

AGENDA

Meeting: Local Pension Board
Place: Salisbury Room - County Hall, Trowbridge
Date: Thursday 14 January 2016
Time: 10.30 am

Please direct any enquiries on this Agenda to Libby Beale (Senior Democratic Services Officer), 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.

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Chairman's Briefing:

Thursday 14 January 2016- 9:30am Salisbury Room, County Hall

Membership:

Howard Pearce (Chairman)	Barry Reed
Mike Pankiewicz (Vice-Chairman)	Lynda Croft
David Bowater	Cllr Christopher Newbury

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AGENDA

Part 1

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

1 **Membership**

To note any changes to the membership of the Board.

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

To note the attendance of any non-members of the Board present.

3 **Apologies**

To receive any apologies for absence.

4 **Minutes** (*Pages 7 - 20*)

To confirm as a true and correct record the minutes of the previous meeting held on 22 October 2015.

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

5 **Declarations of Interest**

To receive any declarations of disclosable interest.

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 **Thursday 7 January 2016**. 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 Board members prior to the meeting and made available at the meeting and on the Council's website.

8 **Part 1 Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee** *(Pages 21 - 34)*

The draft public minutes of the meetings held on 23 November 2015 and 10 December 2015 are attached for the Board to consider.

9 **Scheme Legal, Regulatory and Fund update** *(Pages 35 - 90)*

A report updates the Board on the recent consultations published since the last meeting.

The Board is asked to note the attached consultation documents and the proposed timescale and process for formulating a response

10 **Review of the Risk Register** *(Pages 91 - 98)*

A report presents the current Risk Register for the Wiltshire Pension Fund for review.

11 **Training Items: the Pension Regulators Code of Practice no 14 and 2014 Record Keeping Regulations**

Hymans Robertson will present a short training session on the Pension Regulator's Code of Practice No 14 and the requirements under the 2014 Record Keeping Regulations.

12 **The Pension Regulator Governance Survey** *(Pages 99 - 178)*

A report presents the Pension Regulator's survey and its findings on the review of governance in the public sector pension schemes for the Board's consideration.

13 **Training Plans Update** *(Pages 179 - 240)*

A report is circulated outlining the responses to the Board members self-

assessment and proposes a training programme to be approved.

The Board is asked to:

- a) approve the attached Board Members Training Plan as proposed in Appendix 2;
- b) note the Framework for Training outlined in this report; and
- c) complete the tPR on-line toolkit within 12 months of their appointment.

14 **CIPFA Pensions Administration Benchmarking** *(Pages 241 - 272)*

A report presents the outcome of the 2015 CIPFA Benchmarking survey for the Board to consider.

15 **Review of the Wiltshire Pension Fund Administration Strategy** *(Pages 273 - 310)*

A report presents the revised Pension Administration Strategy approved by the Pension Fund Committee on 10 December 2015 for review.

16 **Review of the Administering Authorities Discretion Policy** *(Pages 311 - 326)*

A report presents the updated Administering Authorities Discretion Policy approved by the Pension Fund Committee on 10 December 2015 for review.

17 **Review of the 2015 Business Plan** *(Pages 327 - 330)*

A report presents the latest update on the implementation of the actions identified in the 2015 Business Plan.

18 **Review of the Local Pension Board Work Plan for 2016** *(Pages 331 - 336)*

To review the current work plan and discuss any potential changes, amendments and request for work to be commissioned.

The Pension Board is asked to approve the draft work plan as outlined in the appendix subject to amendments suggested at this meeting.

19 **Local Pension Board Budget 2016-2017** *(Pages 337 - 340)*

The Board is asked to consider the draft Local Pension Budget and recommend to the Pension Fund Committee that this is included in the Fund's Administration budget for 2016-17.

20 **How did the Board do?**

The Chairman will lead a discussion on how the meeting went and request feedback on how the Local Pension Board could be developed and for members to feedback any relevant updates.

21 **Date of next meeting**

The next meeting of the Board is to be held on 7 April 2016.

22 **Urgent items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

23 **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 Number 24 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

Part II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

24 **Part 2 Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee (Pages 341 - 358)**

The draft confidential minutes of the meetings held on 23 November 2015 and 10 December 2015 are attached for the Board to consider.

