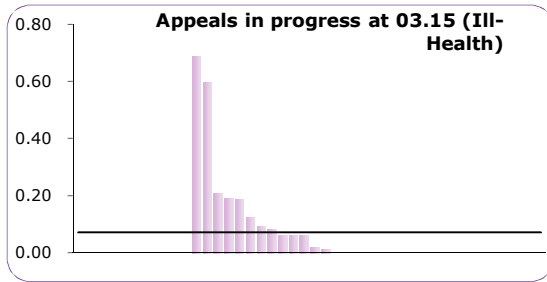
% New contributors this year



Contributors to AVCs and ARCS			
	No.	%	Avg
Currently contributing			
- AVC	737	3.38%	2.57%
- ARC	21	0.10%	0.22%
- Added years	20	0.09%	0.48%
Total	778	3.56%	2.97%
New contributors this year			
- AVC	15	0.07%	0.36%
- ARC	138	0.63%	0.20%
- Added years	-	0.00%	0.01%
Total	153	0.70%	0.49%

Active members
21,826

APPEALS

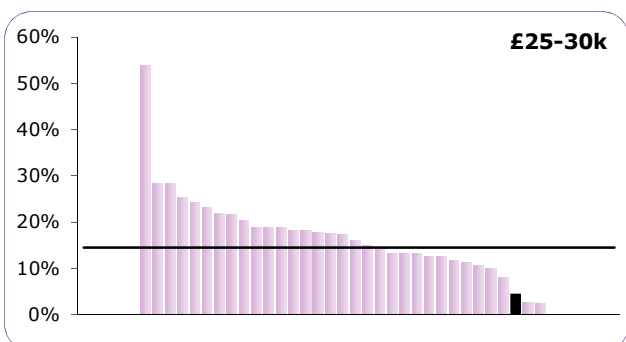
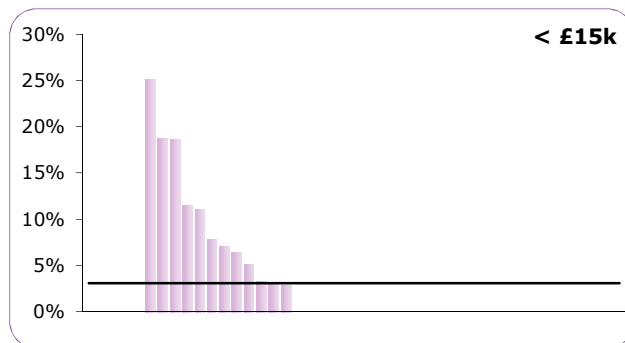
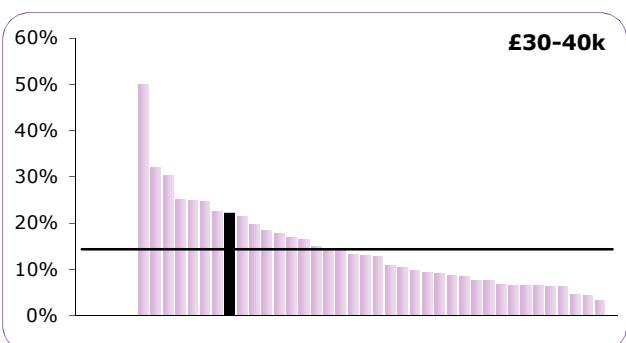
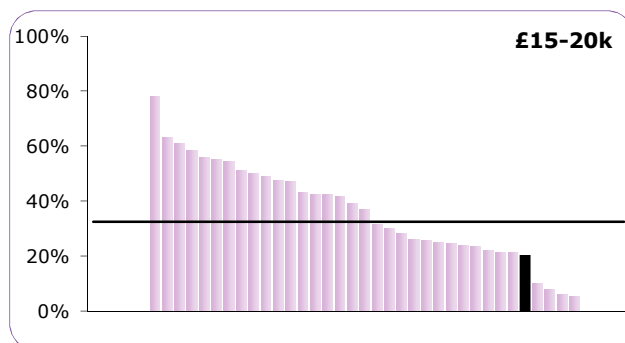
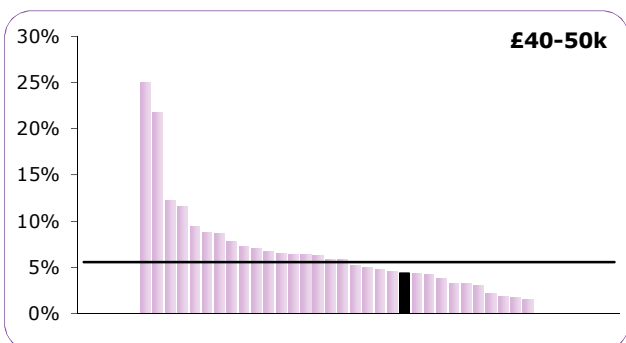
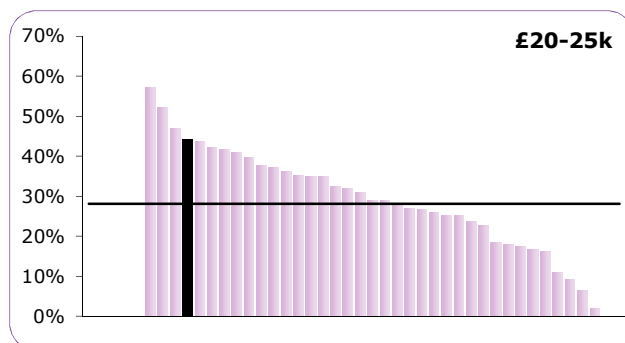
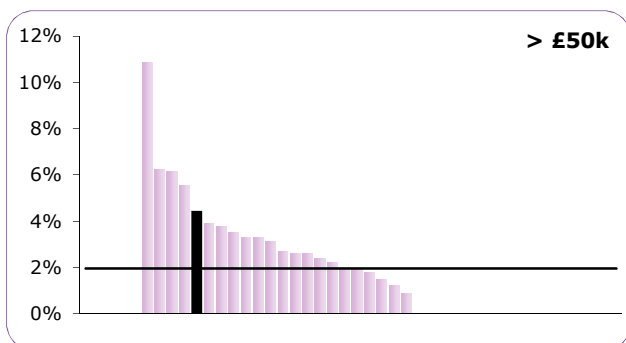


*Club total: This shows the total for all the Benchmarking Club members 2015

Number of appeals	No.	Per '000 members	Avg	Club* total
Ill-Health				
In progress at start of year	0	0.00	0.04	22
In progress at end of year	0	0.00	0.07	30
Non Ill-Health				
In progress at start of year	1	0.05	0.03	29
In progress at end of year	0	0.00	0.06	37
1st Stage				
Appeals in Progress - 03.14	1	0.05	0.04	25
New Appeals in Year	2	0.09	0.12	104
Appeals Withdrawn	0	0.00	0.00	3
Appeals Upheld	3	0.14	0.04	26
Appeals Not Upheld	0	0.00	0.06	68
Appeals in Progress - 03.15	0	0.00	0.05	33
2nd Stage				
Appeals in Progress - 03.14	0	0.00	0.01	14
New Appeals in Year	0	0.00	0.00	30
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.01	8
Appeals Not Upheld	0	0.00	0.02	34
Appeals in Progress - 03.15	0	0.00	0.01	(1)
Ombudsman Referrals				
Appeals in Progress - 03.14	0	0.00	0.01	8
New Appeals in Year	0	0.00	0.01	10
Appeals Withdrawn	0	0.00	0.00	-
Appeals Upheld	0	0.00	0.00	1
Appeals Not Upheld	0	0.00	0.01	10
Appeals in Progress - 03.15	0	0.00	0.00	6

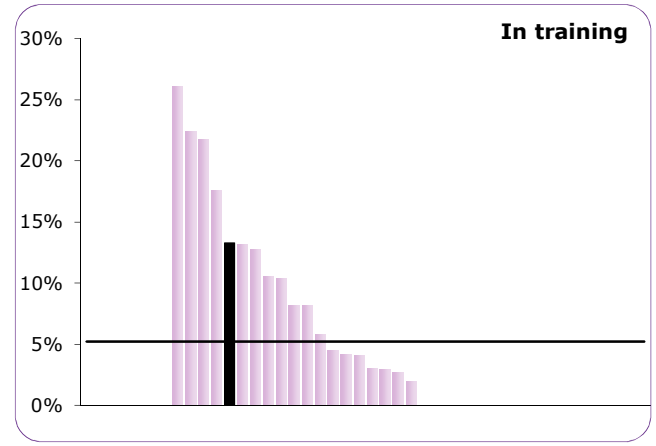
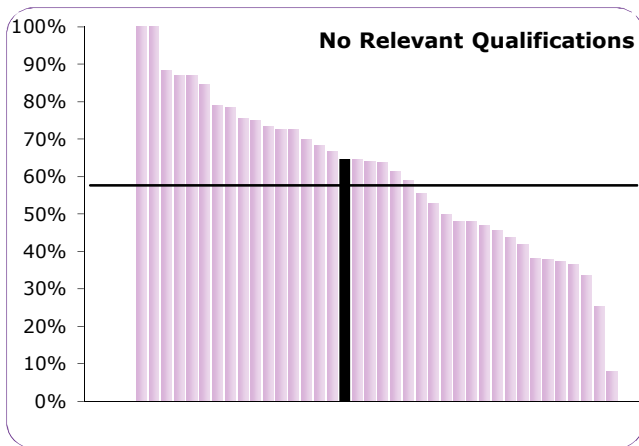
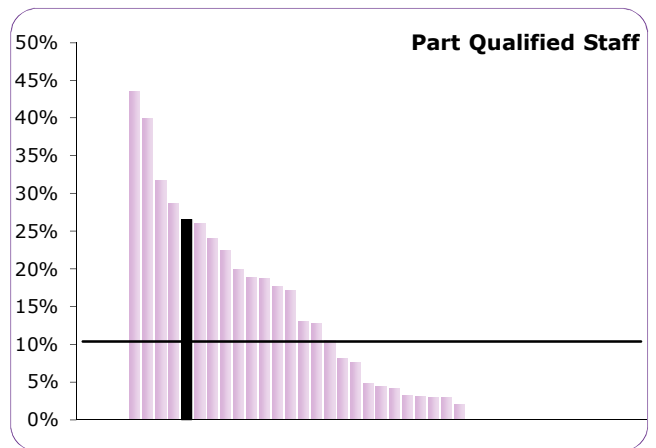
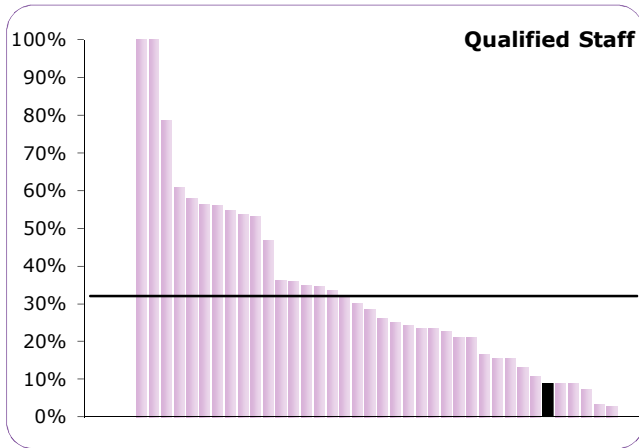
SECTION 4 - STAFF RELATED MEASURES

STAFF PAY



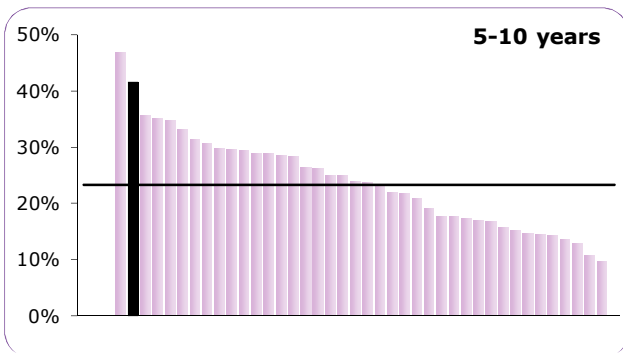
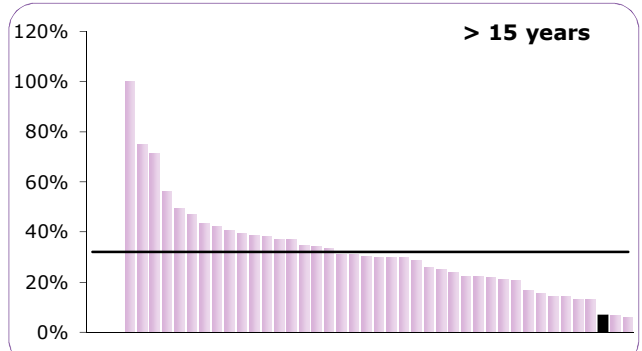
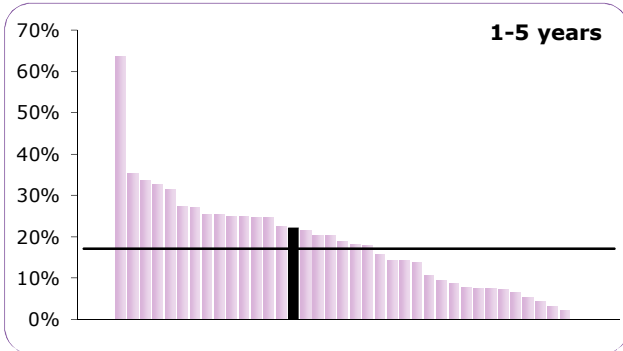
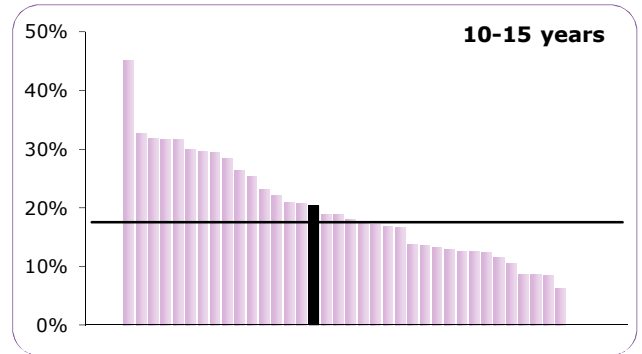
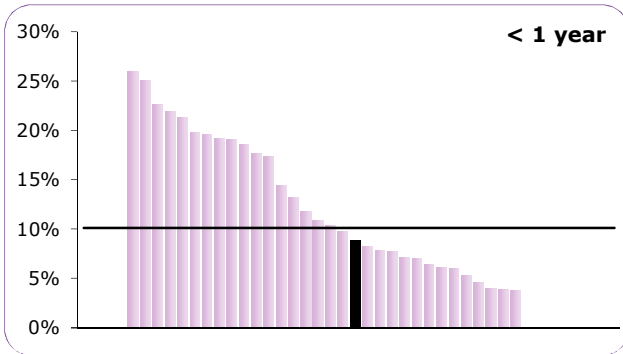
Staff pay			
	FTE	%	Avg
> £50k	1.0	4%	2%
£40-50k	1.0	4%	6%
£30-40k	5.0	22%	14%
£25-30k	1.0	4%	14%
£20-25k	10.0	44%	28%
£15-20k	4.6	20%	33%
< £15k	0.0	0%	3%
Total	22.6		

STAFF QUALIFICATIONS



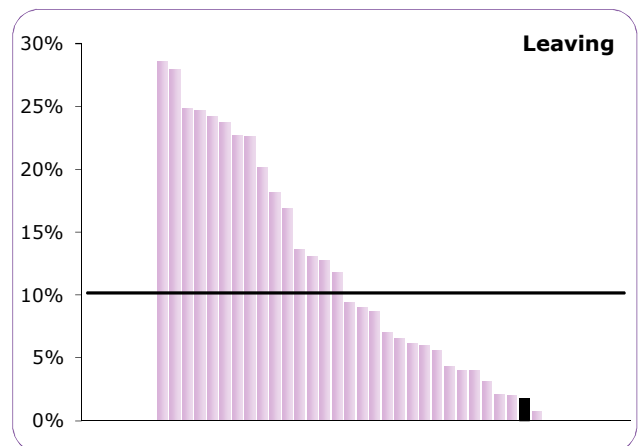
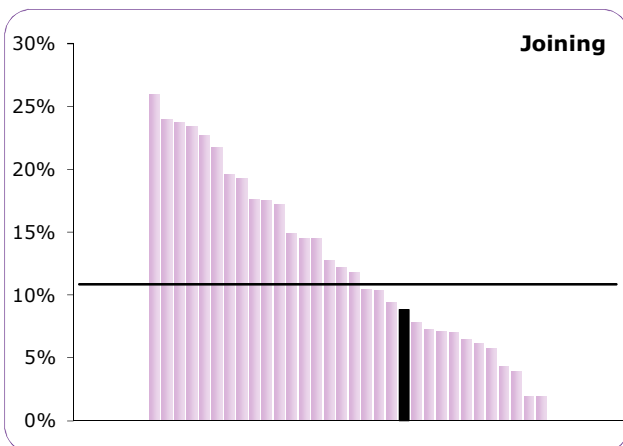
Staff qualifications			
	FTE	%	Avg
Qualified Staff	2.0	9%	32%
Part Qualified Staff	6.0	27%	10%
No Relevant Qualifications	14.6	65%	58%
Total	22.6		
Number in Training	3.0	13%	5%

STAFF PENSIONS EXPERIENCE



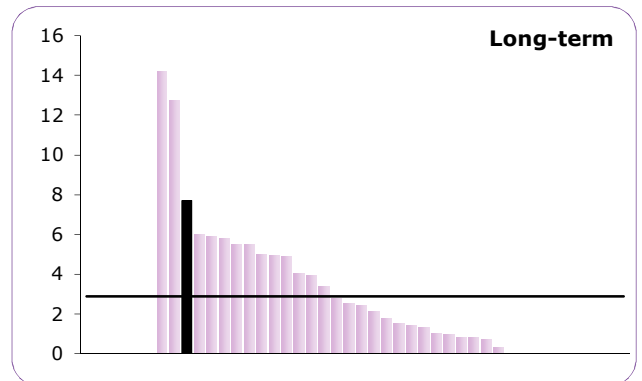
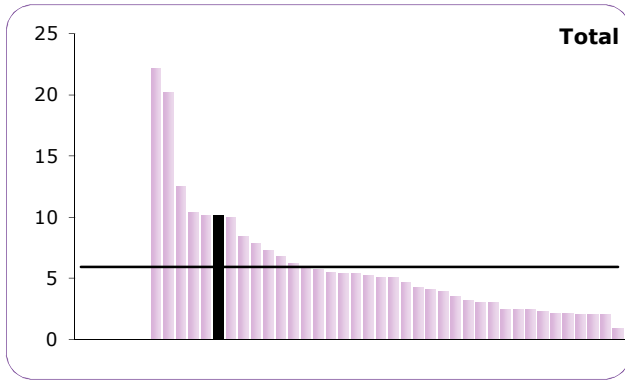
Staff experience			
	FTE	%	Avg
< 1 year	2.0	9%	10%
1-5 years	5.0	22%	17%
5-10 years	9.4	42%	23%
10-15 years	4.6	20%	18%
> 15 years	1.6	7%	32%
Total	22.6		

STAFF TURNOVER



Staff Turnover	FTE	% change	Avg
Staff at 1/4/2013	21.0		
+ Staff joining Pension section	2.0	8.8%	10.8%
- Staff leaving Pension section	0.4	1.8%	10.2%
Staff at 31/3/2014	22.6	7.6%	0.9%

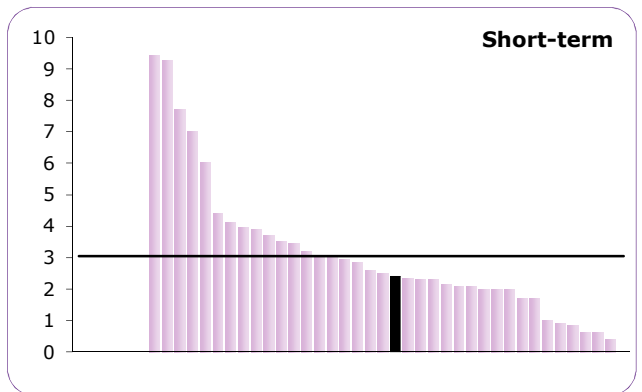
SICKNESS ABSENCE



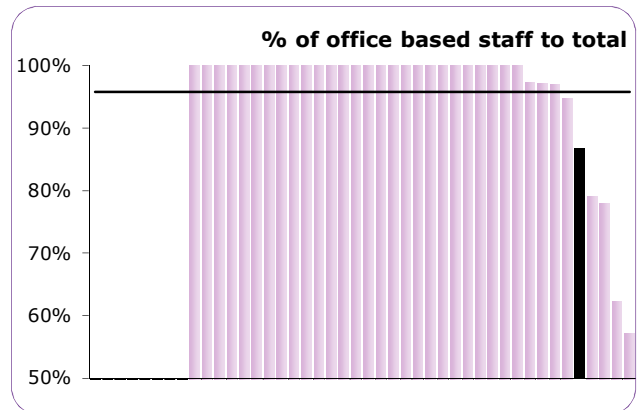
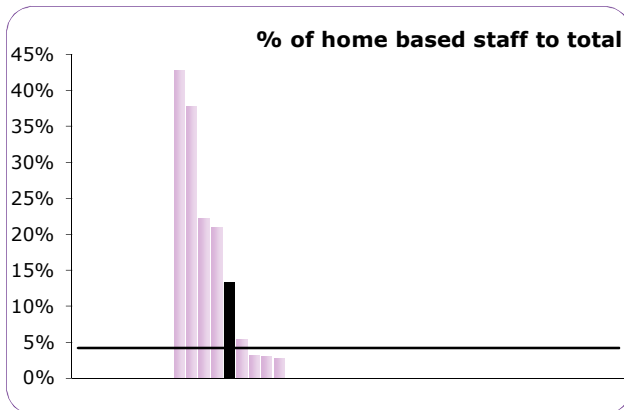
Sickness absence	Days/FTE	Avg
Long-term sickness	7.7	2.9
Short-term sickness	2.4	3.1
Total	10.1	5.9