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

Local Pension Board Action log

Action	Who	Deadline	Completed
July 2015			
Briefing Note to be prepared on effect of budget announcement	DA	ASAP	
ToR to be amended following LPB recommendations & agreed by Section 151 officer	DA/MH	October 2015	
ToR to be amended following officer suggestions and ratification at October meeting	DA/MH	October 2015	
Conflict of interest and register of interest policy to be developed and relevant training provided	DA/EL/LB	October 2015	
Develop breaches policy	DA/EL	On-going	
Full minutes of ISC and WPF to be submitted to the LPB	LB	On-going	
Develop a training plan for members in line with additional recommendations made by LPB	DA	On-going	
LPB members to receive WPF and ISC meeting dates and list of LPB member contact details	LB	ASAP	
Website to show LPB contact details via Board Secretary	LB	ASAP	
Fund website to show info prescribed in ToR	DA	ASAP	
Develop a Forward Work Plan showing future agenda items and record issues considered. This should include: training and review of the Valuation process, review of discretions policy, and internal policies of the Fund.	DA	October 2015	

<p>To add the following items to the work plan:</p> <ul style="list-style-type: none"> • to examine the Fund's compliance with tPR code of practice • to review governance arrangements of the WPF and ISC • to review and compare attitudes to the risk register and consider aligning the work programme to risks • to develop a success criteria for the LPB • to examine the Fund's Statement of Investment Principles • to examine the potential impact from pooling investments and input into the forthcoming Government consultation • to input into the consultation process for the audit plans. • to review the SWAP audit report and action plan • to explore officer support for the Board in the context of overlap with supporting the management of the Fund. • to explore the effectiveness of the Fund's Communications Policy 	DA		
<p>Recommend prioritising items on the Business Plan and acknowledge resource sensitivity and risk and update the LPB on these issues</p>	DA	July 2016	
October 2015			
<p>To produce an action tracker for each meeting.</p>	LB	October 2015	
<p>Register of Interest to be circulated to members for completion, and then published online</p>	LB	January 2016	
<p>Terms of Reference to be signed by Associate Director and published online</p>	LB	ASAP	
<p>To recommend to the Wiltshire Pension Funds that plans are put in place with employers and printers so all Annual Benefit Statements are issued by the 31st August 2016.</p>	DA	August 2016	
<p>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.</p>	DA	June 2016	

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.	DA	December 2015	
To recommend that future annual reports to contain details of governance earlier in the report, a five-year timeline for performance, and details of breaches reported to the regulator.	DA	September 2016	
Officers to confirm the process for appointing auditors/reviewing arrangements	DA	January 2016	
To recommend that the 2015/16 Annual Report, Accounts and the external auditors report are reviewed by the Board prior to external publication.	DA	December 2016	
To recommend officers consider adding the pooling of investments and the public sector exit cap to the risk register	DA	ASAP	
To recommend the risks categorising of the risk register	DA	ASAP	
Head of Pensions to circulate slides from Ian Colvin, Hymans Robertson training on COI & Breaches Policy	DA	ASAP	
Members to be added to Hymans Robertson distribution list	LB	ASAP	
LPB member conflicts of interest to be disclosed and published	LB/DA	January 2016	
To recommend that the Conflict of Interest Policy be adopted by the Administering Authority.	DA	December 2015	
To recommend to the WPF to adopt the draft breaches policy subject to an additional note that breaches be reported to the Board, published in the Fund's annual report and also on the website.	DA	December 2015	
To recommend that the Pension Fund Committee consider whether the Monitoring Officer should be responsible for the reporting of breaches instead of the Section 151 officer	DA	December 2015	

To recommend that future amendments to the Breaches Policy be reported to the Local Pension Board.	DA/LB	Ongoing	
To recommend to the Pension Fund Committee that its members undertake tPR training	DA	On-going	
The Pensions regulator toolkit to be circulated to members	DA	ASAP	
To receive an update at the next meeting on self-assessment forms	DA	January 2016	
Feedback from conferences LPB members have attended to be a standing item on each agenda	LB	On-going	
To include LPB members training records in the Annual Report.	DA	June 2016	
To categorise the LPB work plan, and the July 2015 meeting be added to track progress	DA	ASAP	
To report the work plan to the Pension Fund Committee.	DA	December 2015	
The biographies of members to be published on the website.	LB	January 2016	
To recruit a new member to the LPB to replace Kirsty Cole.	DA	March 2016	

INVESTMENT SUB-COMMITTEE

PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 23 NOVEMBER 2015 AT COUNTY HALL, TROWBRIDGE BA14 8JN .