Long-term sick (periods of sickness over 20 working days)

Short-term sick (periods of sickness of 20 days or less)



STAFF LOCATION

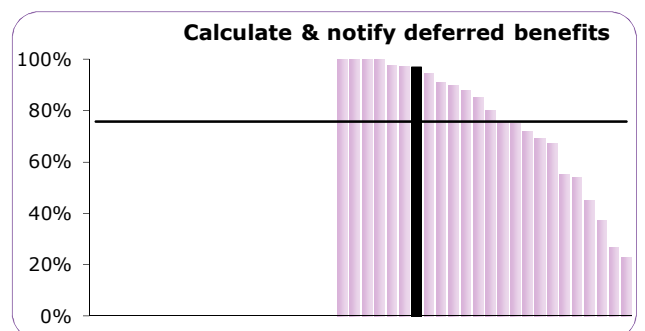
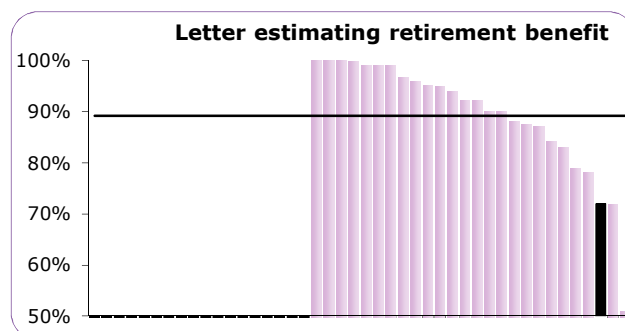
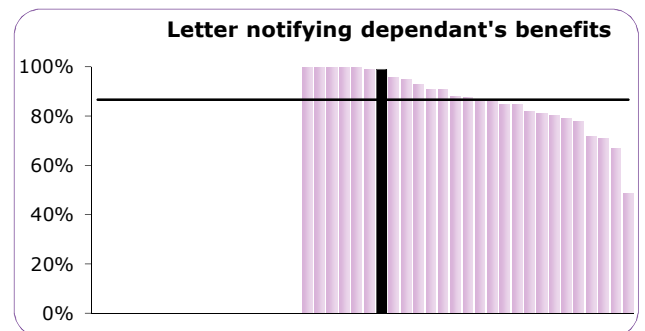
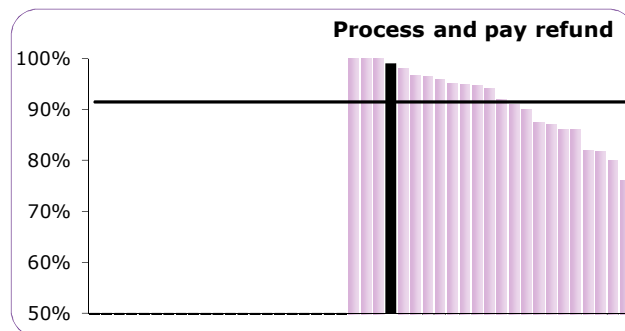
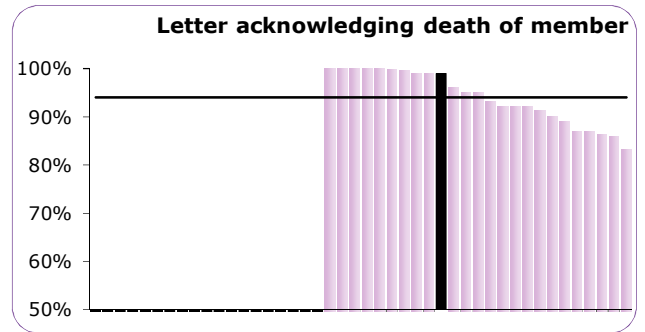
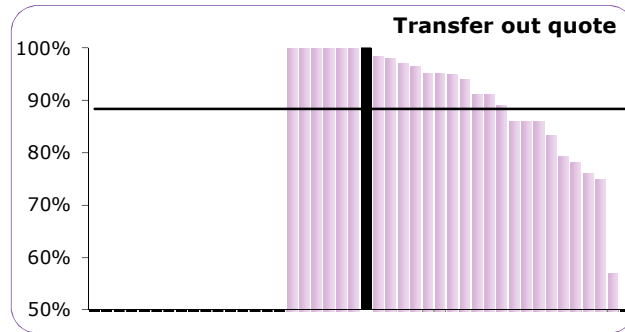
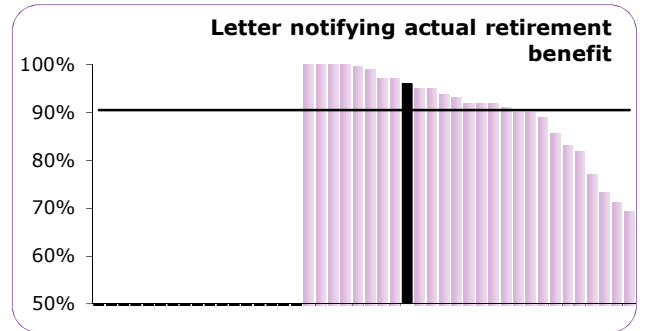
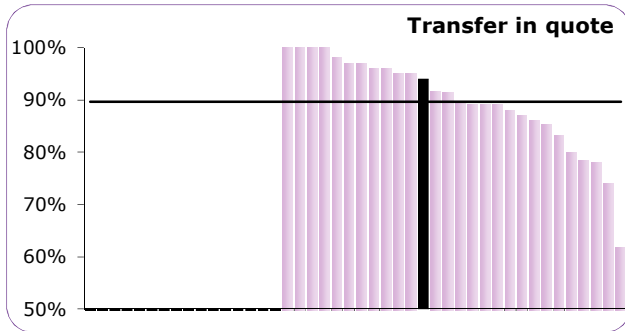


Staff location	FTE	Avg	% to total FTE	Avg
Home based	3.0	0.9	13%	4%
Office based	19.6	32.5	87%	96%
Total	22.6			

Office Based: Staff members who spend >50% of their contracted time working in the office

Home Based: Staff members who spend 50% of their contracted time working from home.

SECTION 5 - INDUSTRY STANDARD PI's



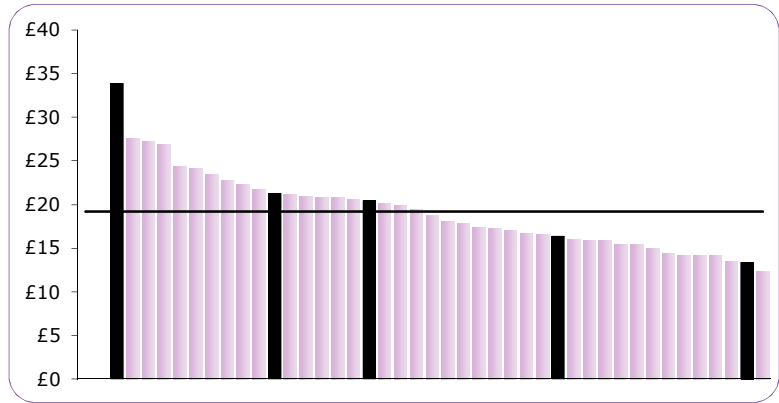
Industry Standard PI's	Target	Achieved	Avg
Letter detailing transfer in quote	10 days	94.0%	89.6%
Letter detailing transfer out quote	10 days	100.0%	88.3%
Process and pay refund	5 days	99.0%	91.5%
Letter notifying estimate of retirement benefit	10 days	72.0%	89.2%
Letter notifying actual retirement benefit	5 days	96.0%	90.5%
Process and pay lump sum retirement grant	5 days	98.0%	92.2%
Letter acknowledging death of member	5 days	99.0%	94.1%
Letter notifying amount of dependant's benefits	5 days	99.0%	86.7%
Calculate and notify deferred benefits	10 days	97.0%	75.8%

SECTION 6 - COMPARISON BY METHOD OF SERVICE DELIVERY

COMPARISON OF OUTSOURCED/IN-HOUSE MEMBERS

Total members with data:	45
Outsourced members:	5

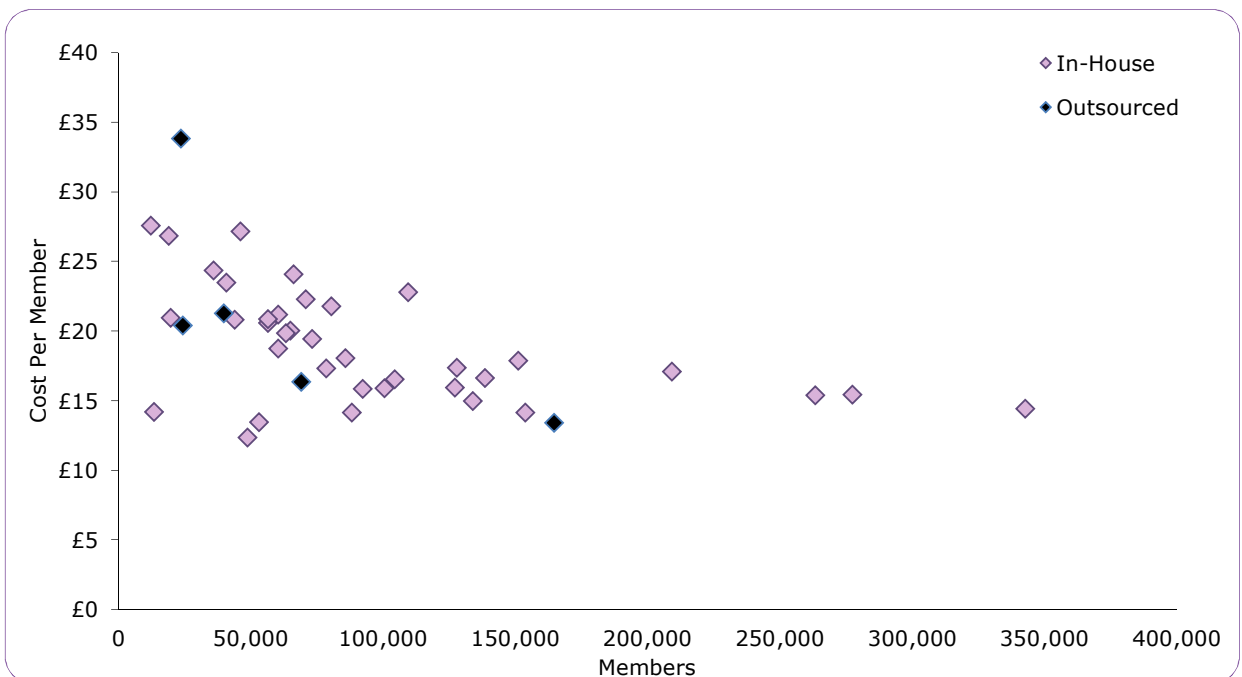
LGPS ADMIN COST PER MEMBER (INCLUDING PAYROLL)



Black bars show outsourced members

	Cost	Members	Cost per Member
Wiltshire	£1,256	63,319	£19.84
Club average	£1,592	91,074	£19.17
Outsourced average	£1,098	64,384	£21.06
In-house average	£1,657	94,586	£18.91

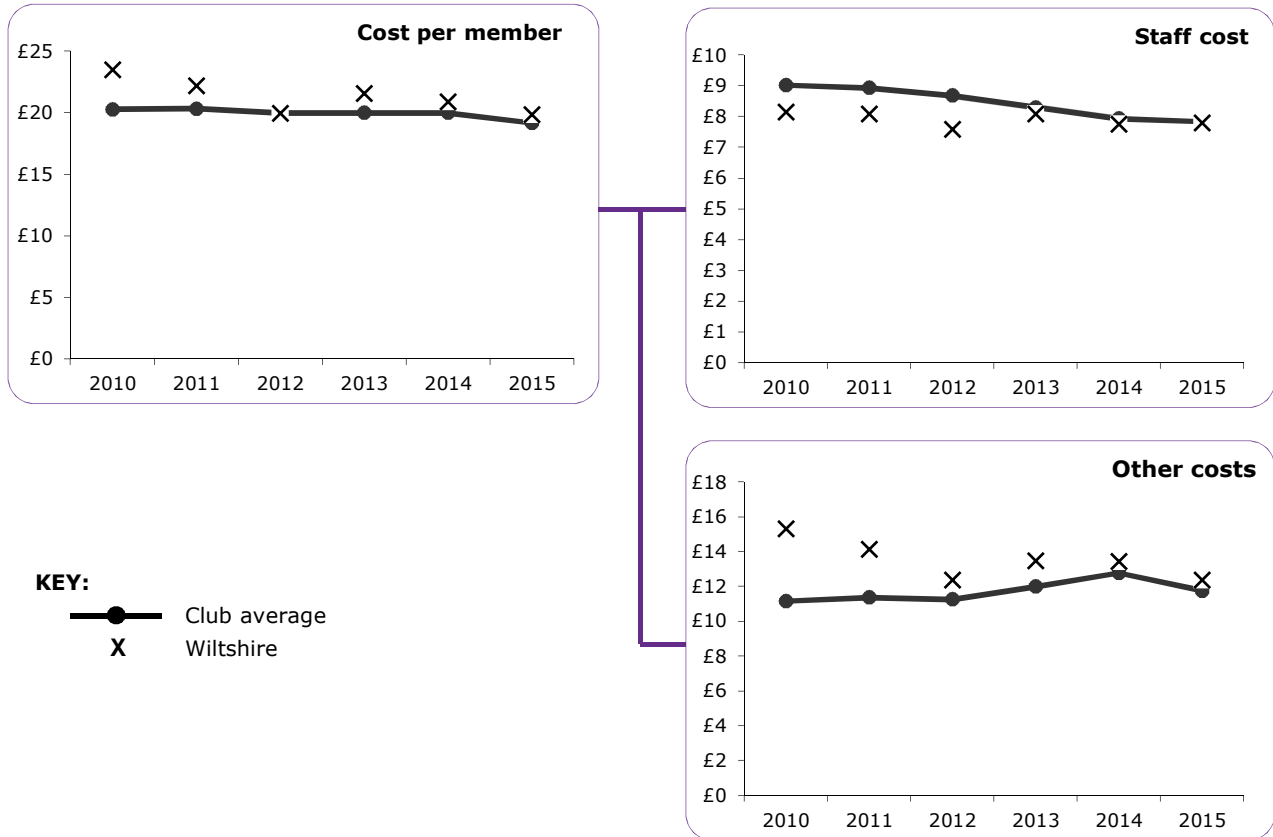
COST PER MEMBER COMPARED WITH NUMBER OF MEMBERS



SECTION 7 - TIMESERIES

The 2014 averages are the actual club averages.

For previous years, the averages shown here are scaled up or down from the 2014 figure based on the average rate of change in each year. This is calculated using data from members who supplied figures in consecutive years, otherwise the simple average in each year would be distorted by changes in the composition of the club from year to year.



Time series analysis						
	2010	2011	2012	2013	2014	2015
Members	49,597	51,751	54,122	56,585	60,212	63,319
Net cost (£'000)	1,164k	1,149k	1,079k	1,219k	1,256k	1,256k
Cost per member	£23.47	£22.20	£19.94	£21.54	£20.86	£19.84
Average	£20.26	£20.33	£19.96	£19.97	£19.98	£19.17
Staff cost	£8.15	£8.08	£7.58	£8.08	£7.74	£7.79
Average	£9.02	£8.94	£8.68	£8.30	£7.93	£7.83
Other costs	£15.32	£14.12	£12.36	£13.47	£13.42	£12.35
Average	£11.14	£11.36	£11.25	£11.98	£12.76	£11.75

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www.cipfa.org/services/benchmarking

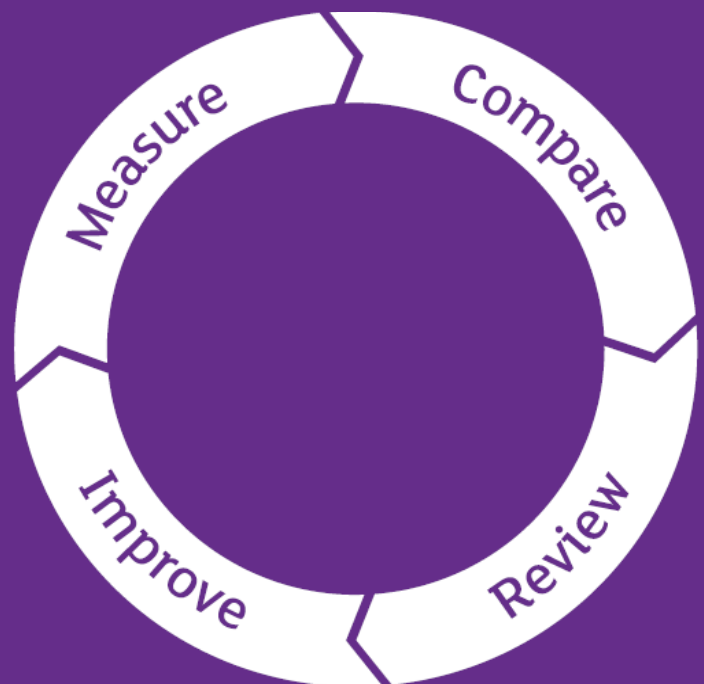
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WILTSHIRE COUNCIL

WILTSHIRE PENSION COMMITTEE

10 December 2015

Update on Wiltshire Pension Fund Business Plan 2015-18

Purpose of the Report

1. The purpose of this report is to provide an update on the actions completed to date from the Wiltshire Pension Fund Business Plan 2015-18.

Background

2. The Wiltshire Pension Fund Business plan was presented to this Committee at its meeting on 25 June 2015. The detailed plan can be found at the following link [Business Plan 2015-18](#) .
3. It was requested that an annual update is provided on the implementation of the Plan to this Committee.

Considerations for the Committee

4. From the agreed plan outlined in the report, the following actions have already been completed that were planned for 2015.
 - 1 Refresh of key policy document including Statement of Investment Principles, Communication Strategy, Administration Strategy, Administration Authority discretions.
 - 2 Establish & agree work plan for Local Pension Board.
 - 3 Schedule Pension Clinics
 - 5 Refresh Members Training Plan
 - 6 Gather external customer feedback
 - 7 Consider the Governments response on the future of the LGPS
 - 8 Procurement of Investment mandates following Investment Review – Not Applicable
 - 13 Review of Pension Fund Website: The website is constantly being updated and reviewed. A wholesale review of all areas is planned during 2016.
 - 15 Review / Retender Custody Contract
 - 19 Consider implementation of “flight path” liability
5. The following actions are still work in progress:
 - 4 **Review contract of Independent Governance Advisor:** This was originally planned for July 2015 however was put on hold due to the resources needed to set up and

implement the new Local Pension Board governance structure. It is anticipated that this will now be completed quarter 1 2016.

9 Undertake overseas members existence exercise: This was originally planned for September 2015. Work has progressed on this project and the Fund have negotiated savings by working with colleagues in the South West. It is now planned to undertake this exercise quarter 1 2016.

10 Run Annual Employer Meetings: This was planned to be in place from September 2015 onwards. Research has been undertaken in terms of agenda items and the Fund expects to have this meeting arranged in March 2016.

11 Implementation of regular covenants & risk reviews of employer bodies: This was originally planned for September 2015 onwards. This is currently being looked at with the Actuary as part of the Triennial Valuation preparation and a process being agreed to undertake this.

12 Set up a formal process for monitoring the performance of the Fund's advisors: This was originally planned for October 2015. Officers will look to move this forward as soon as possible in the New Year.

14 Implement Bi-annual Performance Reporting: The development of performance measurements has been delayed by the departure of key staff. The Fund Development Manager who has recently been appointed will move this work forward to implement in 2016.

Environmental Impact of the Proposal

6. Not applicable.

Financial Considerations & Risk Assessment

7. The financial implications of the Business plan have either been or will be brought forward to the Committee in the usual way when the Fund Administration Budget is agreed. The risk of each development will be reviewed and added to the Risk Register where appropriate elsewhere on this agenda.

Legal Implications

8. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Reasons for Proposals

10. To provide an update of the implementation of the Wiltshire Pension Fund Business Plan.

Proposals

11. The Committee is asked to note the updated position of the actions completed from the Business Plan to date.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 December 2015

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 the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. For clearer identification of the types of risks, they have now been categorised into the following strategic headings of 'Regulatory & Governance', 'Funding & Investments', 'Benefits Administration' and 'Communications'.
5. An additional three new risks are reported since the last report in September 2015, reflecting the latest developments facing the Local Government Pension Scheme. These are outlined below.
6. **PEN020: LGPS Asset Pooling** (medium risk) reflects the Government's proposals and current consultation for the pooling of assets to achieve savings from economies of scale along with stronger governance arrangements for the management of assets. The main risk is the Fund has sufficient resources to move this forward with doesn't detrimentally impact on the service. The Fund also needs to ensure that its proactive in the development of any proposals for collective management of assets to ensure its not impacted detrimentally.
7. **PEN21: Implementation of the Public Sector Exit Cap** (low risk) will require an additional administrative burden on Funds along with a clear communication strategy for its stakeholders as the proposed implementation period is very short.
8. **PEN022: Guaranteed Minimum Pension (GMP) Reconciliations** (medium risk) could, if not undertaken mean the Fund is burdened with liabilities that are not its responsibilities. With the end of contracting out from April 2016, HMRC will no longer provide details of members GMP records. Therefore, Funds need to ensure the data held is as accurate as possible. The Fund has already implemented a project to start this process and appointed two data analysts to provide additional resources.
9. The other medium risks reported in September remain, namely **PEN008 Failure to comply with LGPS and other regulation** reflecting the increased obligations now

imposed on the Fund from the Pension Regulator (tPR) since it took on responsibility for public sector pension schemes from 1 April 2015 and ***PEN011 Lack of expertise of Pension Fund Officers*** and ***PEN012 Over-reliance on key officers*** which remains at medium as the Fund is still trying to recruit to the post of Employer Relationship Manager.