Present:

Cllr Tony Deane, Cllr Charles Howard, Cllr Mark Packard and Cllr Steve Weisinger

Also Present:

Cllr Gordon King, Barry Reed, Joanne Holden, Jim Edney and Michael Hudson.

29 Membership

There were no changes to the membership of the Sub-Committee.

30 Attendance of non-members of the Sub-Committee

Cllr Gordon King and Barry Reed (Local Pension Board member) were in attendance.

31 Apologies

Apologies for absence were received from Mike Pankiewicz.

32 Minutes of the previous meeting

Resolved:

To confirm the Part 1 minutes of the meeting held on 10 September 2015.

33 Declarations of Interest

There were no declarations of interest.

34 Chairman's Announcements

There were no Chairman's Announcements.

35 Public Participation and Councillors Questions

There was no public participation.

36 Date of next meeting

The next meeting of the Sub-Committee was to be held on 25 February 2015.

37 Urgent items

There were no urgent items.

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 numbers 39-44 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

39 Minutes of the previous meeting

Resolved:

To confirm the Part 2 minutes of the meeting held on 10 September 2015.

40 Update on the Government's proposals on the pooling of investments

David Anthony, Head of Pensions, updated on the Government's proposals for the pooling of investments.

41 Investment Quarterly Progress Reports

Confidential reports were circulated updating the Sub-Committee on the performance of the Fund's investments as to the end of September 2015.

Resolved:

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

To invite Barings to the December meeting of the Wiltshire Pension Fund Committee to discuss performance.

42 **CBRE- Review of Property Mandate during 2014-15 and Plans for the Future**

Two confidential reports were circulated, updating the Sub-Committee on the performance of the Fund's investments as to the end of September 2015. Representatives from CBRE explained the performance of the Fund's mandate.

Resolved:

To note the reports and verbal update.

43 **M&G - Review of the Financing Funds during 2014-15 & Plans for the Future**

Two confidential reports were circulated updating the Sub-Committee on the performance of the Fund's investments as to the end of September 2015. Representatives from M&G updated on the performance of its mandate.

Resolved:

To note the reports and verbal update.

44 **Partners Group- Review of the Infrastructure mandate during 2014-15 & Plans for the Future**

Two confidential reports were circulated updating the Committee on the performance of the Fund's investments as to the end of September 2015. Representatives from Partners Group updated on the performance of the Fund's mandate.

Resolved:

To note the reports and verbal update.

To review the Fund's position on hedging within this mandate and the infrastructure investments compared in its asset allocation at the next appropriate meeting.

(Duration of meeting: 10.30 am - 2.10 pm)

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

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

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 10 DECEMBER 2015 AT SALISBURY ROOM - COUNTY HALL, TROWBRIDGE.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Tony Gravier, Diane Hall, Cllr Charles Howard (Vice Chairman), Cllr Gordon King (Substitute), Linda Stuart, Cllr Steve Weisinger, Cllr Roy While and Cllr Philip Whitehead (Substitute)

Also Present:

Cllr Bill Moss, Howard Pearce, Barry Reed, Jim Edney, Joanne Holden, Robert Summers and Catherine McFadyen

66 Membership

There were no changes to the membership of the Committee.

67 Attendance of non-members of the Committee

Bob Summers (CIPFA), Catherine McFadyen (Hymans Robertson), Howard Pearce and Barry Reed (Local Pension Board) were in attendance.

68 Apologies for Absence

Apologies for absence were received from Michael Hudson (Treasurer to the Pension Fund), Mike Pankiewicz, Cllr Mark Packard substituted by Cllr Gordon King and Cllr Sheila Parker substituted by Cllr Philip Whitehead.

69 Minutes

Resolved:

To confirm as a correct record the Part 1 minutes of the meeting held on 1 October 2015.

70 Declarations of Interest

There were no declarations of interest.

71 **Chairman's Announcements**

The Chairman advised that the order of agenda was to be changed to allow the item on the 2016 triennial valuation to be considered following the CIPFA Business Services Update.

72 **Public Participation and Councillors' Questions**

There was no public participation.

73 **CIPFA Business Services Update**

A verbal update was provided by Bob Summers (CIPFA Business Services) on current activities and the latest developments and issues within the local Government Pension Scheme (LGPS) sector for the Committee's information. The Committee heard about the current priorities for the CIPFA Pension Panel which included comparing Funds and also measures of manager fees. CIPFA considered that the sustainability of the LGPS was increasingly on the political agenda and being called into question.