Financial Implications

10. There are no known implications from the proposals.

Legal Implications

11. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no known implications at this time.

Proposals

14. The Committee is asked to note the attached Risk Register and measures being taken to mitigate risks.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Pension Fund Risk Register							30-Nov-15							Current Risk Rating			Target Risk Rating		
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of 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.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance.	2	2	4	Low	Regular review of ALTAIR calculations are more thoroughly tested, especially to ensure regulations changes are correctly processed. Audit recommendation (Mar 15) is for clearer documentation of processes and reconciliations, along with closer monitoring of performance.	David Anthony	Mar-16	2	2	4	Low	30 Nov 15	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	Business Continuity Plan being reviewed during Dec 2015. All the team now have laptops that would mean they can access ALTAIR remotely if required and all paperwork is scanned.	David Anthony	Jan-16	4	1	4	Low	30 Nov 15	→
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc, are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	30 Nov 15	→
PEN014	Failure to provide the service in accordance with sound equality principles	Benefits Administration	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	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	David Anthony		2	1	2	Low	30 Nov 15	→
PEN021	Ability to implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	David Anthony	Currently monitoring the progress of the current consultations and responding where appropriate. Briefings being provided to team and stakeholders.	1	4	4	Low	Discussions with employers on how to implement. Training for the team on how to implement. Project to amend systems and letters to accommodate changes	Craig Payne	Apr-16	1	3	3	Low	30 Nov 15	↑
PEN022	Reconciliation of GMP records	Benefits Administration	From 1 April 2016 SERPS will cease and HMRC no longer provide GMP data on members. Fund will be unable to check accuracy of its GMP	If GMP records for members is inaccurate there is the potential for incorrect liabilities being paid by the Fund.	David Anthony	Project has been set up and 2 Data Analysts employed to assist with resources.	2	4	8	Medium	To review resources available against scope of project. Need to agree approach for correcting errors.	Mark Anderson	Apr-16	1	3	3	Low	30 Nov 15	↑

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PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	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. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	The "maturity" profile of cash flows is changing as a result of employers outsourcing and redundancy programmes. The Cashflow profile is now being carefully monitored as benefits paid slightly exceeded receipts (excluding investment income) during the last financial year. Current forecast is that the Fund will remain cash neutral for next 12 months.	David Anthony		4	1	4	Low	30 Nov 15	→
PEN006 a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current increase in Quantitative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	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 (e.g. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. Monitor cashflow profiles to review Fund's maturity. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation. As bond yields are at historical low levels and the Stabilisation Policy takes a long term view, rates will not increase significantly over the long term.	David Anthony		2	2	4	Low	30 Nov 15	→
PEN006 b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current increase in Quantitative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	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 (e.g. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2013 Valuation has set rates for the next 3 years.	2	2	4	Low	The rates for the 2013 Valuation were agreed and through the use of stepping in of contribution rate increases where requested the need for large increases was avoided for certain employers. This "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Monitor cashflow profiles to review Fund's maturity.	David Anthony		2	2	4	Low	30 Nov 15	→
PEN007 a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	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.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation. The Fund is currently discussing with its advisers the benefits of a flight path strategy to take risk of the table as funding levels improve.	Catherine Dix	Mar-16	2	2	4	Low	30 Nov 15	→
PEN007 b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	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.	2	2	4	Low	The review of employers long term financial stability and the policy for stepping in of contribution rates assists in affordability issues and this "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Valuation rates have now been agreed for the next 3 years. The benefits of a 'flight path' strategy as outlined	Catherine Dix	Mar-16	2	2	4	Low	30 Nov 15	→

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PEN015	Failure to collect payments from ceasing employers	Funding & Investments	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	David Anthony	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.	2	2	4	Low	Work is on-going to develop monitoring of admitted bodies who are close to cessation to enable the Fund to have an early dialogue with them to ensure costs are met. A review of the cessation policy may be required as more employers are now facing potential cessation events.	David Anthony	Dec-15	2	1	2	Low	30 Nov 15	→
PEN016	Treasury Management	Funding & Investments	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	David Anthony	The Pension Fund has an updated Treasury Management Strategy on this agenda which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	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.	Catherine Dix		3	1	3	Low	30 Nov 15	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	David Anthony	Robust maintenance and update of 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.	2	1	2	Low	Electronic forms rolled out to all employers to allow collation of membership and contributions detail by member to facilitate monthly reconciliations ahead of year end. Chase letters sent as required.	Catherine Dix		2	2	4	Low	30 Nov 15	→
PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	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	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	2	3	6	Medium	The Technical & Compliance Manager oversees training plans for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. They have recently issued their code of practice which includes a number of new requirements. Work continues to ensure the Fund can comply fully with these requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator.	David Anthony	Mar-16	2	2	4	Low	30 Nov 15	→
PEN009	Failure to hold personal data securely	Regulatory & Governance	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	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies.	2	2	4	Low	It is intended to do a full data protection audit for the Fund. An imaging system has now been implemented which will improve retention of documents and ultimately will lead to a paperless working environment. Annual Data Protection training for the team has taken place.	David Anthony		2	1	2	Low	30 Nov 15	→

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PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	Systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	2	3	6	Medium	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Also, with the end of "contracting-out" in April 2016, HMRC will no longer take responsibility for GMP data. A project is being scoped to ensure records match prior to this.	Martin Downes	Dec-16	2	1	2	Low	30 Nov 15	→
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	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	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. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	2	3	6	Medium	A new Technical & Compliance Manager was appointed in August as was a Fund Development Manager in September. The post of Employer Relations Manager remains vacant and further recruitment is taking place.	David Anthony	Dec-15	2	1	2	Low	30 Nov 15	→
PEN012	Over-reliance on key officers	Regulatory & Governance	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	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	3	6	Medium	A new Technical & Compliance Manager was appointed in August 2015, along with a Fund Development Manager in September. The post of Employer Relationship Manager has proved more difficult to recruit to with a further recruitment process now taking place. An interim solution is also being reviewed to try and maintain services to employers.	David Anthony	Dec-15	2	1	2	Low	30 Nov 15	→
PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	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	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	2	4	Low	The CIPFA Local Government Pension Fund Knowledge & Skills Framework require members of the committee to be regularly assessed to identify knowledge gaps and ensure training is provided to address these. The new members training plan for 2015-17 was approved in March 2015.	David Anthony		2	1	2	Low	30 Nov 15	→

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PEN018	Failure to implement the LGPS 2014 Reforms	Regulatory & Governance	Failure to implement the LGPS 2014 in time for April 2014 in terms of systems changes, data requirements, communications and training.	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	David Anthony	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software are providers to ensure developments will be auctioned. Review of process has been undertaken by Technical & Compliance Manager to ensure changes are compliant.	2	2	4	Low	The transitional regulations and GAD guidance were only issued in March 2014, a month ahead of "go-live" which meant a number of manual calculations were still required. The latest Altair release was implemented in September which rectified this. All changes and output have been reviewed for compliance.	David Anthony		2	2	4	Low	30 Nov 15	→
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Local Pension Board, approved by Wiltshire Council on 24 February. Following. Recruitment has taken place and all places filled with first meeting scheduled for 16 July 2015, following induction session on 2 July 2015. These Boards will place additional demands on both Members, in particular the need to undertake training and the pension officers time in the support and provision of information.	2	2	4	Low	A review of resources and officer time will be required to ensure no negative impact on the Pension Fund service delivery from the support required to this Board and the newly formed Investment sub-Committee.	David Anthony	Jul-16	1	3	3	Low	30 Nov 15	→
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to respond to the Government's consultation for significantly ambitious proposals for pooling of LGPS assets	There is the potential for this project to consume significant resources from the team which may impact on service. However, if not involved in forming proposals the Government may impose of pooling arrangement on the Fund over which it has not control. If implemented incorrectly this could be costly in terms of additional fees and poor investment returns.	David Anthony	The Fund is being proactive in exploring options with other South West Funds on the feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The amount of resource required to progress this project will be closely monitored.	2	4	8	Medium	The Fund is closely monitoring the Government's consultations and will respond appropriately. This may include the need for additional meetings of the Committee to discuss proposals prior to submission.	David Anthony	Feb-16	1	3	3	Low	30 Nov 15	↑
PEN013	Failure to communicate properly with stakeholders	Communication	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.	David Anthony	The Fund has a 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.	2	2	4	Low	Member communication continues to be developed and the current round of pension clinics are being held. The vacant Employer Relationship Manager role has limited the Fund's ability to communicate with employers recently.	Zoe Stannard		1	1	1	Low	30 Nov 15	→

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WILTSHIRE COUNCIL

WILTSHIRE PENSION COMMITTEE

10 December 2015

Update on the Internal Audit Report 2014-15 Action Plan

Purpose of the Report

1. The purpose of this report is to provide an update on the actions from the South West Audit Partnership (SWAP) Internal Audit Report for the Wiltshire Pension Fund for information.

Background

2. The SWAP Internal Audit Report was reviewed by this Committee at its meeting on 25 June 2015.
3. It was requested that this report and action plan is reviewed again by this Committee.

Considerations for the Board

4. From the agreed action plan outlined (see attached), all the actions have been completed with the exception of the following:

1.7a Workflow Procedures & 2.1a GMP Procedures: These both require the updating of procedure notes in relation to the processing of specific issues involving Guaranteed Minimum Pension (GMP) calculations. An on-going GMP project will pick this up, although progress has been delayed due to the departure of the Technical & Compliance Manager and Fund Development Manager over the summer. These two posts have now been recruited to and this project is being moved forward.

3.6a Performance Measurement: The development of performance measurements was also delayed by the departure of key staff. The Fund Development Manager who was recently appointed will move this work forward with the objective of completing this to encompass the service levels set out in the Pension Administration Strategy as presented elsewhere on this agenda.

Environmental Impact of the Proposal

5. Not applicable.

Risk Assessment

6. If the outstanding actions were not completed they would impact on *PEN001: Failure to process pension payments and lump sums on time* identified on the Fund's risk register elsewhere on this agenda. For the relatively small number of cases affected this would not be a material change in the risk rating.

Financial Considerations

7. There are no significant financial implications from this report.

Legal Implications

8. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Reasons for Proposals

10. This update is to provide assurances of the on-going implementation of the agreed internal audit action plan and ensures the Committee is fully informed of progress.

Proposals

11. The Committee is asked to note the updated position of the internal audit action plan.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p>Objective: To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.</p>					
<p>1. R1: Poor procedures lead to poor administration of the County pension scheme.</p>					
<p>1.3a Reconciliation of transfer monies – procedures are not fully documented.</p>	<p>I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.</p> <p style="text-align: right;"><small>SWAP Ref: 27413</small></p>	<p>3</p>	<p>A procedure is now documented for reconciling Transfers In (account code 729110-111).</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>Completed</p>
<p>1.4a Payment transfer procedures – guidance notes require further updating.</p>	<p>I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.</p> <p style="text-align: right;"><small>SWAP Ref: 27414</small></p>	<p>3</p>	<p>Procedures and workflow have now been updated for both Transfers In and Transfer Out. The workflows are accessible via the procedures matrix and the procedures will be added shortly (when the matrix is available for Managers to update.)</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 June 2015</p>
<p>1.7a Workflow Procedures – procedure notes need further updating.</p>	<p>I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.</p>	<p>3</p>	<p>The procedures continue to be reviewed as part of the development of our GMP project</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 September 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27417</i>		which is reviewing all related issues within the team.		
There are no significant findings to report					
2. R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.					
2.1a GMP Procedures – processes are not fully covered by procedure notes.	I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application. <i>SWAP Ref: 27418</i>	3	The procedures continue to be reviewed as part of the development of our GMP project which is reviewing all related issues within the team.	Catherine Dix, Strategic Pension Manager	30 September 2015
2.3a Reconciliations (Altair - SAP) – monthly reconciliations were not always performed on a timely basis.	I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes. <i>SWAP Ref: 27500</i>	3	Reconciliations are always completed for new pensioner/new dependents although two months are sometimes completed together. All issues arising are reviewed by the Strategic Pension Manager and Benefits Manager to take any necessary action. In terms of the other accounting reconciliations the Pension Fund Accountant reviews these and are re-saves the file as authorised.	Catherine Dix, Strategic Pension Manager	Completed

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
2.4a Reconciliation Checklist – regular completion needs to be monitored.	I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis. <i>SWAP Ref: 27501</i>	3	Managers acknowledge this recommendation and are currently working on putting a checklist in place.	Catherine Dix, Strategic Pension Manager	30 June 2015
There are no significant findings to report					
3. R3: Payments are not made promptly and customer service is poor.					
3.5a Payroll and Pensions Meetings – action plans require improvement.	I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation. <i>SWAP Ref: 27514</i>	3	The quarterly payroll/pension meetings have only recently been recommenced due to changes in staff. They provide an opportunity to build relationships and have a face to face meeting to discuss any issues. There are currently no major issues but notes of the meetings are kept.	Catherine Dix, Strategic Pension Manager	Completed
3.5b Service Complaints – recording and investigation needs improvement.	I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.	3	All specific complaints are investigated so corrective action can be taken immediately to address any issues. The complaints referred to at the Payroll/Pensions meeting couldn't be specifically identified	Catherine Dix, Strategic Pension Manager	30 June 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27515</i>		to allow further investigation. Moving forward it's agreed that any complaints made either to payroll or pensions will be captured in sufficient detail to feed back to the relevant team.		
3.6a Performance Measurement – WPF does not publish results.	I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis. <i>SWAP Ref: 27516</i>	3	KPIs are currently being developed within the Pension section. The intention is that we have KPIs that will assist management performance reporting but also provide a basis for reporting to the Wiltshire Pension Fund Committee and to be disclosed in the Annual Report. This is also being developed alongside an update of the Fund's Administration Strategy.	David Anthony, Head of Pensions	30 September 2015
There are no significant findings to report					

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 December 2015

Pension Administration Strategy

Purpose of the Report

1. The purpose of this report is to present the updated Pension Administration Strategy and to seek Member's approval.

Background

2. Under the Local Government Pension Scheme (LGPS) Regulations 2013, each LGPS Fund in England and Wales is empowered to produce and implement a Pension Administration Strategy, with an accompanying Service Level Agreement, which applies to all employers in its Fund.
3. The aim of this attached draft strategy is to set out the quality and performance standards expected of all Scheme employers and admitted bodies within the Wiltshire Pension Fund (WPF). It seeks to promote good working relationships, improve efficiency and enforce quality between Scheme employers and the Administering Authority. It also provides details on how performance levels will be monitored and the action that might be taken if they fall below the stated expectations.
4. This strategy is updated from its January 2010 version and ensures the governance and administration requirements of the Pension Regulator (tPR) are properly addressed which now fall to the Fund and its employer organisations.

Considerations for the Committee

The key points of the Pension Administration Strategy

5. The purpose of the Strategy is to outline the administration responsibilities of both Scheme Employers and the WPF in the provision of its services. It's intended to set out the quality and performance standards expected by all parties which is one of the key tools for the Fund to help deliver a high quality service to scheme members. It also seeks to promote good working relations between the Fund and its Scheme employers, outlining how performance levels will be monitored and action that might be taken should they fall below expectations.
6. From 1 April 2015, all public sector pensions fell under the responsibility of tPR. For example, the Fund now has a duty to log breaches when it fails to meet statutory deadlines and if material reports them to the Regulator along with a proposed improvement plan. The newly established Local Pension Boards are responsible for securing the Fund's compliance with the Regulations and for reporting breaches.
7. Consequently, the WPF has updated its Pension Administration Strategy to reflect these changes. There are only a few material changes from the current strategy with all the timeframes for the delivery of information remaining the same for Scheme employers with the exception of year end returns that have been brought forward a week as the Fund now has to deliver Annual Benefits Statements by 31 August (2 months earlier than under the former regulations). The WPF will continue to work with employers who don't

achieve these targets and the Strategy outlines the process should there be persistent failure or continued poor quality data.

8. The intention is on-going reporting on the WPF's and Scheme employers performance against these standards will be presented to this Committee and the Local Pension Board to monitor the position against targets.
9. This updated draft Strategy is currently out to consultation with Scheme employers. At the time of writing, no significant feedback has been received from employers, with this exercise due to conclude on 3 December 2015.
10. If approved by this Committee the intention is the updated Strategy will be implemented from 1 January 2016, published on the WPF website and sent to all Scheme employers.

Environmental Impact of the Proposal

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

Financial Considerations & Risk Assessment

12. There are no direct financial implications involved with the implementation of this Strategy. However, in the longer term this Strategy should lead to more efficient benefits administration operation and the ability to redirect resources for the benefit of scheme members.
13. This implementation of this Strategy assists in addressing Risk PEN001 reported elsewhere on this agenda.

Legal Implications

14. There are no material legal implications arising from the proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no known implications at this time.

Reasons for Proposals

16. This is a significant strategy with respect to the level of success and efficiency of the day to day administration of the Fund and its subsequent effects on providing an effective service to members.

Proposals

17. The Committee is asked to comment on the Wiltshire Pension Fund Administration Strategy as part of the consultation process, if it so wishes and approve the attached document.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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



WILTSHIRE
PENSION FUND

Wiltshire Pension Fund
Administration Strategy
(Draft)

DRAFT

December 2015

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1 Introduction

- 1.1 This is the Pension Administration Strategy of the Wiltshire Pension Fund (WPF), administered by Wiltshire Council (the “Administering Authority”). It has been developed following consultation with employers in the WPF.
- 1.2 The 1st April 2015 represents a key milestone in the governance arrangements of the Local Government Pension Scheme (LGPS). From this date the Pension Regulator (tPR) takes responsibility for setting standards of administration and governance on all administrative aspects of the scheme, whilst the newly established Local Pension Board will now “assist” the WPF in ensuring compliance with the scheme regulations and its effective and efficient administration.
- 1.3 The LGPS 2013 Regulations allows an Administering Authority to prepare an Administration Strategy for the purpose of improving administrative processes within their Fund.
- 1.4 This strategy is updated from its January 2010 version and ensures the governance and administration requirements of tPR are properly addressed as they fall to the Fund and its employers.
- 1.5 The aim of this Strategy is to set out the quality and performance standards expected of all Scheme employers and admitted bodies within the WPF. It seeks to promote good working relationships, improve efficiency and enforce quality between Scheme employers and the Administering Authority. It also provides details on how performance levels will be monitored and the action that might be taken if they fall below the stated expectations. The performance targets which employers and the Fund will be judged against are outlined in Section 6 of this Strategy.
- 1.6 This strategy is made under regulation 59 of the Local Government Pension Scheme (LGPS) Regulations 2013. The LGPS Regulations provide the conditions and regulatory guidance surrounding the production and implementation of an Administration Strategy.
- 1.7 Implementation of an Administration Strategy is seen as one of the tools which can help deliver a high quality administration service to the Scheme member and other interested parties. Delivery of a high quality administration service is not the responsibility of one person or organisation, but is rather the cooperative working of a number of different parties.

2 Background

- 2.1 The LGPS represents a significant benefit to its members. Much of the success in promoting the Scheme amongst members and ensuring a high quality service delivery depends upon the relationship between the Administering Authority and Scheme employers in the day to day administration of the Scheme. Good quality administration can also help in the overall promotion of the Scheme and remind or alert employees to the value of the LGPS, thereby helping with recruitment, retention and motivation of employees.
- 2.2 The WPF is one of 89 LGPS Administering Authorities nationwide. The WPF comprises around 157 Scheme employers and approximately 55,000 Scheme members. WPF administers the LGPS in the Wiltshire geographical area although it also includes a number of national organisations. WPFs administration costs are funded from a proportion of employee and employer contributions received.
- 2.3 The key objectives of this Strategy are to ensure that:
- The WPF and its Scheme employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions, largely defined in Service Level Agreement targets.
 - The WPF operates in accordance with LGPS Regulations and is aligned with tPR in demonstrating compliance and governance requirements
 - Accurate records are maintained for the purpose of calculating pension entitlements and Employer liabilities, ensuring all information and data is communicated accurately, on a timely basis and in a compliant manner
 - Standards are set and monitored for the delivery of specified activities in accordance with Regulations and minimum standards as set out in the Service Level targets
- 2.4 With over 157 employers in the WPF of differing size, structure and capability it represents a significant logistical challenge for the management of information, processes and services within the Fund. The demand for more accurate and timely information is also increasing, especially with the introduction of the Career Average Revaluation Earnings (CARE) scheme from April 2014. This information is also vital to ensure liabilities for employers are accurate and that funding targets and contribution rates being set are reflecting the correct position. Furthermore, tPR has introduced higher levels of compliance and the Fund will be required to report breaches of the Regulations in future.
- 2.5 The following paragraphs outline how the WPF will liaise with employers, the standards that have been agreed, the overriding legislation that needs to be adhered to, the Service Level Agreement targets for both employers and WPF as well as the framework for performance monitoring.

3 Implementation

- 3.1 The Scheme employers who currently participate in the WPF, and to whom this Strategy applies, are shown in Appendix 1. Furthermore, this Strategy applies to all new employers to the WPF following the date stated in paragraph 3.3. Please note that non academy schools are included under the relevant Council, even if they have their own payroll or have outsourced it to a third party. However, we will record separate statistics for schools or outsourced payroll sections that send us data directly.
- 3.2 Furthermore, for employers who do not have their own HR and/or payroll, the WPF still measure and report on performance in the same way as for employers who do.
- 3.3 This strategy is effective from 1 January 2015.
- 3.4 Any enquiries in relation to this Pension Administration Strategy should be directed to:
- Pension Fund Relationship Manager, Wiltshire Pension Fund
- T: 01225 713612
- E: Pension_Employers@wiltshire.gov.uk

4. Liaison and communication with employers regarding administrative arrangements

- 4.1 WPF takes responsibility for ensuring that all employers have access to current administration procedures and will correspond with employers whenever these or this Strategy changes.
- 4.2 Detailed current procedures and information can be found in the Employer's Guide on our website (www.wiltshirepensionfund.org.uk). WPF takes responsibility for ensuring that this and all accompanying forms are kept up to date and that employers are informed of any changes.
- 4.3 In order to ensure that all employers receive generic "Employer Bulletins", or messages and requests specifically for them, we will require all employers to nominate between one and four Pension Liaison Officers (PLOs). These will cover the following roles:
- Payroll Administration,
 - Payroll Management,
 - HR & Finance Management
 - Strategic Lead
- 4.4 For smaller organizations, it may be appropriate to have a single person responsible for all of these areas. PLOs will act as our formal point of

contact for all methods of WPF communications and the Fund will tailor its communications according to what it considers to be the appropriate recipients. Furthermore, PLOs will be responsible for passing **all** pension information received onto the relevant members of staff in their organisation.