The presentation considered which bodies pension funds were currently receiving advice and direction from, the Scheme Advisory Board currently advised however the government minister and the Cabinet office was becoming increasingly influential. The Pensions Regulator (tPR) could advise funds on potential breaches of the law and GAD would review valuations given to Fund's by their actuary. The Government's proposal on asset pooling was discussed, CIPFA queried where the aspirational £25bln total per pool had been drawn from and whether only 6 pooled funds would be permitted nationally. Concerns were also raised over the resource required to set up the pooled funds and the imposition of investment in infrastructure forced upon Funds. It was felt that there should be more emphasis on the improved performance rather than the cost savings that could be achieved by pooling.

The Committee was updated on investment regulations; a best practice guide on investment management costs was available from CIPFA. Members were advised on issues arising from the separation of funds from the local authorities that administered them, a particular issue was the dilution of the role of the S151 officer. The Institute was also concerned with the impact of resource constraints in local authorities affecting the ability of funds to recruit staff in tandem with increasing demand on resource to establish Local Pension Boards.

The Chairman thanked Bob Summers for the informative presentation and agreed that in the current climate the LGPS was high on the political agenda. It was acknowledged that with many changes in the LGPS at present time there was much business for the Committee to consider. Members discussed the flexibility of the pooling of assets.

The Committee thanked Bob for his years of support to the Fund and wished him an enjoyable retirement.

Resolved:

To note the update.

74 **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 75 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.

75 **Triennial Valuation 2016- Actuarial Assumptions**

The Committee considered the proposed approach and key assumptions the Actuary intended to take in relation to the 2016 Valuation.

Resolved:

To note the attached reports and the basis for the key assumptions with reference asset out performance and pay growth to be used at the 2016 Valuation.

76 **Inclusion of the public**

Resolved:

To include the public in discussions of items numbers 77-89 due to their being no exempt information.

77 **Update on the Current Governance Consultations**

David Anthony, Head of Pensions, updated on the latest consultation from the Government on investment reform criteria and guidance and the Investment Regulations for the Committee to consider.

The Government was currently exploring asset pooling with a view to saving fees from investment managers and encourage investment in infrastructure.

The Fund was currently considering its response to the consultation and would hold a special meeting of the Committee in the New Year to discuss this.

The independent advisor to the Fund highlighted the need for the Fund to respond to the details of strategic asset allocation remaining with the Fund in the event of pooling. Currently the proposals included that only the decision on allocation between bonds and equities would remain with the Fund.

Members considered that the choice of investments for funds should not be tied to infrastructure but should be based on investments to bring the best return. Managers were currently not attracted to investment in UK infrastructure and the Committee agreed some support from the Government would be needed to encourage this.

Resolved:

To note the update and consultation documents.

78 **CIPFA Benchmarking Review**

A paper and report was circulated by Catherine Dix, Strategic Pension Manager, which compared the administration performance of the Fund in line with the CIPFA Benchmarking club for Members information.

Key updates included that the total administration cost per Fund member was slightly higher than the CIPFA average and the proportion of active members was similar at around 34%. Wiltshire Pension Fund was slightly higher than average in relation to members joining the scheme, however the Fund appeared to be average on the number of retirements, deaths and other leavers it processed. In terms of staffing, overall costs remained broadly in line and managers were focussing on increasing the level of relevant qualifications in teams. Sickness levels had been higher than industry average due to long term sickness.

Resolved:

To note the report.

79 **Business Plan Update**

A report updated the Committee on the implementation of actions contained within the Business Plan.

Officers updated on outstanding actions and reassured that these were not business critical. Progress had been hindered by the additional resource needed recently and lower staffing levels, officers were confident that actions would be taken over the next few months.

Action 11, the implementation of regular covenants and risk reviews of employer bodies, was a priority and the Fund was working closely with the Actuary to develop this. Action 14, the implementation of Bi-annual Performance Reporting, would be brought to a future meeting of the Committee and the Local Pension Board, the newly appointed Fund Development Manager would progress this.

Resolved:

To note the updated position of the actions completed from the Business Plan to date.

80 **Pension Fund Risk Register**

Members considered an update on the Wiltshire Pension Fund Risk Register. Three new risks had been added: LGPS Asset Pooling, Implementation of the Public Sector Exit Cap and Guaranteed Minimum Pension Reconciliations. The Committee heard that an Employer Relations Manager had been appointed.

It was considered that there was now increased pressure on member and officer time to digest and produce reports to the Committee. The Committee agreed that this should be added to the Risk Register and officers should make more use of web links where possible to reduce the length of paperwork at meetings.

Resolved:

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

To add the expansion of business items at Committee to the Risk Register.

81 **Internal Audit Report**

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

Resolved:

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

82 **Pension Administration Strategy**

A report from the Head of Pensions introduced an updated Pension Administration Strategy for Committee consideration. The strategy set out performance standards and actions to be taken against employers not meeting

expectations. The Strategy was last considered in 2010 and was now due to be refreshed, considering new requirements from tPR. The document had been circulated to employers and a training session would be provided for them, however the updated strategy was not significantly different to the existing policy.

Resolved:

To approve the Wiltshire Pension Fund Administration Strategy.

83 **Administration Authority Discretions**

A report from Craig Payne, Technical & Compliance Manager, proposed an update to the Administration Authorities discretions for Committee consideration. The LGPS regulations dictated and stated the benefits of the pension scheme however the Regulations also provided scope for certain decisions to be made by the Fund or employers, discretions had been permitted since 1997.

The discretions previously agreed by the Committee were still in place however needed to be updated and added to following new LGPS regulations. An overview of the key new and updated discretions was provided and the Committee was invited to ask questions. It was confirmed that under discretion 22 'Whether to suspend an employer's obligation to pay an exit cap payment where they are likely to have active members again' the Fund could delay exit payments to employers without any active members if it was likely that new active members would be joining again. Members considered the limited occasions where discretions on compassionate grounds may be determined by Committee. The Committee discussed the future potential for late contributions from employers and were advised that interest could be added to late contributions.

Resolved:

To approve the updated Discretions Policy Statement.

84 **Local Pension Board update**

The Committee considered the minutes and recommendations of the Local Pension Board meeting held on 22 October 2015 and the Board's work plan. A notable update from the Board was that Kirsty Cole had resigned her position and a replacement would be recruited. Howard Pearce, Chairman of the Local Pension Board, introduced himself, he was also the Chairman of the Berkshire and Avon Local Pension Boards and hoped to bring knowledge and expertise from other funds.

Resolved:

To note the minutes and recommendations from the Local Pension Board meeting held on 22 October 2015.

85 **Local Pension Board: Conflict of Interest Policy**

The Committee considered the Code of Conduct and Conflict of Interest Policy of the LPB. The Policy would apply to all members, as currently only the elected member on the Board was subject to such a policy. The policies had been developed in consultation with Hymans Robertson and Legal Services at Wiltshire Council, and had been endorsed by the Local Pension Board.

Questions were raised over whether members would be bound by confidentiality and it was confirmed that this was implicit in the principles of public life which formed the basis of the code of conduct. Additionally, section 1 of the Code of Conduct had guidance dedicated to this issue and explicitly stated that information provided to a Board member in the course of his or her duties would be confidential and must only be used for the purposes of the Board.

Resolved:

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

86 **Local Pension Board: Breaches Policy**

The Committee was requested to approve the Breaches Policy, recommended by the Local Pension Board, to ensure statutory requirements for reporting now imposed by the Pension Regulator could be met. The Breaches Policy Guidelines set out 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.

The Committee was asked to consider in particular whether breaches should be reported by the S151 Officer, as recommended in the draft guidelines, or the Monitoring Officer. It was agreed that the S151 officer should be responsible for reporting breaches to tPR since this officer understood the administration of the Fund and already managed the potential conflict of being Treasurer to the Fund as well as S151 officer. Additionally, reports to tPR would usually take legal advice from the Monitoring Officer in addition to the S151 officer. In the event of a material breach of the law, this would be reported to the Head of Pensions, Pension Fund Committee, Local Pension Board, S151 Officer and the Regulator. Members agreed that a summary of the Fund's breaches would be provided in the Annual Report and thereby on the Fund's website. Local Pension Board members had received training on breaches and Committee members were also requested to undertake this

Resolved:

To approve the Breaches Policy Guidelines and recommend adoption for the Wiltshire Pension Fund;

To agree that a summary of breaches are published in the Fund's Annual Report and on its website;

To undertake further training on the Breaches Policy as part of Members Training Plan.