- 4.5 Where an employer is unsure of any element of the data we require or anything else regarding their responsibilities, they should contact the Pension Fund Relationship Manager who will willingly assist and make a site visit if necessary and viable.
- 4.6 Full details of our communications and liaison arrangements are provided within the Fund's Communication Strategy which can be found on the WPF website or via the following link: www.wiltshirepensionfund.org.uk/communications-policy-2015.pdf.

5. Data Submission and Processing

5.1 Internal standards

- 5.1.1 The Administering Authority and Scheme employers will ensure that all functions/tasks are carried out to agreed quality standards. In this respect the standards to be met are:
- a) compliance with all requirements set out in the Employer Guide;
 - b) work to be completed in the required format and/or on the appropriate forms as referred to within the employer guide;
 - c) information to be accurate and to be sent within the set timeframes;
 - d) communications to be in plain English;
 - e) requests for information to be responded to within the set timeframes; and
 - f) information provided to be checked for accuracy by an appropriately qualified member of staff, where necessary.

5.2 Overriding legislation

- 5.2.1 In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Administering Authority and Scheme employers will, as a minimum, comply with overriding legislation including:

- Local Government Pension Scheme (LGPS) Regulations (2013) and subsequent amendments
- LGPS (Benefits, Membership & Contributions) Regulations 2007
- LGPS (Administration) Regulations 2008
- LGPS (Transitional Provisions, Savings & Amendments) Regulations 2014
- LGPS Regulations 1997

- Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (“the Disclosure Regulations”)
- Pensions Act 1995;
- Pensions Act 2004
- Pensions Act 2008
- Occupational Pension Schemes (Preservation of Benefit) Regulations 1991
- Occupational Pension Schemes (Scheme Administration) Regulations 1996
- Automatic Enrolment (Miscellaneous Amendment) Regulations 2013
- Public Service Pension Act 2013
- Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
- The Pensions Regulator Code of practice no.14 Governance and administration of public service pension schemes
- Freedom of Information Act 2000;
- Age Discrimination Act 2006;
- Data Protection Act 1998;
- Disability Discrimination Act 1995;
- Finance Act 2004; and
- Health and Safety legislation.

5.2.2 The most pertinent areas of the legislation in reference to this Administration Strategy are outlined in Appendix 2.

5.3 Performance standards

5.3.1 WPF performance standards cover all aspects of the administration of the Scheme, where appropriate, going beyond the overriding legislative requirements. These locally agreed standards and how they are measured for the WPF are set out and explained in greater depth in Section 6.

6. Service Level Agreement Targets

6.1 Introduction

6.1.1 The use of time and accuracy based targets are vital in ensuring that our mutual goals of a high level and cost effective service delivery are specific, measurable, achievable, realistic and time specific as well as complying with the statutory obligations.

6.1.2 The WPF has tried to ensure that these targets strike an acceptable balance between allowing for each employers’ other work pressures and the minimum turnaround times the Fund requires to ensure its system is as up to date as possible. By keeping our system up to date, we are able to significantly reduce pension related workloads for both ourselves and the employer by avoiding the follow-on problems that can occur as well as improving the service we provide to our members.

6.1.3 Targets will apply to all employers in respect of benefit administration and the outcomes will be subject to external scrutiny by tPR, the Wiltshire Local Pension Board and Wiltshire Pension Fund Committee. Information may also be published in the Pension Fund Annual Report. It should be noted that many of these targets are set to ensure compliance with statutory requirements that already exist.

6.1.4 For smaller employers, and areas other than benefit administration, the amount of data will typically be too small to assess and report on statistically in a meaningful way. However, these targets will still apply and be considered on a case by case basis, particularly where the performance of the Fund or employer falls well outside the prescribed targets. In these circumstances the appropriate action will be taken where necessary.

6.2 Measuring against the targets

6.2.1 In order to avoid misleading statistics caused by such things as anomalies (e.g. a form coming in after several years), the Fund will measure performance in two different ways against the numbers indicated in the Tables 6.4 and 6.5:

- Average of all relevant data for the period
- Percentage of events that meet the stated target (as well as others for information purposes)

6.2.2 All measurements will be in “working days” from the start or leaver date or the date of any change, unless otherwise stated. Where a form is received before the relevant date; a negative number of working days will be registered (which will improve employer averages).

Further details of the calculations performed can be found in Appendix 3.

6.3 Explanation of terms used:

6.3.1 “Correct”

For the avoidance of doubt, “correct” in this Strategy is defined as when the WPF have received a completed form with no gaps in mandatory areas and with no information which is either contradictory within the document, or which the Fund need to query.

Further to this, please note we will also include under this measure of “correctness” whether it is contradictory or inconsistent with previous information you have given us.

Note In situations where it is clear that WPF has made an error in the past that has contributed to our system displaying incorrect data and the employer has made no errors, but we have raised a query, we will mark it as “correct” and the additional time to resolve the query will be added to the WPF administering time.

6.3.2 “Date of the event”

The date of the event refers to the date the member started or left the WPF or when relevant details changed, such as their hours worked per year.

More detailed information regarding how the targets are measured can be found in Appendix 3.

6.4 Employer Targets

6.4.1 Benefits Administration: Timeframes

Description	Performance Targets
<p>Starter form: WPF to receive a completed and correct Starter Form or spreadsheet</p>	<p><u>Individual Forms:</u> Within 25 working days from the new employee’s first day in the Scheme</p> <p><u>Monthly Spreadsheets:</u> By the 19th of the month following the month of starting.</p>
<p>Starter Pack information: The employer to give new members the information contained in the most recent starter pack (either by providing a link to the page on our website or giving the member a hard copy of the starter pack)</p>	<p>Within 1 calendar month from the new employee’s first day in the Scheme</p>
<p>Leaver: WPF to receive a completed and correct Leaver Form or spreadsheet</p>	<p><u>Individual forms:</u> Within 20 working days from the employee’s last day in the Scheme.</p> <p><u>Monthly spreadsheet:</u> By the 19th of the month following the month of leaving.</p>
<p>Change of details (including hours where required): WPF to receive correct and relevant change of member details such as names, addresses, payroll numbers and hours.</p>	<p><u>Individual forms:</u> Within 25 working days from the change occurring.</p> <p><u>Monthly spreadsheet:</u> By the 19th of the month following the month of the change.</p>

<p>Retirements: WPF to receive a completed and correct Retirement Form</p>	<p>At least 15 working days before their final paid day of work.</p>
<p>Queries related to all data submissions:</p>	<p>a) For 100% of forms or pension information that WPF receives to be correct.</p> <p>b) To fully answer all enquiries from WPF relating to any benefit administration work, within 10 working days of the receipt of the enquiry.</p> <p>Where a retirement or a death in service is involved, a target of 3 working days will apply.</p>
<p>Notify WPF when a change occurs during the members employment. (e.g. child related leave, unpaid leave, career break)</p>	<p>Within 1 calendar month of the event.</p>
<p>Arrange for the deduction of Additional Voluntary Contributions (AVCs)</p>	<p>Commence deduction of AVCs in month following the month of election.</p>
<p>Additional Contributions: Ensure correct deduction of regular Additional Pension Contributions (APC), as appropriate.</p>	<p>Month following election to pay contributions or notification received from WPF.</p>

<p>Additional Contributions: Cease deduction of member's regular APCs or appropriate additional contributions.</p>	<p>Immediately following receipt of election from scheme</p>
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6.4.2 **Benefits Administration: Accuracy**

Description	Performance Targets
<p>The accuracy requirements of all employer forms (see 6.4.1) are as stated in the performance target.</p>	<p>100% of forms received to have all fields completed as required and all figures in lines with expectations (i.e. the form does not need to be queried)</p>

6.4.3 **Data Reconciliation exercises**

In order for WPF to function effectively, it is vital that we hold accurate data records for each employer. Increasingly, this is also becoming a specific legal requirement and we are required to meet certain data quality standards by the Pension Regulator.

Hence, the WPF regular reconcile employer data against our own and aim to correct any discrepancies with employers as soon as possible. For this process to work effectively, it is vital that employers respond to our queries within a suitable timeframe.

Description	Performance Targets
<p>Small discrepancies (10 or less): Typically a request for starter, leaver and changes information.</p>	<p>To fully answer, and provide all information required to WPF, within 10 working days</p>
<p>Larger number of discrepancies (More than 10): Typically a request for starter, leaver and changes information.</p>	<p>To fully answer, and provide all information required to WPF, for up to 50 discrepancies within 30 working days. Discrepancies beyond 50 should be resolved at a rate of 50 per month or greater.</p>

6.4.4 Finance Administration

Description	Performance Target
<p>Paying contributions and information:</p> <p>Remit and provide schedule of employer/employee contributions</p> <p>AND</p> <p>A monthly contribution spreadsheet in the correct format as determined by WPF.</p>	<p>By the 19th calendar day of the following month to which the contributions were deducted.</p> <p>We reserve the right to charge interest for late payment in accordance with regulation 71 of the LGPS regulations, which states interest should be charged at Bank of England Base Rate plus one percent.</p>
<p>End of year contribution return:</p> <p>Send WPF a completed end of year detailed contribution spreadsheet (unless we have received one for each of the individual 12 months for the financial year concerned and they are in the correct format).</p>	<p>By the 14 May of each year, to cover the financial year ending on 31 March of that same year.</p> <p>We reserve the right to recharge additional print, postage and officer costs arising from the Fund's inability to issue Annual Benefit Statements by the statutory deadline of 31 August as a result of the late / incomplete submission of data.</p>
<p>Additional payments due:</p> <p>Payment of additional fund payments in relation to early payment of benefits from flexible retirement, redundancy, business efficiency retirement OR any other payment due under Wiltshire Pension Fund charging policy as stated on our website.</p>	<p>To be received within 30 calendar days of receipt of the invoice from Wiltshire Pension Fund, or within the timescales specified in each case.</p>

<p>TUPE transfers out (if they occur):</p> <p>Inform WPF of all cases where a prospective new employer or admitted body may join the fund as the result of reorganization or TUPE transfers and to pay all charges due under WPF charging policy.</p>	<p>Notify the Pension Fund Relationship Manager at least 3 months before the date of the transfer or reorganisation.</p>
<p>AVCs:</p> <p>Arrange payment of contributions to AVC provider(s)</p>	<p>Pay over contributions to the AVC provider(s) by the 22nd of the month following the month of election or 19th if by cheque.</p>

6.4.5 Fund Liaison and Communication

Description	Performance Targets
<p>Appointment of Pension Liaison Officers:</p> <p>Confirm between 1 and 4 Pension Liaison Officers to be responsible for receiving official communications from WPF and ensuring the all correct officers in the organisation are aware of all relevant communications.</p>	<p>Within 30 calendar days of employer joining the Fund or a change to a nominated representative.</p>
<p>Provide a Signatory List:</p> <p>To provide a signatory list of all officers authorised to submit data to the Pension Fund. (Such as retirement forms, change of pay, starter information etc.)</p>	<p>Within 30 calendar days of employer joining the Fund or a change to a nominated authorised officer.</p>

<p>Employers Discretion Policy*:</p> <p>Formulate, publish and update (as necessary) an Employer Discretions Policy as required under the current LGPS Regulations and provide a copy to the WPF.</p>	<p>Within 3 months of an employer joining the Fund</p> <p>To also be kept under review and a revised statement published within 30 working days of policy being agreed by the appropriate officers or committee OR any changes being made</p> <p>AND</p> <p>No later than 6 months after being informed by Wiltshire Pension Fund of any relevant change in the Regulations.</p>
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* - Where WPF does not have an up to date discretions policy from an employer we will not process anything which involves employer's discretions, as highlighted in the relevant section of our website. This currently includes additional pension awards, flexible retirement and waiving actuarial reductions on any of these.

6.5 WPF Targets

6.5.1 Benefits Administration

Description	Performance Target
<p>New Starter: For WPF to correctly process a Starter Form and to have sent a Statutory Notice to the member.</p>	<p>Individual Forms: Within 10 working days of receiving the form (excluding any time while WPF wait for a response to a query).</p> <p>Monthly Spreadsheet: Within 20 Working days of the spreadsheet being received (excluding any time while WPF wait for a response to a query).</p>
<p>Leaver - Deferred: For WPF to have processed a Leaver Form and provide a statement of their deferred benefits to the member.</p>	<p>Individual Forms: Within 10 working days of receiving the form (excluding any time while WPF wait for a response to a query).</p> <p>Monthly Spreadsheet: Within 20 working days of spreadsheet being received (excluding any time while WPF wait for a response to a query).</p>

<p>Leaver – Retirement: For WPF to have processed a Leaver Form and provide a statement of their retirement benefits to the member.</p>	<p>Individual Forms: Within 5 working days of receiving the form (excluding any time while WPF wait for a response to a query).</p> <p>Monthly Spreadsheet: Within 10 working days of spreadsheet being received (excluding any time while WPF wait for a response to a query)</p>
<p>Change of details: For WPF to update someone’s record to reflect all relevant changes of details, once given all the required information.</p>	<p>Individual Forms: Within 10 working days of receiving the form (excluding any time while WPF wait for a response to a query).</p> <p>Monthly Spreadsheet: Within 20 working days of spreadsheet being received (excluding any time while WPF wait for a response to a query).</p>
<p>Retirements: For WPF to accurately process retirements and to send to Wiltshire Council’s SST Payroll for payment.</p>	<p>Within 5 working days from receiving all required forms from the member and employer. If the date of leaving has passed the payroll deadline or if the member is due to retire with the next month (excluding any time while WPF wait for a response to a query).</p>
<p>Refunds: For WPF to accurately process any refunds to the member,</p>	<p>Within 20 working days if all the required information has been received from the member.</p>
<p>Transfers: For WPF to accurately reflect any transfers in or transfer out on the members record.</p>	<p>Transfers In: For the member records to be updated within 10 working days of receipt of Funds.</p> <p>Transfers Out: For payments to be made within 10 working days of receiving completed documentation from receiving scheme. (Dependent on backlogs)</p>

<p>Death: For WPF to accurately process any death grant payments and survivors benefit payments</p>	<p>Acknowledgement of death and request for information within 5 working days of notification</p> <p>Death Grant payments to be processed within 5 working days of receiving all certificates and other required information (as long as a nomination form exists and further clarification is not required).</p> <p>Survivors pensions to be paid at the next available monthly pay day.</p>
<p>Estimate requests: For WPF to complete and return estimate requests for employers and members.</p>	<p>Within 10 working days from receiving the estimate request (excluding any time while WPF wait for a response to a query).</p> <p>*Note: Bulk requests of more than 20 per month will be subject to further agreement.</p>
<p>Fund queries: For WPF to respond to all queries from members and employers.</p>	<p>90% of enquiries to be resolved within 10 working days from receipt of the enquiry.</p>

*Unless the number of estimate requests for a member exceeds ten in which case a time frame shall be discussed with the Employer

6.5.2 Finance and Fund Administration

Description	Performance Target
<p>Issue formal valuation results (including individual employer details)</p>	<p>10 working days from receipt of final results from Fund Actuary (but in any event no later than 31 October following the valuation date of 31 March).</p>
<p>Carry out cessation valuation exercise on cessation of admission agreements</p>	<p>Within 3 months of receiving all benefit administration forms and information required from the ceasing employer (e.g. Leaver forms).</p>
<p>Issue FRS17 report</p>	<p>Within the timeframe stated in the 'terms of engagement' letter issued following a signed request for FRS17 report.</p>

6.5.3 Fund Liaison and Communications

Description	Performance Target
<p>Benefit statements: For WPF to send out active and deferred statements for the year ending 31st March.</p>	<p>By the 31st August of the year concerned for all members where their employer has sent correct end of year information by 14th May of that same year.</p>
<p>Strategy documents: Publish and keep under review the Wiltshire Pension Fund Administration and Communication Strategy.</p>	<p>Within three months of decision to approve an Administration Strategy or within one month of any changes being agreed.</p> <p>Communications Strategy will be reviewed no later than 3 years from its most recent publication.</p>
<p>Employer liaison: Make employers aware of their role and responsibilities.</p>	<p>Maintain contact with all employers through phone conversations or face to face meetings as appropriate at least once a year.</p> <p>Provide Pension Liaison Officers with information about all key changes as and when they occur normally via a “Technical Updates” Newsletter at least twice a year.</p> <p>Hold Pension Liaison Officer Group sessions to present updates on key issues and technical aspects of employer administration at least twice a year.</p>
<p>Employers’ Guide: Issue and keep Employer Guide up to date</p>	<p>Inform new employers of location of the guide on our website within 30 calendar days from the admission of a new employer or date of any significant change/amendment.</p>

Note: Full information about our employer liaison and member communications can be found in our Fund Communications Strategy.

6.6 Procedures for ensuring compliance with statutory requirements and levels of performance

- 6.6.1 Ensuring compliance with all statutory requirements is the responsibility of the Administering Authority and Scheme employers and WPF will work closely with all Scheme employers to ensure this occurs.
- 6.6.2 TPR imposes a statutory obligation to Administering Authorities scheme managers and to the Local Pension Board to report failures which are likely to be of material significance. All breaches of statutory requirements will now need to be recorded in the breaches log and reported quarterly to the Pension Fund Committee and Local Pension Board. This log may also be published on the WPF website and with the Fund's Annual Report. Where there is a material breach which represents a reportable event to tPR then they would expect to see an improvement plan implemented to rectify this position.
- 6.6.3 WPF will work with employers to ensure that overall quality and timeliness is improved as part of an agreed service development plan. Various means will be employed in order to ensure such compliance and service improvement, seeking views from as wide an audience as possible. These include:

Audit

- 6.6.4 The WPF is subject to a statutory annual audit of its processes and internal controls. The WPF and Scheme employers will be expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by the WPF and, where appropriate, duly implemented, following discussions with Scheme employers where necessary.

Performance monitoring

- 6.6.5 WPF, as the Administering Authority, will regularly monitor performance by benchmarking with other administering authorities, using benchmarking clubs and other comparators available. Quality and standards of performance will be included in performance monitoring and benchmarking. These will enable employers to see where they currently are in comparison to the agreed targets, identify any weaknesses regarding the data they are submitting, whether it is in terms of timeliness, accuracy or all together missing data.
- 6.6.6 TPR codes of practice now require scheme managers to keep records of information pertaining to member data across all membership categories. The Wiltshire Local Pension Board will play an independent scrutiny role to 'assist' the WPF with its regulatory compliance and ultimately has the authority to report any material concerns to tPR.

6.7 Procedures for improving communication and administrative procedures

- 6.7.1 WPF will continually review its administrative procedures under the principles of “Lean System Thinking” to assess and improve internal and external administrative procedures. The key principle is to identify the customer needs and to attempt to provide this in the most efficient way.
- 6.7.2 WPF will continue to invest and use ICT to assist employers with the delivery of timely and accurate data. Options currently be looked at are Employer Self-Service facilities and more web-based submission of forms. As this is developed WPF will work and collaborate with employers to identify the solutions that best fit their requirements and where and when relevant provide necessary training and support to implement these developments.
- 6.7.3 WPF also has a Pension Fund Relationship Manager to oversee employer-fund relations and to proactively work closely with employers to ensure they are aware of and understand their responsibilities.
- 6.7.4 WPF is committed to continuing to improve its flow of communications to employers. WPF aim to run quarterly Pension Liaison Officer Group (PLOG) meetings and give an open invitation to employers to meet with the Fund and discuss any element of pension procedures that they wish. Furthermore, WPF will send out regular employer newsletters and survey employer representative’s thoughts and opinions via the medium of one to one meetings and employer surveys.
- 6.7.5 The WPF will use the outcome of these, together with internal meetings and discussions, to further improve communications and administration procedures.

6.8 Procedures for improving employer performance (where necessary)

- 6.8.1 The Fund will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance, provide the necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.
- 6.8.2 The Fund will remind employers’ staff who have submitted data, and PLOs where relevant, of the key targets where there is an individual case significantly outside the stated target. WPF will be willing to assist with “case tracking” to help an employer understand if structural or procedural changes need to be made.
- 6.8.3 However, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, the following sets out the steps we will take in dealing with the situation in the first instance:

- 1) WPF will write to the PLO of the Scheme employer, setting out the area(s) of poor performance.
 - 2) WPF will contact the employer to discuss the area(s) of poor performance and how they can be addressed.
 - 3) Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the employer, WPF will issue a formal written notice to the employer, setting out the area(s) of poor performance that has been identified, the steps taken to resolve those area(s) and giving notice that the additional costs may now be reclaimed.
 - 4) WPF will clearly set out the calculations of any loss or additional costs resulting to the WPF/Administering Authority, taking account of time and resources in resolving the specific area of poor performance; and
 - 5) WPF makes a claim against the Scheme employer, setting out reasons for doing so, in accordance with the Regulations.
 - 6) Where a persistent failure results in a breach of the statutory regulations then this will be logged and if deemed material then reported to tPR
- 6.8.4 As stated in paragraph 2.2, the WPF is funded by employee and employer contributions. Therefore, disproportional costs arising due the poor performance of an employer will be attributable more fairly to their source.

6.9 Circumstances where costs might be recovered as the result of poor performance

- 6.9.1 The circumstances where costs can be recovered from employers:
- 1) Persistent and ongoing failure to provide relevant information (as determined by the Employer Guide) to the WPF, scheme member or other interested parties in accordance within specified performance targets, either as a result of timeliness of delivery or quality of information.
 - 2) Persistent and ongoing failure to pass relevant information to a scheme member or potential members, either due to poor quality or not meeting the agreed timescales outlined in the performance targets.
 - 3) Persistent and ongoing failure to deduct and pay over correct employee and employer contributions or any other payments due to the WPF within the stated timescales.
 - 4) Instances where the performance of the Scheme employer results in fines or additional costs being levied against WPF by the Pension Regulator, Pensions Ombudsman or other regulatory bodies.
 - 5) For a persistent failure to resolve an isolated case(s) satisfactorily.

6.10 Calculation of costs incurred

- 6.10.1 For a persistent failure to resolve an isolated case(s) satisfactorily, the Fund will recharge costs from the point in time at which the Fund will write a formal letter (see paragraph 6.8.3 step 3) to the scheme employer until the case is resolved, at a rate of £50 for each hour an officer spends trying to resolve the matter.
- 6.10.2 For persistent and ongoing failure to meet targets, following intervention to assist the employer concerned, the Fund will recharge the additional costs due to the employer's poor performance at the rate of £50 per hour from the point of time that the letter stated in paragraph 6.8.3 step 3 is sent until performance improves.
- 6.10.3 Where the performance of the scheme member results in fines or additional costs being levied against the Fund, as in paragraph 6.9.1 step 4, the Fund will recharge the full costs it has incurred to the relevant employer(s) in addition to the points above

7. Disputes

7.1 Member disputes

- 7.1.1 A clear dispute procedure for members, referred to as the Internal Dispute Resolution Procedure (IDRP), can be found on our website.

7.2 Employer disputes

- 7.2.1 Where an employer is in dispute with a decision or action made by WPF, WPF will in the first instance attempt to resolve the matter internally by seeking an independent senior mediator from within Wiltshire Council (the Administering Authority).
- 7.2.2 Should this be unsuccessful, a suitable, mutually agreeable and independent third party shall be appointed to determine the outcome of matter.

8. Review and consultation process

8.1 General

- 8.1.1 The WPF will review its Administration Strategy to ensure it remains up to date and it meets the necessary regulatory requirements at least annually. A current version of the strategy statement will always be available on our website at www.wiltshirepensionfund.gov.uk and paper copies will be available on request.
- 8.2.1 In preparing this pension Administration Strategy, the Fund has consulted with the relevant employing authorities and other persons considered appropriate. Where it is necessary to revise the pension Administration Strategy the relevant employing authorities will be notified in writing of the changes and advised where they can obtain a copy of the revised strategy.

Appendix 1

Active Scheme Employers in the Wiltshire Pension Fund

Scheduled/ Resolution bodies

Wiltshire Council
Swindon Borough Council
Wiltshire & Swindon Fire Authority
Wiltshire Police Authority
Wiltshire Probation Service
Alderbury Parish Council
Amesbury Parish Council
Blunsdon St Andrews Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Haydon Wick Parish Council
Highworth Town Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Royal Wootton Bassett Town Council
Salisbury City Council
Steeple Ashton Parish Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Wanborough Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wroughton Parish Council
All Saints (Netheravon) Academy
Bishop Wordsworth Academy
Bybrook Valley Academy
Churchfield Academy
Colebrook Infants Academy
Commonweal Academy
Corsham Primary Academy
Corsham Secondary Academy
inc Corsham Regis
Dauntseys Academy
Devizes Academy
Diocese of Bristol Academy Trust
Diocese of Salisbury Academy Trust
Dorcan Technology Academy
Eastrop Infants Academy
Education Fellowship
Excalibur Academy
Goddards Park Academy
Gorse Hill Academy
Hardenhuish School Ltd
Hazelwood Academy
Highworth Warneford Academy
Holy Family Academy

Holy Rood Infants Academy
Holy Rood Junior Academy
Holy Trinity Calne Academy
Holy Trinity Devizes Academy
John Bentley Academy
John of Gaunt Academy
King William Academy
Kingsdown Academy
Kingsdown Academy
Lavington Academy
Lethbridge Academy
Lydiard Academy
Malmesbury Academy
Malmesbury Primary Academy
The Manor Academy
The Mead Primary Academy
inc Castle Mead Academy
inc River Mead Academy
Millbrook Academy
Morgan Vale Academy
New College
Oasis Community Learning
Peatmoor Primary Academy
Pewsey Primary Academy
Pewsey Vale Academy
Queens Crescent Academy
Ridgeway Academy
Rowde Academy
Royal Wootton Bassett School
Salisbury 6th Form Academy
Sarum Academy
Sevenfields Academy
Shaw Ridge Academy
Sheldon Academy
South Wilts Grammar School
Southfield Junior Academy
Springfields Academy
St Augustine's School
St Catherine's Academy
St Edmund's Calne Academy
St Edmunds Girls Academy Salisbury
St Joseph's Academy Devizes
St Joseph's Academy Swindon
St Laurence Academy
St Leonard's Academy
St Mary's Swindon Academy
Swindon College
United Learning Trust
UTC Swindon
Wansdyke Academy
Wellington Academy
Westlea Academy
White Horse Academies
Wiltshire College
Woodford Valley Academy

Admitted bodies

4 Children
ABM Catering Ltd
Action for Blind People
Agincare
Aster Communities
Aster Group
Aster Living
Aster Property Management
Atkins Ltd
Balfour Beatty
Barnardos
Capita Business Services Ltd
Care & Support Swindon (SEQOL)
Caterlink
CIPFA
Collaborative Schools
Community First
Crime Reduction Initiatives
Direct Cleaning
Elior UK
Enara
FCC Environment
Great Western Hospitals
Greenwich Leisure Limited
Host
Innovate Services
Leonard Cheshire
Lifeways
Mainline Contract Services
Mears Care Ltd
Nuffield Health
Places For People Leisure
Plains Partnership
The Order Of St John Care Trust
Oxford Health NHS Trust
Salisbury and South Wilts Museum
Selwood Housing
Seren Group
Somerset Care Ltd
Southern Health NHS Foundation Trust
Swindon Commercial Services
Swindon Dance
Twigmarket
Visit Wiltshire
Westlea Housing Association
Wiltshire and Swindon Sports Partnership
Wiltshire CCG

Appendix 2

Legislative Framework for the Administration Strategy

Local Government Pension Regulations 2013

Pension Administration Strategy

59. —(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

- (i) the setting of performance targets,
- (ii) the making of agreements about levels of performance and associated matters, or
- (iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

- (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
- (ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Additional costs arising from Scheme employer's level of performance

70. —(1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and

(c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are

relevant to the decision to give the notice and to the matters in subparagraphs (a) or (b).

Statements of policy about exercise of discretionary functions

60. —(1) A Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under regulations—

- (a) 16(2)(e) and 16(4)(d) (funding of additional pension);
- (b) 30(6) (flexible retirement);
- (c) 30(8) (waiving of actuarial reduction); and
- (d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a Scheme employer.

(2) Each Scheme employer must send a copy of its statement to each relevant administering authority before 1st July 2014 and must publish its statement.

(3) A body required to prepare a statement under paragraph (1) must—

- (a) keep its statement under review; and
- (b) make such revisions as are appropriate following a change in its policy.

(4) Before the expiry of a month beginning with the date any such revisions are made, each Scheme employer must send a copy of its revised statement to each relevant administering authority, and must publish its statement as revised.

(5) In preparing, or reviewing and making revisions to its statement, a body required to prepare a statement under paragraph (1) must have regard to the extent to which the exercise of the functions mentioned in paragraph (1) in accordance with its policy could lead to a serious loss of confidence in the public service.

(6) In this regulation a relevant administering authority in relation to a Scheme employer, is any authority which is an appropriate administering authority for that employer's employees.

Statements of policy concerning communications with members and Scheme Employers

61. —(1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with—

- (a) members;
- (b) representatives of members;

(c) prospective members; and

(d) Scheme employers

(2) In particular the statement must set out its policy on—

(a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;

(b) the format, frequency and method of distributing such information or publicity; and

(c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

Pension fund annual report

57. —(1) An administering authority must, in relation to each year beginning on 1st April 2014 and each subsequent year, prepare a document ("the pension fund annual report") which contains—

(a) a report about the management and financial performance during the year of each of the pension funds maintained by the authority;

(b) a report explaining the authority's investment policy for each of those funds and reviewing the performance during the year of the investments of each fund;

(c) a report of the arrangements made during the year for the administration of each of those funds;

(d) for each of those funds, a statement by the actuary who carried out the most recent valuation of the assets and liabilities of the fund in accordance with regulation 62 (actuarial valuations of pension funds), of the level of funding disclosed by that valuation;

(e) the current version of the statement under regulation 55 (governance compliance statement);

(f) for each of the funds, the fund account and net asset statement with supporting notes and disclosures prepared in accordance with proper practices;

(g) an annual report dealing with—

(i) the extent to which the authority and the Scheme employers in relation to which it is the administering authority have achieved any levels of performance set out in a pension administration strategy in accordance with regulation 59 (pension administration strategy), and

- (ii) such other matters arising from a pension administration strategy as it considers appropriate;
- (h) the current version of the statement referred to in regulation 58 (funding strategy statement);
- (i) the current version of the statement under regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (statement of investment principles)
- (j) the current version of the statement under regulation 61 (statements of policy concerning communications with members and Scheme employers); and
- (k) any other material which the authority considers appropriate.

Public Service Pensions Act 2013

[2013 c. 25 Administration](#)

17 Regulatory oversight

- (1) Schedule 4 contains provision relating to the regulation of schemes under section 1, new public body pension schemes and connected schemes.
- (2) The Secretary of State may by order make—
 - (a) provision consequential on Schedule 4, and
 - (b) further provision for, or in connection with, the regulation of public service pension schemes within the meaning of the Pensions Act 2004 (as amended by that Schedule).
- (3) The provision referred to in subsection (2) includes provision made by amending any legislation (including this Act).
- (4) An order under this section may make different provision for different purposes.
- (5) An order under this section is subject to—
 - (a) the affirmative procedure, if it amends primary legislation, and
 - (b) the negative procedure, in any other case.

SCHEDULE 4 Regulatory oversight [section 17]

Amends the Pensions Act 2004 to cover Public Service Pensions and the Pension Regulator involvement

Section 16

Records

- (1) The scheme manager for a scheme under section 1 and any statutory pension scheme that is connected with it must keep such records as may be specified in regulations made by the Secretary of State.

The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

Records

3. For the purposes of section 16 of the 2013 Act, the scheme manager for a public service pension scheme must keep the records which are specified in regulations 4 to 6.

Records of member and beneficiary information

4.—(1) In respect of member and beneficiary information, the records which are specified are—

- (a) the name of each member and of each beneficiary;
- (b) the date of birth of each member and of each beneficiary;
- (c) the gender of each member and of each beneficiary;
- (d) the last known postal address of each member and of each beneficiary;
- (e) each member's identification number in respect of the scheme;
- (f) the national insurance number of each member who has been allocated such a number; and
- (g) in respect of each active member, deferred member and pensioner member—
 - (i) the dates on which such member joins and leaves the scheme;
 - (ii) details of such member's employment with any employer participating in the scheme including—
 - (aa) the period of pensionable service in that employment; and
 - (bb) the amount of pensionable earnings in each year of that employment.

(2) In respect of each member's rights and, where applicable, of each beneficiary's entitlement, to any benefits which are not money purchase benefits, injury benefits or compensation benefits under the scheme, the records which are specified are—

- (a) any formula or formulas used for calculating the member's or beneficiary's pension or benefit;

(b) the percentage to be applied in respect of revaluation for each year to the member's accrued rights to benefits under the scheme; and

(c) any increase to be applied to the pensioner member's or beneficiary's pension or benefit in payment in each year.

(3) In respect of each member's rights to any money purchase benefits under the scheme, the records which are specified are—

(a) any investment decisions taken by, or in relation to, the member;

(b) any investments held on behalf of the member; and

(c) any anticipated date of retirement notified by the member.

(4) In respect of pension credits under section 29(1)(b) of the Welfare Reform and Pensions Act 1999(1) (creation of pension debits and credits) or under article 26(1)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999(2) (creation of pension debits and credits), the records which are specified are records of any information relevant to calculating each member's rights under the scheme which are attributable (directly or indirectly) to a pension credit.

(5) In respect of pension debits under section 29(1)(a) of the Welfare Reform and Pensions Act 1999 or under article 26(1)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999, the records which are specified are records of any information relevant to calculating any reduction in each member's rights under the scheme which are attributable to a pension debit.

Records of transactions

5. In respect of transactions, the records which are specified are—

(a) any employer contribution or member contribution paid in relation to each active member;

(b) payments of pensions and benefits including the date of the payment;

(c) except where the payment is a payment under paragraph (b) or (f), payments made by, or on behalf of, the scheme manager to any person including—

(i) the name and address of the person to whom payment was made;
and

(ii) the reason for that payment;

(d) any movement or transfer of assets from the scheme to any person including—

(i) the name and address of the person to whom the assets were moved or transferred; and

(ii) the reason for that transaction;

(e) the receipt or payment of money or assets in respect of the transfer of members into or out of the scheme including—

- (i) the name of that member;
- (ii) the terms of the transfer;
- (iii) the name of the scheme into or out of which the member has been transferred;
- (iv) the date of the transfer; and
- (v) the date of receipt or payment of money or assets;

(f) payments made to any member who leaves the scheme, other than on a transfer, including—

- (i) the name of that member;
- (ii) the date of leaving;
- (iii) the member's entitlement at that date;
- (iv) the method used for calculating any entitlement under the scheme; and
- (v) how that entitlement was discharged;

(g) payments made to any employer participating in the scheme;

(h) any amount due to the scheme which has been written off in the scheme's accounts; and

(i) any other payment to the scheme including the name and address of the person from whom it is received and, where a payment is made in respect of a member, the name of the member in respect of whom it is made.

Records of pension board meetings and decisions

6.—(1) In relation to any pension board meetings, the records which are specified are records relating to any such meeting including—

- (a) the date, time and place of the meeting;
- (b) the names of all the members of the pension board invited to the meeting;
- (c) the name of any person who attended the meeting and the capacity in which each attended; and
- (d) any decisions made at the meeting.

(2) In relation to any other decision made by the members of the pension board in the exercise of their functions as members of the pension board, the records which are specified are records relating to any such decision including—

- (a) the date, time and place of the decision; and
- (b) the names of the members of the pension board who participated in making the decision.

(3) In relation to any decision made by a committee or sub-committee of the pension board which has not been ratified by the pension board, the records which are specified are records relating to any such decision including—

- (a) the date, time and place of the decision; and
- (b) the names of the members of the committee or sub-committee who participated in making the decision

Amendment of the Occupational Pension Schemes (Scheme Administration) Regulations 1996

7. For regulation 16A of the Occupational Pension Schemes (Scheme Administration) Regulations 1996) (exemptions from the requirement to notify the Authority or the member of a late contribution payment) substitute—

“Exemptions from the requirement to notify the Authority or the member of a late contribution payment”

16A.—(1) Subject to paragraph (3), where an amount corresponding to any contribution payable on behalf of an active member of an occupational pension scheme—

- (a) is deducted from that member’s earnings in respect of any employment; and
- (b) is not paid to the trustees or managers of the scheme within the period of 19 days beginning on the first day of the month after which the deduction is made, the trustees or managers do not need to give notice of the failure to pay that amount within that period to the Authority or member in the circumstances specified in paragraph (2).

(2) The specified circumstances are where the trustees or managers of the scheme are exempt from the requirement—

- (a) to secure the preparation, maintenance and revision of a payment schedule for the purposes of section 87(1) of the 1995 Act (schedules of payments to money purchase schemes), by virtue of regulation 17; or
- (b) to prepare, review and if necessary revise a schedule of contributions under section 227 of the 2004 Act (schedule of contributions), by virtue of any of subparagraphs (a) to (i) and (k) to (m) of regulation 17(1) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005.

(3) Paragraph (1) does not apply in circumstances where the scheme is a public service pension scheme.

(4) For the purposes of this regulation—

“the 2013 Act” means the Public Service Pensions Act 2013;
“connected”, “new public body pension scheme” and “statutory pension scheme” have the meanings given in section 37 of the 2013 Act (general interpretation);

“public service pension scheme” means—

- (a) a scheme established under section 1 of the 2013 Act (schemes for persons in public service);
- (b) a new public body pension scheme;
- (c) any statutory pension scheme which is connected with a scheme referred to in para (a) or (b).

Explanatory note for this amendment

Under section 49 of the Pensions Act [1995 \(c. 26\)](#) trustees or managers must notify the Pensions Regulator and the member where there is a late payment of a contribution where such late payment is likely to be of material significance to the Pensions Regulator’s functions. Regulation 16A of the Scheme Administration Regulations sets out exceptions to that duty. The amendments mean that managers of public service pension schemes under the 2013 Act cannot benefit from the exception and will now be subject to the duty to notify.

Appendix 3

Measuring Benefit Administration Performance Targets

Calculating Employer Averages:

For each correct employer form received, the Fund will calculate the average based on whole days from the date of the event. A form received before the date of the event will count as a negative figure for the number of days beforehand, while a form received after the date of the event will count as a positive figure.

In order to avoid misleading statistics caused by such things as anomalies (e.g. a form coming in after several years), the Fund will measure performance in two different ways:

i) **Using an average:** Including any minus amounts, as illustrated below:

e.g. For three people starting on the same day 15/09/2009, where the Fund received the Starter forms on 11/09/2009, 16/09/2009 and 30/09/2009, the average would be calculated based on the figures -3, 2 and 12 (the number of working days between the dates).

Therefore the average would be $\frac{-3 + 2 + 12}{3} = 3.66$ days

3

ii) **Looking at the proportion** of forms received before the target day and displaying this as a percentage:

e.g. Five people left on the 31/03/2009 and we receive Leaver forms on 14/04/2009, 16/04/2009, 18/04/2009, 19/04/2009 and 14/05/2009.

The working days taken to receive each of these forms would be 11, 13, 14, 15 and 33.

4 out of 5 of these meet the 20 day prescribed target; therefore the Employer would have an 80% success rate of meeting the target.

Calculating WPF averages:

Averages will be calculated slightly differently for WPFs performance. As we are obviously unable to process the form before it arrives, no negative figures are possible.

Although we are keen to receive forms as early as possible, where we have received them a significant amount of time before the date of the event (except for retirements) we are not able to process them until relatively close to the date of the event. Therefore the Wiltshire Pension Fund "clock" for processing time will only begin for the period after the date of the event and the date that the correct form was received, as well as excluding time where we wait for the receipt of any queries.

Splitting of Events:

Where we have not been informed of a previous event (such as new starter, change of hours, leaver etc) and this has only been discovered at a later date as the result of further submission of data (e.g. a change of hours of someone who is not on our system), we will set up this as second separate task to be marked against the targets, rather than add it to the amount of time to deal with the original task.

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 DECEMBER 2015

UPDATE OF ADMINISTERING AUTHORITY DISCRETIONS POLICY

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval for the updated Administering Authority (AA) Discretions Policy for the Wiltshire Pension Fund.

Background

2. Under the Local Government Pension Scheme (LGPS) Regulations, there are a number of discretions available to both the AA and employer bodies in terms of the way they implement the Regulations.
3. The Regulations require that each AA and employer body must formulate, publish and keep under review their policy due to changes in the LGPS regulations that are issued from time to time from the Department for Communities & Local Government.
4. This report focuses entirely on the discretions of Wiltshire Council as AA for the Wiltshire Pension Fund. It does not look at the discretions of the Council as an Employer Body – that is a matter for the Council's Staffing Committee.
5. This paper effectively updates the previous policy approved by this Committee on 12 May 2011 and has been drafted to cover all of the Administering Authority's discretions as detailed in the LGPS Regulations 2013.

Considerations for the Committee

6. The proposed updated Policy Statement is shown in the Appendix and is broadly the same as previously agreed by this Committee. In reality, the policy is effectively restating policies that are currently in operation. This updated policy which will provide the following:
 - Guidelines to which staff administering the Fund on behalf of the committee will work within;
 - Confirmation of the responsibilities of officers acting on behalf of the Fund;
 - Transparency in processes undertaken.
7. These discretions have been amended to either cover or provide clarity on the following topics (and shown in the shaded boxes of the attached):
 - Additional clarification surrounding Admission Agreements (4);
 - Record keeping process for member's pension accounts (5);
 - Procedure for deciding which pension account should be aggregated in the absence of an election from a member (6);
 - Clarification of the timescales for payments to be made to the Fund by employers(10)

- Clarification of the requirement and format of data to be submitted by employers to the Fund accompanying payments (11);
 - The process of approving an application for a member wishing to buy extra pension but the Fund are not satisfied that the member is in good health (15);
 - Determining an impractical request for a member to buy extra pension over a period of time (16);
 - Clarification of the Fund's process if it will suspend an employer's obligation to pay an exit payment where the employer is likely to have active members within the period of suspension (22);
 - Defining whether the Fund would require any "strain costs" to be "paid up front" if an employer utilises its discretion to switch on the 85 year rule or waives actuarial reductions (26);
 - The procedure of approving medical advisors that are used by employers for guidance on ill health cases (30);
 - Defining procedures surrounding the local pension board (40 & 41);
 - Determining discretions upon which the Fund must make in respect of former employees where their former employer has ceased to be a Scheme employer (52, 53, 54 & 55)
 - Extending the limit by which a member must inform a WPF of their intention of taking their benefits before normal pension age (56)
8. The Committee will be asked to approve the updated policy following a verbal review from officers.
9. There are 6 discretions that the Fund has not published a policy on. It is deemed that these are not applicable.

Environmental Impacts of the Proposals

10. There are no known environmental impacts of this proposal.

Financial Considerations & Risk Assessment

11. There are no direct costs to Wiltshire Pension Fund or the Scheme's employers as a result of these policies.
12. The adoption of the policy will reduce the potential risk of Internal Dispute Resolution Procedure claims being submitted by members.