87 **Date of Next Meeting**

The next ordinary meeting of the Committee was to be held on 10 March 2016, however a Special Meeting was expected at the end of January 2016.

88 **Urgent Items**

There were no urgent items.

89 **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 90- 93 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.

90 **Barings- Review of Mandate**

A confidential paper from the Strategic Pension Manager outlined the recent performance of Barings. Representatives from Barings presented to the Committee to outlining their performance over the past 12 months and plans for 2015/16 for the Committee to consider.

Resolved:

To note the report and the update provided by Barings at the meeting.

To continue with the Barings DAAF mandate and reaffirm the Committee is content to rely on the current trigger mechanism for future disinvestment should their Fund fall below £1.8bn.

91 **Minutes**

Resolved:

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

92 **Investment Quarterly Progress Report**

Confidential reports updated the Committee on the performance of the Fund's investments as to the end of September, the minutes and recommendations of the Investment Sub-Committee were also circulated for the Committee's information.

Resolved:

To note the investment reports and updates provided by officers.

93 **South West Pooling of Investment Assets Update**

The Head of Pensions updated on the proposed pooling of LGPS assets in the South West as a response to the Government's consultation.

Resolved:

To note the update.

To request that the feasibility study be circulated to the Committee and the finalised options report be available to the Chairman and Vice-Chairman prior to their meeting on 7 January 2016.

(Duration of meeting: 10.00 am - 3.00 pm)

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

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

14 January 2016

Current Government Consultations

Purpose of the Report

1. The purpose of this report is to update the Board 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 Board

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 at the meeting. 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 will convene a special meeting of the Pension Fund Committee in early February 2016 to discuss any proposed response.
13. When discussed at the Pension Fund Committee, it highlighted the need for clarity over the details of strategic asset allocation remaining with the Fund in the event of pooling. Currently the proposals included that only the decision on allocation between bonds and equities would remain with the Fund.
14. Members also considered that the choice of investments for funds should not be tied to infrastructure but should be based on investments to bring the best return. The Fund’s infrastructure manager was currently not attracted to investment in UK infrastructure and the Committee agreed some support from the Government would be needed to encourage this.

Environmental Impact of the Proposal

15. Not applicable.

Financial Considerations & Risk Assessment

16. The financial implications of any investment reforms are currently being reviewed and will need to be a consideration into any response. .

17. 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

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

19. There are no known implications at this time.

Reasons for Proposals

20. To ensure the Board is aware of the latest consultations issued by the Government and the timetable for responses.

Proposals

21. The Board is asked to note the attached consultation documents and the proposed timescale and process for formulating a response.

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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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 LOCAL PENSION BOARD
14 January 2016

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to present the Pension Fund Risk Register that was noted by the Pension Fund Committee at its meeting on 10 December 2015 (see Appendix).

Background

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

Key Considerations for the Board / Risk Assessment

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 which 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 remained at medium as the Fund was still trying to recruit to the post of Employer Relationship Manager, although this post has now been filled.
10. The Pension Fund Committee also considered that there was now increased pressure on member and officer time to digest and produce reports to the Committee. The Committee agreed that this should be added to the Risk Register and officers should make more use of web links where possible to reduce the length of paperwork at meetings. This risk will be added to the next risk register.
11. The Committee resolved to note the attached Risk Register, the measures being taken to mitigate risks and to add the expansion of business items at Committee to the Risk Register.

Financial Implications

12. There are no known implications from the proposals.

Legal Implications

13. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no known implications at this time.

Proposals

16. The Board 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													
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel	
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk			
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	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
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 LOCAL PENSION BOARD

14 January 2015

The Pension Regulator's Governance and Administration Survey

Purpose of the Report

1. The purpose of this report is to present the results of the Pension Regulator's (tPR) survey on governance and administration of public sector pension schemes which was issued on 10 December 2015.

Background

2. The Public Service Pensions Act 2013 introduced a number of changes for the public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, fire-fighters and the judiciary.
3. In the summer of 2015, tPR undertook a survey to establish how these schemes have implemented the additional administration and governance requirements, effective for the Local Government Pension Scheme (LGPS) from 1 April 2015.
4. The rationale is a well run scheme provides members with high standards of service and also help the government and public to have confidence that the cost of public service schemes are correctly accounted for.