Reasons for Proposals

13. It is necessary to provide an up to date policy to comply with the latest LGPS regulations.
14. Regulation 60(1) of the LGPS 2013 Regulations requires the AA to prepare a policy in relation to the exercise of its functions in cases where a former employer has ceased to be a Scheme employer.

Proposals

15. The Committee is asked to approve the updated Discretions Policy Statement (Appendix)

MICHAEL HUDSON

Treasurer to the Pension Fund

Report Author: Craig Payne, Technical & Compliance Manager.

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

Wiltshire Pension Fund - Administering Authority Discretions 2015

Discretions from 1 April 2014 made under the following LGPS Regulations:

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

Key:

- * These are discretions which the Regulations require there must be a written policy
- + These are existing policies that were approved on 12 May 2011
- ++ These are new suggestions

Policy No	Regulation Reference	Brief Description	Wiltshire Pension Fund's (WPF) discretion
1 +	R3(5) & RSch 2, Part 3, para 1	Whether to agree to an admission agreement with a body applying to be an admission body	<p>Suggested: <i>Wiltshire Council's Chief Financial Officer has delegated responsibility for approval of admission agreements with Admission Bodies (ABs) regardless of the number of scheme entrants where:</i></p> <ul style="list-style-type: none"> • <i>they arise from transfers of existing LGPS scheme members (either in the Wiltshire Pension Fund (WPF) or another LGPS Fund); and</i> • <i>the original scheme employer (or another local authority with a "community of interest") provides a guarantee to the WPF of equivalent security to that which would have been given under the Regulations had the admission been a Transferee Admission Body.</i> <p><i>Applications from potential ABs which do not satisfy the terms above, but where the expected active membership within the WPF at the date of admission would be at least 10 people, will be decided by the WPF Committee assuming the applicant satisfactorily passes a risk assessment.</i></p>
2 +	R4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission	Suggested: <i>WPF will accept the admission of a Care Trust, NHS Scheme employing authority or Care Quality Commission subject to the relevant authority meeting the criteria set out in R3(5) & RSch 2, Part3, para 1.</i>
3 +	RSch 2, Part 3, para 9(d)	Whether to terminate a transferee admission agreement in the event of: - insolvency, winding up or Liquidation of the body - breach by that body of its obligations under the Admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	<p>Suggested: <i>In the first instance, the terms of the relevant Admission Agreement will apply.</i></p> <p><i>Where the terms of the relevant Admission Agreement leave the decision open to the Administering Authority, the Administering Authority will cease the admission agreement in the event of insolvency, winding up or liquidation of the body unless there are strong reasons not to do so. If the terms of the Admission Agreement are broken, WPF will try to resolve the matter, where possible, through reasonable means. If WPF is unable to resolve the matter satisfactorily, WPF will terminate the Admission</i></p>

			<i>Agreement.</i>
4 ++	RSch 2, Part 3, para 12(a)	Define what is meant by “employed in connection with”.	<i>Suggested: This applies where an admission agreement states that only those employed in connection with the service have the right to remain in the LGPS. A member should spend at least 50% of their time on the relevant contract to remain eligible to be an active member in the LGPS.</i>
5 ++	R22(3)(c)	Pension account may be kept in such form as is considered appropriate	<i>Suggested: WPF will maintain a separate pension account as required by legislation within the electronic pension administration system (Altair).</i>
6 ++	TP10(9)	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	<i>Suggested: WPF will proceed with what is considered to be the most advantageous decision to the member.</i>
7 +	R49(1)(c) & B42(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefits under 2 or more regulations in respect of the same period of Scheme membership	<i>Suggested: WPF will proceed with what is considered to be the most advantageous decision to the member.</i>
8 +	L12(5)	Frequency of payment of councillor’s Contributions	<i>Suggested: Councillor’s contributions are to be paid by the 19th of the month following the end of the pay period in which the deductions from pay were made.</i>
9 +	L17(4),(7),(8), & 89(4) & Sch 1	Whether to extend normal 12 month Period following end of relevant Reserve forces leave for "Cancelling notice" to be submitted by a councillor	<i>Suggested: WPF will extend the normal 12 month period when it can be reasonably shown that the member was not informed of this right.</i>

		member requesting that the service should not be treated as relevant reserve forces service	
10 ++	R69(1), L12(5) & L81(1)	Decide frequency of payments to be made over to the Fund by employers and whether to make an admin charge.	Suggested: <i>Employers are required to pay the following payments:</i> a) <i>Employer and Employee contributions – to be paid by the 19th of the month following the end of the pay period in which the deductions from pay were made;</i> b) <i>Pension Strain costs – to be paid within 30 days of the invoice date prepared by WPF;</i> c) <i>Administration costs – No direct charge will be levied against employers. WPFs actuary will apportion costs at each valuation and these will be reflected within the employer contribution rates;</i> d) <i>Employer performance charges – to be paid to WPF within 30 days of the formal written notification and invoice.</i>
11 ++	R69(4) & L81(5)	Decide form and frequency of information to accompany payments to the Fund	Suggested: <i>Employers must provide the information set out in Regulation 69(3) of the LGPS Regulations 2013. This must be provided on a monthly basis and in appropriate electronic format as agreed by WPF.</i>
12 +	R70 & TP22(2)	Whether to issue employers with notice to recover additional costs incurred as a result of the employer's level of performance	Suggested: <i>WPF will consider each case on its individual merits and take in consideration the level of cost incurred by the Fund. WPF sets out the procedure and circumstances where costs might be recoverable in its Administration Strategy.</i>
13 +	R71(1) & L82(1)	Whether to charge interest on payments by employers overdue by more than 1 month	Suggested: <i>WPF will follow the procedures outlined in the Fund's Administration Strategy before issuing such a charge. If a charge is issued then the rate will be 1% above base rate compounded quarterly.</i>

14 +	R16(10)	Whether to require a satisfactory Medical before agreeing to an application to pay an Additional Pension Contribution (APC) or Shared Cost APC	Suggested: <i>WPF will require that any member wishing to take up APC/SCAPC where the contributions will be paid monthly, obtains a medical certificate from a GP or another appropriate qualified medical practitioner at the cost of the member stating that as far as they are aware, or can reasonably assess, that they have no reason to believe that the member will retire on health grounds before the age of 65 or the members State Pension Age if later.</i>
15 ++	R16(10)	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	Suggested: <i>WPF will assess each case and a decision will be determined on its individual merits.</i>
16 ++	R16(1)	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	Suggested: <i>WPF will turn down a request to pay an APC/SCAPC where the contract is less than £20 per month.</i>
17 +	TP15(1)(d) & A28(2)	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/14)	Suggested: <i>Members may request a quote for free that is valid for three months. In the exceptional case that WPF are asked to do another, we reserve the right to make a charge.</i>
18 +	R17(12)	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	Suggested: <i>WPF will endeavour to comply with the members wishes by taking into consideration the nominee(s) stated on a completed WPF 'expression of wish' form. However, if WPF has a reasonable reason to believe the member would have no longer wished the stated person(s) to be the nominee(s), or because their nomination is no longer valid (i.e. they have died), or WPF have reasons to believe that alternative beneficiaries should be taken into consideration then WPF reserves the right to use its</i>

			<i>absolute discretion when deciding to whom any AVC/SCAVC monies are to be paid upon the members' death. Where WPF is unable to pay any AVC/SCAVC monies to a stated nominee, either because none is stated or for the reasons above, WPF will make payment to the person's estate.</i>
19 +	R55*	<p>Governance policy must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state</p> <ul style="list-style-type: none"> - the frequency of any committee or sub-committee meetings - the terms of reference, structure and operational procedures appertaining to the delegation - whether representatives of employing authorities or members are included and, if so, whether they have voting rights. -The policy must also state the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying. -The terms, structure and operational procedures appertaining to the local Pensions Board 	Suggested: <i>WPF has a Governance Policy on its website. It can be found here.</i>
20 +	R54(1)	Whether to set up a separate Admission agreement fund	Suggested: <i>New admitted bodies will be set up as standalone employers within the Fund unless all the parties to the admission agreement agree to allow to the admitted bodies pension assets and liabilities to remain</i>

			<i>merged with the letting authority.</i>
21 +	R58*	Decide on Funding Strategy for inclusion in funding strategy Statement	Suggested: <i>WPFs Funding strategy is available for inspection on the WPFs website. www.wiltshirepensionfund.org.uk/funding-strategy-2013.pdf</i>
22 ++	R64(2A)	Whether to suspend, for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension	Suggested: <i>WPF will not normally use this discretion unless there is a specific business case. In which case, following consultation with the Fund's actuary, WPF reserves the right to use this discretion after considering each case on its merits.</i>
23 +	R64(4)	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	Suggested: <i>WPFs policy is to obtain a 'cessation valuation' when the admission agreement terminates. WPF's approach to the cessation valuation is contained in the WPF's cessation policy which is available on WPFs website. www.wiltshirepensionfund.org.uk/cessation-policy.pdf</i>
24 +	R65	Decide whether to obtain a new Rates and adjustments certificate if The Secretary of State amends the Benefits Regulations as part of the "cost sharing" under R63	Suggested: <i>WPF will consider the likely extent of any such changes on employer rates and the amount of time remaining before the next triennial valuation before deciding whether the administrative cost of making such a change is justifiable.</i>
25 +	R68(2) & L80(5)	Whether to require any strain on Fund costs to be paid "up front" by employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement or any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age	Suggested: <i>WPF will require costs relating to redundancy, flexible retirement and the waiver of any actuarial reduction on flexible retirement to be paid "up front". WPF will invoice for such payments and will require payment to be made within its normal invoice terms. If there is any cost to the fund for deferred benefits being released at the employers consent before the former member attains age 60 these will be recharged to the former employer of the member concerned.</i>
26	TPSch 2,	Whether to require any strain on Fund	Suggested: <i>WPF will require costs relating to the employer "switching on"</i>

++	para 2(3)	costs to be paid “up front” by employing authority if the employing authority “switches on” the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction under TPSch 2, para 2(1) or releases benefits before age 60 under B30(1) or B30A.	<i>the 85 year rule or waiving an actuarial reduction to be paid “up front”. WPF will invoice for such payments and will require payment to be made within its normal invoice terms.</i>
27 +	TSch1 & L83(5)	Extend time period for capitalisation of added years contract	<i>Suggested: WPF will favourably view an extension of the period of time to capitalise an added years contract where it benefits all parties involved.</i>
28 +	A45(3) & L89(3)	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	<i>Suggested: WPF will normally deduct any unpaid employee contributions from benefits.</i>
29 +	R82(2), A52(2), L95	Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate/letters of administration	<i>Suggested: WPF will normally make payments due in respect of deceased persons without the production of probate or letters of administration of estates, where the amounts due are below the amount specified in any order under section 6 of the Administration of Estates (Small Payments) Act 1965. [Currently applies to all death payments under £5,000].</i>
30 ++	R36(3), A56(2), L97(10)	Approve medical advisors used by employers (for ill health benefits)	<i>Suggested: WPF requires each employer to provide details of the Independent Registered Medical Practitioner (IRMP) they wish to use for ill health purposes and will provide WPF with evidence of the medical qualifications held. If satisfied, WPF will approve the IRMP and maintain a list on WPFs website of the name and contact details of the approved IRMP.</i>
31 +	R76(4), A60(8), L99	Decide procedure to be followed by admin authority when exercising its stage two IDRPs and decide the manner in which those functions are to be	<i>Suggested: Stage 1 IDRPs will be determined by Mr Mark Hodgkinson of Muse Advisory. Stage 2 IDRPs will be determined by the Administering Authority following a review of the case being undertaken by Hymans Robertson.</i>

		exercised	
32 +	R79(2), A63(2) & L105(1)	Whether Admin. Authority should appeal against employer decision (or lack of a decision)	Suggested: <i>WPF will only appeal against employer decisions, by approaching the Secretary of State for determination, in exceptional cases where the Fund is adversely affected.</i> <i>In the first instance, regarding all levels of employer decisions, WPF will attempt to resolve the matter with the employer in the first instance.</i>
33 +	R80(1)(b), TP22(1) & A64(1)(b)	Specify information to be supplied by employers to enable admin. authority to discharge its functions	Suggested: <i>WPF will specify the standard information and actions required by employers, their format, frequency and level of accuracy in an online Employer's Guide and Administration Strategy.</i>
34 +	R59(1) & (2)	Whether to have a written pensions administration strategy and, if so, the matters it should include	Suggested: <i>WPF has written pension administration strategy and this can be found on the WPF website.[Include link to new PAS]</i>
35 +	R61*	Communication policy must set out policy on communicating with members, representatives of members, prospective members and employing authorities and format, frequency and method of communications	Suggested: <i>WPF has written Communication Strategy and this can be found on the WPF website.</i> www.wiltshirepensionfund.org.uk/communications-policy-2015.pdf
36 +	TP3(13), A70(1)* & A71(4)(c) & T12 & L109* & L110(4)(b)	Decide policy on abatement of pensions following re-employment	Suggested: <i>WPF will not abate pensions following re-employment.</i>
37 +	R98(1)(b)	Agree to bulk transfer payment	Suggested: <i>WPF will agree to bulk transfer payments where, with actuarial advice and where necessary with employer consultation, the Fund believes the amount transferred represents a fair valuation of benefits.</i>

38 +	R100(6)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	Suggested: <i>WPF will normally only agree to extend the normal time limit for the acceptance of a transfer value where the employer also agrees to the extension of the normal time limit.</i>
39 +	R100(7)	Allow transfer of pension rights into The Fund	Suggested: <i>WPF will allow members to transfer in pension rights in subject to the transferring scheme meeting legislative requirements. WPF reserves the right to obtain actuarial advice if the Fund feels that the acceptance of a transfer may create a substantial liability to the Fund.</i>
40 ++	R106(6)	Decide procedures applicable to the local pension board	Suggested: <i>Wiltshire Council as administering authority has determined the procedures applicable to the local pension board in its full council meeting dated 24 February 2015.</i>
41 ++	R107(1)	Decide appointment procedures, terms of appointment and membership of local pension board	Suggested: <i>Wiltshire Council as administering authority has determined the procedures applicable to the local pension board in its full council meeting dated 24 February 2015</i>
42 +	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the Deceased member	Suggested: <i>Where WPF is aware that member's family would have benefited from such an election and the member did not have the opportunity to make the election themselves, WPF will make the election on the member's behalf which provides the largest benefit to the member's family.</i>
43 +	L47(1), L47(2), G11(1) & G11(2)	Whether to pay the whole or part of a child's pension to another person for the benefit of that child	Suggested: <i>Where there is more than one eligible child WPF will divide a children's pension equally between them. Where a child is under 18 WPF will normally pay their pension to the person who has the care of the child, to be applied for the benefit of that child, or to an account in the name of the eligible child if the carer of the child so wishes.</i>
44 +	R83, A52A	Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	Suggested: <i>WPF will determine whether the individual is by reason of mental disorder or otherwise incapable of managing their affairs. If this is the case, WPF will pay benefits to a person managing the affairs in accordance with an enduring Power of Attorney or correspondence received from a solicitor.</i> <i>Where the individual is a child and under the age of 18, WPF will normally</i>

			<i>pay their pension to the person who is responsible for the care of that child. The pension is to be applied for the benefit of that child, or paid into a bank account in the name of the child if the carer of the child wishes.</i>
45 +	TP17(5) to (8) & R40(2), R43(2) & R46(2) & B23(2) & B32(2) & B35(2) & TSch1 & L155(4) & L38(1) & L155(4) & E8	Decide to whom death grant is paid	<i>Suggested: WPF will endeavour to comply with the members wishes by taking into consideration the nominee(s) stated on a completed WPF 'expression of wish' form. However, if WPF has a reasonable reason to believe the member would have no longer wished the stated person(s) to be the nominee(s), or because their nomination is no longer valid (i.e. they have died), or WPF have reasons to believe that alternative beneficiaries should be taken into consideration then WPF reserves the right to use its absolute discretion when deciding to whom any death grant is to be paid upon the members' death. Where WPF is unable to pay the death grant to a stated nominee, either because none is stated or for the reasons above, WPF will make payment to the person's estate.</i>
46 +	RSch 1, TP17(9)(b) & B25	Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member	<i>Suggested: The evidence to determine financial dependence or interdependence will be assessed and agreed on a case by case basis and will include but not be restricted to items such as evidence of a joint bank account, shared utility bills, joint mortgage arrangements, insurance policies, joint loans etc.</i>
47 +	TP17(9)(a), RSch 1,	Decide to treat child as being in continuous education or training despite a break	<i>Suggested: WPF will treat a child as being in continuous education or training in all cases where the child is under age 18. Where the child is aged between 18 and 23, WPF will ignore all breaks up to 6 months.</i>
48 +	R34(1), B39, T14(3), L50 & L157	Decide whether to commute small pension	<i>Suggested: WPF will offer commutation of benefits where the capital value of their LGPS and all other scheme's/fund's do not exceed HMRC's limits and all benefits from these funds are commuted within a period of 12 months. Members are required to provide information on all their pension rights held in a HMRC tax-approved pension arrangement in order for WPF to determine whether the benefits can be commuted. Members are</i>

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

		(Where employer has become defunct)	
54 ++	B30(2)* & B30A(3)*	Whether to grant application for early payment of deferred benefits or a suspended tier 3 ill health pension on or after age 55 and before age 60 (Where employer has become defunct)	Suggested: <i>WPF will refer requests to be considered by Wiltshire Council's relevant Service Director in conjunction with the Associate Director for Finance. Each case will be assessed on its merits taking into account factors such as costs.</i>
55 ++	B30(5)* & B30A(5)*	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early.	Suggested: <i>WPF will refer requests to be considered by WPFs Committee. Individual circumstances will be reviewed and assessed against the Oxford Dictionaries definition of compassion – "inclined to pity or mercy".</i>
56 ++	R32(7)	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	Suggested: <i>WPF will extend the time limit that a member must advise the fund of their intention to receive their benefits.</i>

LOCAL PENSION BOARD

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 22 OCTOBER 2015 AT NORTH WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Kirsty Cole, Lynda Croft, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

David Anthony, Catherine Dix, Ian Colvin

17 **Membership**

Kirsty Cole explained that she would be resigning her position from the Local Pension Board as she did not have the capacity to dedicate sufficient commitment to the role.

18 **Attendance of non-members of the Board**

Ian Colvin, Head of Benefit Consultancy Hymans Robertson, was in attendance as an advisor. Catherine Dix, Strategic Pension Manager, attended as an observer.

19 **Apologies**

Apologies for absence were received from Cllr Christopher Newbury (Pension Board member), Cllr Dick Tonge (Observer) and Michael Hudson (Treasurer to the Pension Fund).

20 **Minutes**

Members considered that an action tracker would be useful to attach to the minutes of each meeting.

Resolved:

To confirm as a true and correct record the minutes of the meeting held on 16 July 2015.

21 **Declarations of Interest**

There were no declarations of interest.

22 **Chairman's Announcements**

There were no Chairman's Announcements.

23 **Public Participation and Councillors Questions**

There was no public participation.

24 **Amendments to the Terms of Reference**

Libby Beale, Senior Democratic Services Officer, presented amendments to the Board's Terms of Reference that had been recommended by officers. One proposed amendment served to clarify that decisions put to the vote would be won by a simple majority. A further amendment was for meeting agendas to be published 5 days in advance of the meeting, reduced from 7 days, to assist officers in preparing reports. If agreed by the Board, the amendments would be made by the Associate Director for Finance.

Resolved:

To endorse the amendments to paragraphs 47c and 67 of the Terms of Reference to read:

Para 47c 'The chair of the Board....Shall seek to reach consensus and ensure that decisions are properly put to a vote, won by a simple majority, when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.'

Para 67 'The agenda and supporting papers will be issued at least 5 working days in advance of the meeting except in the case of matters of urgency'

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

David Anthony, Head of Pensions, updated on consultations published since the last meeting of the Board.

In July 2015 the Government had announced its intention to pool the assets of Local Government Pension Scheme (LGPS) funds, it had also been suggested that more asset investment should be made in new, UK infrastructure. Guidance on pooling was expected to be issued shortly, however the Local Government Association had asked funds to begin assessing options available to them, the pools of collective investments were expected to be £25-30bln in

size. The Wiltshire Pension Fund was in dialogue with other Funds in the South West to explore the potential for a South West Collective Investment Vehicle, this pooling could involve a range of options from a Collective Investment Vehicle (CIV) to a joint committee approach, but strategic asset allocations would remain with each local fund. A South West Collective Investment Vehicle currently would total £20bln.

The Board raised questions as to whether funds could buy out Private Finance Initiative (PFI) contracts, the officer advised that the Government had not yet commented on this but PFIs would be attractive to Funds due to low development risks. It was commented that the Funds in the Collective Investment Vehicle could potentially buy and sell liquidity between them.

An update was also given on the Government consultation on the Public Sector Exit Cap. It was confirmed that the Fund had responded with a number of concerns, namely that pension straining costs were included in the cap and this could adversely impact upon long-serving low earners in the Fund. The Government had responded to feedback but would continue to include straining costs. The changes were anticipated to come into force in April 2016 and would necessitate changes to Local Government Pension Scheme (LGPS) regulations. Following questions from members, it was verified that approximately 10% of those with pension straining costs were expected to be affected; Full Council could exempt the penalties but this would be on a case by case basis and the expectation was that this would be seldom used. It was commented that other funds were not funded and so not susceptible to straining costs. The Board agreed that the effect of the cap on the Fund's valuation and on employers and members should be reviewed and communicated as soon as possible.

The Board heard that HMRC had launched a consultation on strengthening incentives to save; officers supporting the Fund and advisors from Hymans Robertson were concerned that taxing pension contributions would deter people from contributing. The Board was updated on the Annual Benefit Statement exercise for 2015 which had been the first with the LGPS care scheme in place. It had proved challenging to get details from employers since they now had to provide two figures for year end pay, data from some employers was missing and they had been written to and warned that lateness would need to be reported to the Regulator in future. Due to new statutory requirements, these statements now had to be sent by the end of August instead of November. Although the print extract had been completed prior to the deadline, circulation had been a few days late due to printing problems, however officers did not consider this a material breach, therefore would not report it to the Pensions Regulator (tPR). It was agreed that officers should endeavour to reduce the timescale for sending statements to the printer to mid- August.

Resolved:

To note the updates.

To recommend to the Wiltshire Pension Fund that full consideration is given to the legal duties of the Fund and the administration of assets arising from pooling assets in a Collective Investment Vehicle.

To recommend to the Wiltshire Pension Fund that changes arising from the public sector exit cap be communicated to employers and members and that the impact of changes on the Funds valuation be considered.

To recommend to the Wiltshire Pension Fund that plans are put in place with employers and printers to ensure all Annual Benefit Statements are issued by the 31st August 2016.

26 Review of Pension Fund Annual Report and Financial Statements

The Board received the Pension Fund Annual Report for 2014/15, including its Financial Statements approved by the Pension Fund Committee for review. The Chairman suggested that updates on governance be brought forward in future Annual Reports, a 5 year timeline to illustrate performance be included and any breaches reported to the Regulator also to be included. The Board would produce its own annual report which would be available on the Pension Board part of the fund's website.

Resolved:

To note the Pension Fund Annual Report for 2014/15.

To recommend that future Annual Reports contain details of governance earlier in the report, a five-year timeline for performance, and details of breaches reported to the regulator.

27 Review of External Audit Report

A report presented the KPMG External Audit report for review; officers advised that since there were no actions arising from the report a separate report to that of the administering authority was not required. The Board thanked the Pensions team for their hard work.

Following questions, members heard that auditors were appointed by Council and following a partner rotation and suggested that clarification of the audit appointment process be sought and a review be undertaken if necessary. It was confirmed that the auditors had reviewed and signed off the Fund's Annual Report. The Chairman requested that in future, the Board be able to scrutinise the Annual Report and Accounts and the external auditors report before the publication of the Annual Report.

Resolved:

To note the External Audit Report from KPMG.

That the Head of Pensions confirm to the Board the process for appointing external auditors.

To request that the 2015/16 Annual Report, Accounts and the external auditor report are reviewed by the Board prior to external publication.

28 Update on the Internal Audit Report

A report presented the latest position in regards to the agreed action plan within the SWAP Internal Audit report. It was explained that all of the actions had been completed with the exception of 1.7a Workflow Procedures and 2.1a GMP Procedures, and 3.6a Performance Management. These actions had been delayed due to staff vacancies in the posts of Technical and Compliance Manager and Fund Development Manager. The positions had recently been filled and the actions would be completed by the end of the year. As with the external auditors, the internal auditors had been appointed by Council.

Resolved:

To note the updated position of the internal audit report and action plan.

29 Review of the Risk Register

David Anthony presented the Fund's Risk Register for note, he explained risks were registered according to impact and significance. Since the last report PEN008 'Failure to comply with LGPS and other regulation' had increased from a low to medium risk. Another notable risk was the vacant post of Employer Relationship Manager.

The Board recommended that the collective pooling of funds and the public sector exit cap be added to the Risk Register. There was concern that there may not be sufficient assets in the South West for a Collective Investment Vehicle and around the extra administrative burdens of establishing a Collective Investment Vehicle and applying the exit cap. Members questioned PEN 004 and it was confirmed that should the Wiltshire Council web system go down, the pensions system could still be accessed remotely. It was agreed that the Board should regularly review the Risk Register and suggested that risks be categorised, in addition to numbered, under strategic headings of 'Regulatory and Governance', 'Funding and Investments', 'Benefits Administration and Communications'.

Resolved:

To note the Risk Register and measures being taken to mitigate risks.

To recommend the adding of the pooling of investments and the public sector exit cap as risks.

To recommend the risks be categorised, under strategic headings of 'Regulatory & Governance', 'Funding & Investments', Benefits Administration & Communications'.

30 Training Items: Conflicts of Interest and Code of Conduct

Hymans Robertson presented a short training session on the reasons for implementing a Conflicts of Interest policy and how conflicts were to be identified and managed. It was highlighted that members would be asked to declare any interests on a Register of Interests and again if relevant items came up at meetings. It was explained that potential conflicts could be managed but real conflicts were not permitted. Members were reminded that perceived conflicts should also be reported to Democratic Services. Examples of conflicts of interest were discussed.

The advisor also presented on a policy for the Fund to respond to breaches of the law. The steps of the breaches policy were explained as: identifying a potential breach, assessing whether there was reasonable cause, the material significance of the breach, reporting it and keeping a record of breaches and actions taken. It was confirmed that breaches would be reported to the Committee and Board. The Pensions Regulator, in the first instance, would work with Funds to establish processes to prevent future breaches; persistent breaches would trigger legally binding courses of action and then fines. Members considered whether in certain situations it may not be appropriate for the Section 151 officer to report breaches, and the whistleblowing policy would refer this to a different appropriate officer, such as the Monitoring Officer.

The Board thanked Ian Colvin for his informative session.

31 Code of Conduct and Conflict of Interest Policy

The Board was presented with a Code of Conduct and Conflict of Interest policy in line with regulations and advice from Hymans. It was confirmed that the Register of Interest for members would be published on the website and conflicts of interest would also be disclosed and published.

Resolved:

To approve the attached Code of Conduct and Conflict of Interest policy guidelines.

32 Breaches Policy

The Board received a draft Breaches policy that the Pension Fund Committee was to consider its next meeting.

It was acknowledged that in the event of a breach, a special meeting of the Board may need to be called to discuss these between scheduled meetings. Comments on the breaches policy included that breaches should be monitored by the Board, and reported in the Fund's annual report and also on the Fund's website. The Head of Pensions would ensure that all members of the Board undertook the Pension Regulator (tPR) training as this was a statutory requirement, and the Board strongly recommended that Pension Fund Committee members also undertake this training. It was suggested that a collective session for both Board and Committee members could be appropriate. There was also discussion as to whether the Monitoring Officer should be the person responsible for the reporting of breaches and not the Section 151 Officer due to the potential for a conflict of interest. Officers felt that this could be managed and that the Board would be monitoring the reporting of breaches

Resolved:

To endorse the draft Breaches Policy and recommend adoption by the Pension Fund Committee subject to the following additional requirements: that breaches be reported to the Board, published in the Fund's annual report and also on the Funds website

That the Pension Fund Committee consider whether the Monitoring Officer should be responsible for the reporting of breaches instead of the Section 151 officer.

That future amendments to the Breaches Policy be reported to the Local Pension Board.

To recommend to the Pension Fund Committee that its members undertake tPR training.

33 Training Plans Update

The Head of Pensions updated on the progress in implementing a training plan for the Local Pension Board; members had already received some training sessions and would continue to receive these on a permanent basis. Training resources were to be collated to construct a handbook and the Pensions Regulator toolkit could also be used. Members had been sent self-assessment forms and were reminded to return these as soon as possible, the Chairman encouraged his colleagues to attend conferences and training sessions externally and record these in their training log. It was noted that training for Local Pension Board members was a legal requirement and officers were

requested to publish training records in the Annual Report. The Chairman invited members to feedback from conferences they had attended as a standing item on the agenda.

Resolved:

To note the update on training plans.

To receive an update at the next meeting on self-assessment forms.

To include members training records in the Annual Report.

34 Local Pension Board Work Plans

The Chairman introduced a proposed work plan for the Local Pension Board which was designed around the Fund's own work plan and the Boards requirements to secure compliance with LGPS regulations and Pension Regulator requirements. Members agreed that the work plan should be reported to the Committee to assist its understanding of the Board's contribution.

It was acknowledged that the work plan was ambitious and that approximately six items of business would need to be considered at each meeting; certain items had been deferred to allow the Board to be sufficiently trained to consider them. It was stressed that the Board could make recommendations to the Committee and also request information and resources; it was commented that the Board would be well-placed to examine operational issues that would not normally go to the main Committee along with governance arrangements. The next meeting would include: training items on tPR code, budget setting, the training programme, inputting into the audit process, the Business Plan and the Funds discretions policy. It was suggested that the work plan also be categorised under topics and the July 2015 meeting be added to track the Board's progress from inception. It was felt that as the work plan developed the Board and the Fund would need to consider PEN 19 on the Risk Register relating to the resource required to support the Board.

Resolved:

To note the report and rational for a forward work plan.

To approve the draft work plan as outlined in the appendix.

To report the work plan to the Pension Fund Committee.

35 How did the Board do?

The Chairman invited the Board to feedback from the meeting. Comments included that the work plan was beginning to follow a structure and the general policy update from the Head of Pensions had been very useful.

36 **Urgent items**

It was confirmed that the profiles of members and their Registers of Interest would be published on the website in advance of the next meeting.

37 **Date of next meeting**

The next regular meeting of the Board was to be held on 14 January 2016.

38 **Exclusion of the Public**

Resolved:

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 number 39 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.

39 **Draft Wiltshire Pension Fund Committee and Investment Sub-Committee Minutes and Key Decisions**

Members considered the minutes of the last meetings of the Wiltshire Pension Fund Committee and Investment Sub Committee. It was commented that the Board's work plan may help to address questions the Committee had about its purpose. The Chairman advised that the Pension Fund Committee should consider different flight path options to ensure it could challenge the advice from the actuary. The Head of Pensions advised that he would provide an overview of the flight paths at the next meeting.

Resolved:

To note the draft minutes of the Wiltshire Pension Fund Committee and Investment Sub Committee meetings.

(Duration of meeting: 10.30 am - 12.55 pm)

The Officer who has produced these minutes is Libby Beale (Senior Democratic Services Officer), of Democratic Services, direct line 01225 718214, e-mail Elizabeth.beale@wiltshire.gov.uk

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

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Date of Next Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Recurring annual, biennial or triennial main business items:														
Board Budget setting		✓				✓				✓				✓
Board KPIs to monitor			✓				✓				✓			
Board Annual Report			✓				✓				✓			
Review Board's Terms of Reference (if and as required)				✓				✓				✓		
Board Annual Training Plan Update	✓				✓				✓				✓	
Review Fund Training Programme		✓				✓				✓				✓
Code of Conduct & Conflicts of Interest Policy	✓												✓	
Review all Fund Declarations of Interest			✓				✓				✓			
Review Fund Annual Report	✓				✓				✓				✓	

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Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review Fund Annual Accounts	✓			✓				✓				✓		
tPR Code of Practice 14/record keeping compliance survey results			✓								✓			
Input to Annual External Audit Plan			✓				✓				✓			
Review External Audit Report	✓				✓				✓				✓	
Input to Annual Internal Audit Plan		✓				✓				✓				✓
Review Internal Audit Report	✓			✓				✓				✓		
Review Fund Annual Business Plan		✓				✓				✓				✓
Review Admin Strategy		✓				✓				✓				✓
Review fund delegations and internal controls						✓								✓
Review Governance Compliance Statement			✓				✓				✓			
Review external advisor appointments process/controls and internal SLAs					✓								✓	
Review Admin Authority Discretions		✓								✓				

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review employers compliance (data)					✓			✓				✓		
Review Fund fraud risk prevention and mitigation measures					✓								✓	
Review of Data Security & Business Recovery								✓				✓		
Review Fund Communications (employers/members)			✓				✓				✓			
Review Fund website contents/resilience						✓								✓
Review of Fund IDR procedures & cases						✓								✓
Review Triennial Valuation Process					✓									
Review Funding Strategy Statement							✓							
Review Statement of Investment Principles/compliance with FRC stewardship code				✓				✓				✓		
Results of national LGPS KPI survey and Funds own KPIs				✓				✓				✓		

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review CIPFA Admin, WM investment and other Fund benchmarking results						✓				✓				✓
Other ad hoc or irregular business Items:														
Review GMP reconciliation process									✓					

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

10 December 2015

Code of Conduct and Conflict of Interest Policy for the Local Pension Board

Purpose of the Report

1. The purpose of this report is to request the Wiltshire Pension Fund Committee approve the attached Code of Conduct and Conflict of Interest Policy guidelines for the Local Pension Board (LPB).

Background

2. To ensure sound governance of the LPB, there are certain principles that LPB Members must follow, particularly in relation to code of conduct and conflicts of interest.
3. The Regulations along with the Pension Regulators Code of Practice (no14), and the Shadow Scheme Advisory Board's guidance outline a duty on Wiltshire Council to satisfy itself that LPB Members don't have conflicts of interest on appointment or whilst they are Members of the LPB. LPB Members need to be made aware of their duties under a code of conduct.
4. To fulfil this obligation officers, have in association with assistance from Wiltshire Council legal services and Hymans Robertson developed the attached Code of Conduct and Conflicts of Interest Policy.
5. This has been presented to the LPB and training given to its Board members as to its purpose and application. In essence the guidelines places a requirement for all LPB Members to notify Democratic Services of any potential conflict of interest arising as a result of their position on the Board and in line with all other meetings at the Council, there is a standing item titled Declarations of Interest at the start of the meeting where any declaration of interest in relation to items on the agenda should be made.
6. These guidelines should be reviewed by the Committee annually.

Considerations for the Committee

7. This Committee, using its delegated powers from Wiltshire Council is requested to approve and adopt the attached Code of Conduct and Conflict of Interest Policy Guidelines in relation to the LPB.

Environmental Impact of the Proposal

8. Not applicable.

Financial Considerations & Risk Assessment

9. There are no significant financial implications from this report.

10. The implementation of the Code of Conduct and Conflicts of Interest Policy Guidelines will assist in mitigating the reputational risk should an issue arise which hasn't been identified or managed.

Legal Implications

11. There are no material legal implications from this report. Legal Services have been consulted regarding the legislation referred to in this report and have assisted with drafting.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposals

13. To ensure the LPB has a policy to address Code of Conduct and Conflict of Interests issues.

Proposals

14. The Committee is asked to approve the attached Code of Conduct and Conflict of Interest policy guidelines.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Code of Conduct and Conflict of Interest Policy Guidelines for Members of the Wiltshire Pension Fund Local Pension Board

Status of this document

The Terms of Reference for the Board set out:

- the Board's code of conduct requirement; and
- the Administering Authority's conflict of interest policy for the Board (the Conflict Policy):

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Conflicts of interest

54. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.

55. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

56. On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the 2013 Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.

This document contains the Committee's policy guidelines on conduct of Board members and conflicts of interest. These guidelines will be reviewed and approved by the Committee at least annually.

Objectives of this document

1. To set out the principles and internal procedures that the Administering Authority and all Board Members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice, government guidance and public law principles.
2. To ensure that all Board members are aware of their duty to act independently and carry out their roles to a high ethical standard.
3. To set out procedures for identifying, monitoring and managing potential conflicts to ensure they do not become actual or perceived conflicts of interest.
4. To ensure that a Register of Member Interests is kept, reviewed and published.
5. To remove any perception that the actions of a Board member have been influenced by a conflict of interest.
6. To ensure that public confidence in the governance of the Fund is maintained.

Definitions used in this document

“2011 Act”	The Localism Act 2011 (as amended from time to time)
“2013 Act”	The Public Service Pensions Act 2013 (as amended from time to time)
“Administering Authority”	The administering authority for the Fund, Wiltshire Council. The Administering Authority is the scheme manager for the purposes of the 2013 Act.
“Board”	The Wiltshire Pension Fund Local Pension Board
“Code”	The Pensions Regulator’s Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
“Committee”	The Wiltshire Pension Fund Committee
“Conflict Policy”	The conflict of interest policy of the Board set out in the Terms of Reference (as amended from time to time)
“Councillor”	An elected or co-opted member of a local authority
“Declaration of Interest Form”	The form used to declare Relevant Interests as amended from time to time, currently as attached to this document at Appendix 1
“Fund”	The Wiltshire Pension Fund within the LGPS, managed and administered by the Administering Authority
“Relevant Interest”	Any company directorship, trusteeship, other post (whether remunerated or not), financial interest or personal interest belonging to a Board member or a Board member’s spouse, civil partner or cohabitee, where such interest is likely to be affected by, or relevant to, the work of the Board.
“Register of Member Interests”	The register of member interests kept by Democratic Services to record Relevant Interests. Democratic Services is the Board Secretary for the purposes of the Terms of Reference
“Regulations”	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
“Scheme Advisory Board”	The Local Government Pension Scheme Advisory Board set up under section 7 of the 2013 Act
“Shadow SAB Guidance”	Local Government Pension Scheme (LGPS): Guidance on the creation and operation of Local Pension Boards in England and Wales

1. Code of Conduct for Board members

Government guidance on conduct of local pension board members

The Scheme Advisory Board provides advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the LGPS and their pension funds. The Scheme Advisory Board's predecessor was the Shadow Scheme Advisory Board. The Shadow Scheme Advisory Board published the Shadow SAB Guidance. If the Scheme Advisory Board adopts the Shadow SAB Guidance, the Administering Authority and the Board must have regard to it under section 7(3) of the 2013 Act. In any event, the Administering Authority and the Board should have regard to the Shadow SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the Shadow SAB Guidance deals with conduct of local pension board members.

Code of Conduct

Board members must have regard to the "Seven Principles of Public Life" (also known as the Nolan Principles). As members of a publicly-funded body involved in the discharge of public business, all Board members must comply with these principles in the exercise of their functions. The principles require the highest standards of conduct.

The Seven Principles of Public Life are:

Selflessness - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership - Holders of public office should promote and support these principles by leadership and example.

Information provided to a Board member in the course of his or her duties is confidential and must only be used for the purposes of the Board. Board members must not disclose any information given to them in confidence without the written consent of a person who is authorised to give it, or unless required by law to do so. Board members must seek the advice of Democratic Services before disclosing any information given in confidence.

Board members should not accept any personal gifts or hospitality from any individual or organisation (including contractors and/or outside suppliers) which has or may have a specific interest in the work of the Board.

Regulation 107 of the 2013 Regulations allows Councillors to sit on a local pension board in certain circumstances. Councillors are subject to the separate code of conduct adopted by their local authority in accordance with the 2011 Act. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the code of conduct above.

2. Conflict of Interest Policy Guidelines

What is a Conflict of Interest?

The 2013 Act makes it a legal requirement that members of local pension boards do not have a conflict of interest. Section 5(5) of the 2013 Act defines a conflict of interest as;

A financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)

A conflict of interest may arise when a member of a local pension board:

- must fulfil their legal duty to assist the Administering Authority; and
- at the same time has:
 - a separate personal interest (financial or otherwise); or
 - another responsibility in relation to that matter,
 giving rise to a possible conflict with their first responsibility as a local pension board member.

A possible conflict could also arise due to a member's partner, family member or close associate having a specific responsibility or interest in a matter.

The key issue for a Board member is to consider whether they are subject to a conflict of interest which prevents them from acting entirely independently in their capacity as Board member. It is recognised that from time to time a person may have interests or responsibilities which are not aligned with their responsibilities as a Board member, but these do not prevent the person from fulfilling their responsibilities as a Board member. This situation may occur when the separate interest is sufficiently immaterial and so does not conflict with the member's first obligation to the Board.

Relevant Legislation

The Regulations effect the requirements of section 5 of the 2013 Act in relation to the LGPS.

Regulation 108 of the Regulations states:

108 Local pension boards: conflict of interest

(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest.

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

Regulations 108(1) and (3) prohibit conflicts and require information from each Board member at the time of their appointment, and regulations 108 (2) and (4) deal with the same requirements during office.

Regulation 107 allows for Councillors to sit on a local pension board in certain circumstances. The 2011 Act imposes a legal obligation on Councillors to disclose certain pecuniary interests in a register maintained by their local authority's monitoring officer. This separate statutory requirement will continue to apply to any Board members who are Councillors in addition to the relevant legislation, codes of practice and government guidance referred to in the Conflict Policy and these guidelines. Nothing in the Conflict Policy or these guidelines in any way supersedes or replaces the separate statutory requirements for Councillors.

The Pensions Regulator's Code: Conflicts of Interest

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 61 to 89 of the Code deal with conflicts of interest.

Other Guidance on Conflicts of Interest

The Administering Authority and the Board should have regard to the Shadow SAB Guidance to assist with the effective and efficient administration and management of the Fund. Section 7 of the Shadow SAB Guidance deals with conflicts of interest.

Policy Guidelines

1. Identifying and monitoring Conflicts of Interest

The Board must:

- identify, monitor and manage dual interests and responsibilities which are or have the potential to become actual or perceived conflicts of interest. In determining how to manage conflicts of interest the Board must comply with the 2013 Act, the Regulations, the Code and other relevant guidance from the Pensions Regulator, the Conflict Policy and these guidelines;
- ensure that conflicts of interest are considered at every Board meeting;
- ensure that a report is sent to the Administering Authority after each Board meeting and at other times upon the Administering Authority's reasonable request detailing declared interests and mitigation action taken;
- ensure that Democratic Services (the Board Secretary) is notified at the earliest opportunity of any declared interests;
- seek further advice from Democratic Services wherever the Board has any doubt about the duties set out in these guidelines;

- consider obtaining legal advice when assessing any option to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the Board.

All Board members must:

- be familiar with the Conflict Policy, these guidelines, relevant legislation, the Code and the Shadow SAB Guidance;
- be conscious of the need to be open about potential, perceived and actual conflicts;
- before appointment to the Board, disclose to Wiltshire Council all Relevant Interests using the Declaration of Interest Form;
- during office, disclose to the Board all Relevant Interests as soon as they arise by submitting the Declaration of Interest Form to Democratic Services;
- during any meeting of the Board, disclose any Relevant Interest to the Board prior to the commencement of the Board's discussion of that matter. This requirement applies regardless of whether the interest is already recorded in the Register of Board Members' Interests. In cases of exceptional sensitivity, a Board member may make a notification of a Relevant Interest to the Chair of the Board rather than to the full Board;
- provide any information reasonably requested by the Administering Authority in connection with the Authority's duty to ensure that conflicts of interest do not exist.

Democratic Services (the Board Secretary) will:

- record declared interests in the Register of Member Interests;
- ensure that the Register of Member Interests (as updated from time to time) is published on the Board's webpage on the Administering Authority's website;
- ensure that the Register of Member Interests (as updated from time to time) is circulated to all Board members for review prior to each Board meeting;
- ensure that all Board meetings open with a standing item titled Declarations of Interest. This will allow Board members to notify existing and new Relevant Interests, so that potential conflicts can be considered for each agenda item and managed as set out below;
- minute any disclosure by a Board member made during a Board meeting together with all decisions of the Board relating to that disclosure;
- ensure that all Board meetings include a standing item titled Forward Work Plan, to consider decisions to be taken and work to be carried out by the Board over the next year. This will allow mitigations to be put in place so that potential conflicts can be managed as set out below.

The Administering Authority must:

- be satisfied that no potential Board member has a conflict of interest at appointment;
- be satisfied that no Board member has a conflict of interest during office;
- use an appointment process which considers all applications from potential Board members prior to approval in order to ensure that no conflict exists. The potential for a conflict to arise at some point in future will not in itself be reason to exclude an individual from membership of the Board, unless the Administering Authority considers that the likelihood of a conflict arising is so high or

the conflict itself is likely to arise persistently and frequently enough that it is likely to compromise an individual's ability to participate meaningfully on the Board;

- keep this document under regular review.

2. Managing Conflicts of Interest

In the event that the Board is of the view that a potential conflict of interest may become an actual or perceived conflict in respect of one or more of its members, the Board must determine the appropriate mechanism for managing that conflict. The approach taken will depend on the nature and extent of the potential conflict. Some possible methods for the management of potential conflicts are given below:

- Requiring that the Board member for whom the conflict exists takes no part in discussions or votes in respect of the matter for which they are conflicted, or leave the meeting;
- If practical, the Board member may relinquish or divest themselves of a personal interest which is the source of a conflict of interest with their Board responsibilities;
- If the conflict is likely to persist and continue in such a way that it is likely limit a Board member's meaningful participation in the Board, that member should consider resigning from their position.

The Administering Authority may remove any Board member where it considers there is an actual or potential conflict of interest which is impractical to manage.

3. Perceived Conflicts of Interest

Board members should be aware that even if no actual conflict of interest exists, it is important to guard against the perception among, for example, Scheme members, the Pensions Regulator, elected members or the general public that a real conflict of interest exists.

If there is the possibility that a perceived conflict of interest may exist, it should be managed by the Board in the same way as a real conflict of interest.

4. Confidential Information

A Board member may, by virtue of their employment by an employing authority within the Fund, have access to confidential information about their employer.

A Board member is not obliged to reveal this information as part of their role on the Board.

However, if an affected Board member considers that the information to which they are party may:

- a) adversely affect the Fund or an employer within the Fund;
- b) reasonably cause the Board to interpret a decision by the Pension Committee differently or act in a different way were the information to be known at the time; and
- c) the information will not be made available to the Board through some other means within such time as the Board is able fully to act upon it,

that Board member shall withdraw from all discussion in relation to that issue and notify the Board that a conflict of interest exists. The details of the conflict need not be disclosed.

This scenario may occur where a Board member is aware of legally confidential negotiations around, for example, the takeover of a Fund employer which may radically alter that business and have a corresponding effect on its participation in the Fund or the size of its liabilities.

5. Adviser and Officer Conflicts

The Board will be supported and advised by officers of the Fund in its day to day business. Similarly the Board may, if appropriate, seek independent or professional advice, for example legal advice or governance advice.

The Board must be confident that the advice it receives from officers and advisers is independent and truly in the best interests of the Fund. For this reason officers and advisers giving advice to the Board must also declare any situation where a potential, perceived or actual conflict exists, in order that it can be appropriately managed.

6. Examples of conflicts of interest

The following are intended to be examples of potential conflicts for illustrative purposes. The list is not exhaustive and is not intended to provide all the scenarios in which a conflict of interest may arise.

Example 1

There may be situations where a member of a local pension board who is also an officer for the relevant administering authority or some other employer in the LGPS pension fund faces conflicting priorities by virtue of their two roles. For example, as a local pension board member they may make or scrutinise a decision which requires the use of greater employer resource in order to improve the administration and efficiency of the relevant fund. However, at the same time they may be facing departmental pressure to cut budgets and spend less on pension administration matters.

Example 2

A local pension board is reviewing a decision by an administering authority to levy an additional charge under the Regulations to a group of employers whose poor performance in carrying out their statutory functions in respect of the LGPS has caused the administering authority additional costs. Any employer representative on the local pension board who is employed by an employer who falls into this category would need to declare their interest and the resulting conflict of interest would need to be managed.

Example 3

It is possible that a scheme member representative is also employed by a firm to whom an LGPS pension fund's administration has been outsourced. Such a member is likely to face a conflict of interest when the performance of that company in respect of their administration performance is discussed.

Example of where a declared interest may not constitute a conflict of interest

A representative on a local pension board holds shares in a company that provides outsourced pension administration services as part of a varied portfolio. The shares are valued at a few hundred pounds and the company's value is many tens of millions. The local pension board is reviewing the decision to outsource the relevant LGPS pension fund's administration staff to that company.

In this case the local pension board may consider that on grounds of materiality, no conflict of interest exists. The local pension board is not responsible for the decision and the impact of the outsourcing will have no effect on the company's share price. The local pension board member in question should, however, still declare their interest.

Appendix 1: Declaration of Interest Form

I,

a member of the Wiltshire Pension Fund Local Pension Board (the "Board") give notice that I, and to the best of my knowledge my spouse, civil partner, person with whom I live as husband or wife, or person with whom I live with as a civil partner have the following Relevant Interests as defined in the Committee's conflict of interest policy guidelines (Please state none where appropriate)

1. Employment, office, trade, profession or vocation

You should disclose any employment, office (e.g. director or trustee), trade, profession or vocation carried on whether or not for profit or gain, including the name and address of the employer/appointor.

Member

Spouse/Civil Partner/Cohabitee

2. Contracts

You should detail any current contract under which goods or services are to be provided or works are to be executed and where any other party to the contract may be affected by the work of the Board.

Member

Spouse/Civil Partner/Cohabitee

2. Securities

You should detail any beneficial interest in securities which may be a Relevant Interest where either the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital, or one hundredth of the total issued share capital of any class of shares issued.

Member

Spouse/Civil Partner/Cohabitee

3. Disclosure of Gifts and Hospitality

You should reveal the name of any person from whom you have received a gift or hospitality with an estimated value of at least £50 which you have received in your capacity as a member of the Board.

Date of receipt of Gift/Hospitality	Name of Donor	Reason and Nature of Gift/Hospitality

4. Other Interests which may be Relevant Interests under the Committee's Conflict of Interest Policy Guidelines

Member

Spouse/Civil Partner/Cohabitee

5. Changes to Registered Interests

I understand that I must notify the Board Secretary at the earliest opportunity of any changes or additions to my Relevant Interests.

DRAFT

Signed:

Board Member

Date:

DRAFT

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WILTSHIRE COUNCIL

WILTSHIRE PENSION COMMITTEE

10 December 2015

Breaches Procedure Policy Guidelines

Purpose of the Report

1. The purpose of this report is for the Committee to consider the attached draft Breaches Policy Guidelines and adopt these based on the recommendation from the Local Pension Board (LPB).

Background

2. There is a legal requirement on all LPB Members (as well as the Pension Fund committee Members, officers of the Fund, employers, and advisers) to report any significant breaches of the law to the Pensions Regulator (tPR) where they are likely to be of material significance to them.
3. The tPR Code of Practice no 14 (Governance and administration of public service pension schemes) states there should be a procedure in place within each Fund to identify and assess these breaches.
4. The attached Breaches Policy Guidelines set out these responsibilities and provide a framework for the Fund to identify, manage and where necessary report breaches of the law applying to the management and administration of the Fund.
5. Where a breach of the law is identified both the Council (Scheme Manager) and the LPB will need to take all necessary steps to consider the breach and if necessary report to tPR.
6. This Committee under its delegated authority as Scheme Manager will be required to monitor all breaches and ensure that adequate resources are allocated to managing and administering this process.
7. Officers will effectively be responsible for the management and execution of these guidelines and ensuring that training is conducted for all relevant officers, elected members, Members of the LPB and Wiltshire Pension Fund Committee at induction and on an ongoing basis.

Considerations for the Committee

Breaches Policy

8. The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and tPR's Code of Practice; failure to report a breach without "reasonable excuse" is a civil offence that can result in civil penalties.
9. At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

10. All staff are required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur. A log will be maintained of all breaches of the law as applicable to the management and administration of the Fund.
11. The Wiltshire Pension Fund and the LPB cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified it should be recorded, assessed and where necessary reported as soon as reasonably practicable. The Breaches Policy Guidelines provide a framework to achieve this.
12. The Guidelines define what a breach of the law is, the responsibilities on those who should be reporting, the requirements for reporting a breach, and deciding if a breach is “materially significant” to be reported to tPR.
13. This document was produced by officers in conjunction with Wiltshire Council legal services and Hymans Robertson. The LPB have reviewed this document to ensure it adheres to the Regulations, received training on its application and at its meeting on 22 October 2015 agreed the attached version is recommended to this Committee for adoption.

Process

14. Any breach identified should be reported initially to the Head of Pensions who will initially investigate and assess the severity. If a breach has occurred, it will be logged, then reported to the Chairman of the LPB and in conjunction with relevant colleagues agree a proposed course of action to rectify and put in place measures to prevent recurrences.
15. The Breaches Log will be reported quarterly as part of the Committee cycle and monitored by the LPB.
16. If any breach is considered significant or not clear as to whether it is significant then it will be reported to Committee and the LPB to consider. The Section 151 officer will make the final determination as to whether its materially significant having regard to the guidance set out in the Code and after consultation with the Head of Legal Services, if considered appropriate by the Committee and LPB.
17. The LPB recommended that breaches are published in the Annual Report and also on the Fund’s website. The LPB also recommended that any future amendments to the Breaches Policy is reported to them as these guidelines need to be kept under review.
18. The Head of Pensions will provide further training for all Committee members on the Breaches Policy as part of the on-going Members training plans.

Responsible Officer

19. The attached policy appoints the Section 151 officer as the senior officer responsible for the management and execution of this framework. At its meeting on 22 October 2015, the LPB discussed whether the Monitoring Officer should undertake this role and recommended the Committee consider this. The argument surrounded the potential conflict of interest for the Section 151 officer in its role as Treasurer to the Fund. Officers feel that any potential conflict can be managed, as indeed the Section 151 officer already wears the two conflicting “caps” as Associate Director for Finance to Wiltshire Council along with the role of Treasurer to the Pension Fund.

20. Officers view the Section 151 officer is better placed to understand and assess any potential breach while the proposed policy also provides a safeguard should a significant breach not be reported to tPR.

Environmental Impact of the Proposal

21. Not applicable.

Financial Considerations & Risk Assessment

22. There are no significant financial implications from this report.

23. The implementation of these Guidelines will mitigate the risk of the Fund breaching the Regulations and failing to report this or taking appropriate remedial action.

Legal Implications

24. Wiltshire Council Legal Services have been consulted and have assisted with drafting the Guidelines. The Guidelines will ensure compliance with tPR Code of Practice.

Safeguarding Considerations/Public Health Implications/Equalities Impact

25. There are no known implications at this time.

Reasons for Proposals

26. To ensure the Fund has a policy to address breaches of legislation in respect of the administration and governance of the Wiltshire Pension Fund.

Proposals

27. The Committee is asked to:

- a) to consider whether the Section 151 officer or Monitoring Officer should be the senior responsible for reporting breaches;
- b) to review the attached Breaches Policy Guidelines and to recommend its adoption for the Wiltshire Pension Fund.
- c) to agree that a summary of breaches are published in the Fund's Annual Report and on its website; and
- d) to undertake further training on the Breaches Policy as part of Members Training Plan.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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Breaches of the Law Policy Guidelines for Wiltshire Council Officers, Councillors and Members of the Wiltshire Pension Fund Local Pension Board

Status of this document

This document contains the Committee's policy guidelines on identifying, managing and where necessary reporting breaches of the law in relation to the management and administration of the Fund. The guidelines apply to Councillors, Council officers and Board members. The guidelines do not cover the responsibility of any other person required by law to report such breaches.

Please note that Board members must comply with the Reporting Policy set out at paragraphs 89 to 98 of the Terms of Reference. These guidelines complement the Reporting Policy in respect of Board members.

These guidelines will be reviewed and approved by the Committee at least annually. The Committee will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Council's Section 151 Officer will be responsible for the management and execution of these guidelines.

Definitions used in this document

"Board"	The Wiltshire Pension Fund Local Pension Board
"Code"	The Pensions Regulator's Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
"Committee"	The Wiltshire Pension Fund Committee
"Council"	Wiltshire Council
"Councillor"	An elected or co-opted member of the Council
"Fund"	The Wiltshire Pension Fund within the LGPS
"Regulations"	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
"Reporting Policy"	The Council's policy on reporting matters including breaches of the law set out in the Terms of Reference (as amended from time to time)

Objectives of this document

1. To set out the principles and procedures that all Councillors, Council officers and Board members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice and government guidance.
2. To ensure that all Councillors, Council officers and Board members are aware of their duty to report relevant breaches of the law to the Pensions Regulator.
3. To set out procedures for identifying, assessing, recording and reporting relevant breaches within appropriate timescales (including processes for clarifying the facts and applicable law where needed, referral to Council

staff of appropriate seniority, dealing with difficult cases and identifying promptly any breaches that are so serious that they must always be reported to the Pensions Regulator).

4. To ensure that a breaches log is kept and reviewed.

Relevant Legislation

Section 70 of the Pensions Act 2004 sets out the legal duty to report breaches of the law:

70. Duty to report breaches of the law

- (1) Subsection (2) imposes a reporting requirement on the following persons—
 - (a) a trustee or manager of an occupational or personal pension scheme;
 - [(aa) a member of the pension board of a public service pension scheme;]
 - (b) a person who is otherwise involved in the administration of [an occupational or personal pension scheme];
 - (c) the employer in relation to an occupational pension scheme;
 - (d) a professional adviser in relation to such a scheme;
 - (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.
- (2) Where the person has reasonable cause to believe that—
 - (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions,
 he must give a written report of the matter to the Regulator as soon as reasonably practicable.
- (3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. [*i.e. Duty to report overrides other obligations like duty of confidentiality, except where legal professional privilege applies*]
 This is subject to section 311 (protected items). [*Deals with exemption for legal professional privilege*]
- (4) Section 10 of the Pensions Act 1995 (c 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.

The Pensions Regulator's Code: Reporting breaches of the Law

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 241 to 275 of the Code deal with reporting breaches of the law.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and the Code; failure to report a breach without “reasonable excuse” is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach, the process provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All Councillors, Council officers and Board members are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Head of Pensions will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

The Council, as Scheme Manager, and the Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council or Board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

A breach of the law is “*an act of breaking or failing to observe a law, agreement, or code of conduct.*”. In the context of the Local Government Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund’s statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law falls on the following reporters:

- Councillors and Council officers (on behalf of the Council as Scheme Manager);
- Board members;
- Scheme employers;
- Professional advisers (including the Fund actuary, investment advisers, legal advisers); and
- Third party providers (where so employed).

These guidelines only apply to Councillors, Council officers and Board members. It is for the other reporters to ensure their own adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Board will take all necessary steps to consider the breach and report to the Pensions Regulator, rather than having the breach solely reported by any of the other reporters.

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator in accordance with the Code.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;
- and if so, is the breach likely to be of material significance to the Pensions Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Pensions Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Pensions Regulator. It is still necessary that all incidents of

breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Pensions Regulator?

The Code requires that a breach should be notified to the Pensions Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Pensions Regulator. The time taken should reflect the seriousness of the breach. In any event, where a breach is considered to be of material significance it must be reported to the Pensions Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Pensions Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Pensions Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Pensions Regulator, marked as "urgent" in order to draw the Pensions Regulator's attention to it.

Assessing "reasonable cause"

It is important that the Council and the Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by Councillors, Council officers and Board members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from the Head of Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Pensions Regulator

The Pensions Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the following aspects are considered in all cases:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a "traffic light" system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Pensions Regulator, but should be recorded in the Council's breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council or Board will need to decide whether to informally alert the Pensions

Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council or Board must report all such breaches to the Pensions Regulator in all cases;

Where a Councillor, Council officer or Board member is satisfied that a breach has actually occurred and it is significant, he or she must as soon as reasonably practicable report it to the Head of Pensions and the Chairman of the Board.

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board (through its Chairman) to determine the appropriate course of action. The Board will then report full details to the Committee as soon as reasonably practicable and otherwise in accordance with the Reporting Policy, including escalation under paragraph 95 of the Terms of Reference where necessary.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Committee will use the Pensions Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Section 151 Officer for reporting to the Pensions Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Pensions Regulator immediately.

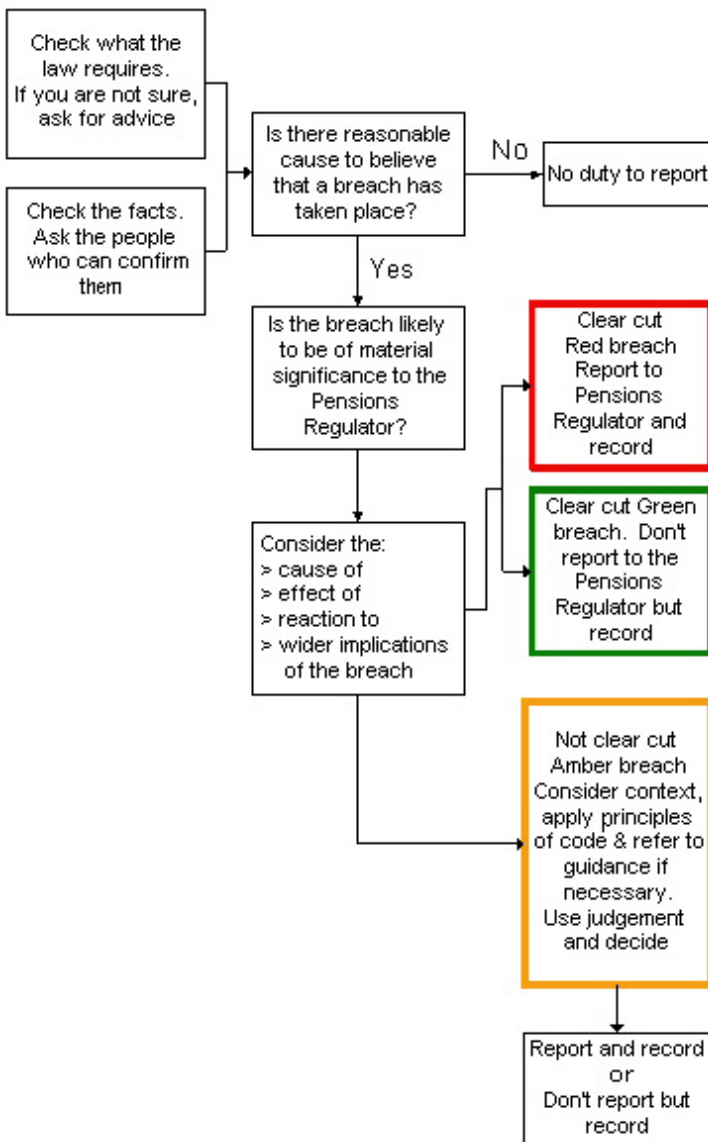
In order to determine whether failure to pay over employee contributions is materially significant or not the Committee will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Pensions Regulator.

As soon as a breach or likely breach has been identified to the Committee, regardless of whether it needs to be reported to the Pensions Regulator, the relevant manager, in consultation with the Head of Pensions, must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



Process for reporting breaches

All Councillors, Council officers and Board members have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the Head of Pensions and Chairman of the Board, and in the case of Board members, escalate to the Section 151 officer where required under the Reporting Policy;
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from re-occurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Board, Committee, Section 151 Officer and where necessary the Pensions Regulator.

Responsibilities of the responsible officer

The Council will appoint one of its senior officers to be responsible for the management and execution of these guidelines. That officer will be the Section 151 Officer.

The Section 151 Officer will be responsible for ensuring that breaches and likely breaches are recorded and reported as follows:

- ensure that all identified breaches and likely breaches are recorded by the Head of Pensions in the Council's breaches log;
- ensure investigation of the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not re-occur;
- ensure reporting to the Committee and Board of:
 - all materially significant breaches or likely breaches that will require reporting to the Pensions Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Pensions Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The Section 151 Officer will make the final determination of whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code and after consultation with the Head of Legal Services and where considered appropriate the Committee and Board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Pensions Regulator. Where uncertainty exists as to the materiality of any identified breach the Section 151 Officer may informally notify the Pensions Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Pensions Regulator?

All materially significant breaches must be reported to the Pensions Regulator in writing. This can be via post or electronically. The Pensions Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

The Section 151 Officer will report all material breaches to the Pensions Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the Head of Pensions as soon as they are identified. The Head of Pensions will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified;
- name of the scheme;
- name of the employer (where appropriate);
- any relevant dates;

- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief description of any longer term implications and actions required to prevent similar types of breaches re-occurring in the future.

The Section 151 Officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Pensions Regulator. Any documentation supporting the breach will be maintained by the Section 151 Officer.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council or a member of the Board. The duty to report overrides any other duties a reporter may have, such as confidentiality. Any such duty is not breached by reporting to the Pensions Regulator. Given the statutory duty that exists, in exercising these guidelines the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Pensions Regulator. The provisions of the Council's whistleblowing policy apply.

The duty to report, however, does not override 'legal professional privilege', so oral and written communications between the Council, Committee or Board and a professional legal adviser must not be disclosed.

Training

The Head of Pensions will ensure that all Councillors, Council officers and Board members receive appropriate training on reporting breaches of the law and these guidelines at the commencement of their office, employment or appointment to the Board as appropriate and on an ongoing basis.

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