Considerations for the LPB

Number of responses

5. The Regulator identifies 209 separate "schemes" within the public sector, treating each LGPS fund as a separate scheme, as well as each police authority, and fire and rescue authority. Of the 209 surveyed, 84 attributable and 17 anonymous responses were received, giving an overall response rate of 48% (covering 85% of membership). The LGPS fared a little better than the average with 52% (covering 66% of membership) of funds responding, of which Wiltshire Pension Fund (WPF) was one.
6. The aim of the Survey was to help tPR get a sense of how well public sector schemes are complying when assessed against the requirements of the Code of Practice No. 14. It will also inform the approach tPR will take in bringing those lagging behind, up to speed.
7. Appendix 1 provides a summary of the results, Appendix 2 the full survey and Appendix 3 the response from Wiltshire Pension Fund.

Pension board set up

8. 92% of schemes had established pension boards at the time of the survey, though only 80% were actually in operation (i.e. meetings commenced), and the remainder of responses would have the boards operational within 6 months. While this is positive, tPR noted there is still some work to be done in terms of ensuring they comply with the new requirements. The WPF established its Board in February 2015, and was operational by July 2015.

Internal controls

9. TPR recognises that 76% of funds have procedures to manage risk, and 82% have a risk register, but is concerned that only 56% assess their risks either quarterly or monthly. The WPF monitors its risk register on a quarterly basis.

Record keeping

10. Only 45% of schemes have measured themselves against the record-keeping requirements and only 27% have undertaken a data cleansing exercise. Only 71% have carried out a review of their data in the last year. The WPF monitors its data on an on-going basis. In terms of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, the Fund continues to measure the presence of data and work is on-going to trace missing information.

Breaches of the law

11. Only 55% of schemes who responded to the survey have procedures for identifying and assessing breaches in the law.
12. It's worth recognising the survey was carried out between July and September 2015, and a more recent survey would probably show much further progress. The WPF had a policy in development that was to be a recommendation by this Board to the Pension Fund Committee in October 2015. This was an area of feedback officers provided to the tPR in that the Survey didn't recognise funds who had policies such as the Breaches Policy, Conflicts of Interest and Register of Interest which were pending approval.

Self-assessment against the law and Code of Practice

13. TPR states "*We also expect all schemes to have assessed themselves against the law and our code of practice*" and that they will be ensuring that every fund reaches a basic level of compliance within the next year. Only 44% of schemes who responded have already done this review.
14. The WPF responded that it intended to undertake this review within the next 6 months and compliance with the record keeping requirements is an action within the Business Plan.

Overview & Next Steps

15. The WPF were able to respond positively to most of the areas within the survey, and for those where it didn't it had policies pending approval or work planned to assist in meeting these requirements.
16. As a result of the survey, it is expected that tPR will now focus attention on the key areas of internal controls, record keeping and provision of accurate and high quality communications to members. More will come from tPR soon as "*In spring 2016, we will check how schemes are doing and we expect them to have made significant progress*". TPR will also then be assessing standards of schemes on an annual basis.
17. Therefore, a key areas of focus for the WPF in 2016 will be the identification of the key risks, then developing and implementing plan to address these. To ensure compliance with the Code of Practice No 14, the Board may wish to consider commissioning an

advisor to provide an independent review. This could range from a number of options form a high level baseline assessment of the current position up to a full in-depth review and report to the Board.

Environmental Impact of the Proposal

18. Not applicable.

Financial Considerations & Risk Assessment

19. The review of the key issues and risks for compliance with tPR's Code of Practice No.14 will be undertaken by officers in 2016.

20. The Board's responsibility is to ensure the Fund is compliant with the statutory regulations. Therefore, the Board may look to commission an independent adviser to provide a current level of compliance against tPR's code to reinforce the work undertaken by officers. Depending on the work required, this could range from £2k-4k for a baseline review up to £9k-£12k for a full review and report to the Board. This additional cost would need approval from the Section 151 officer.

21. Compliance with tPR's Code of Practice will assist in mitigating the key risks to the Fund and ensure good governance is being undertaken.

Legal Implications

22. There are no material legal implications from this report. Failure to meet the statutory requirements of the scheme regulations can led to sanctions by tPR.

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no known implications at this time.

Reasons for Proposals

24. To update the Board on the tPR's survey so that Members are aware of the issues surrounding compliance with their Code of Practice No14.

Proposals

25. The Board is asked to note and discuss the results of the Pension Regulator's administration and governance survey.

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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Public service governance and administration survey

Summary of results and commentary

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.



Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the in relation to governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.



Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

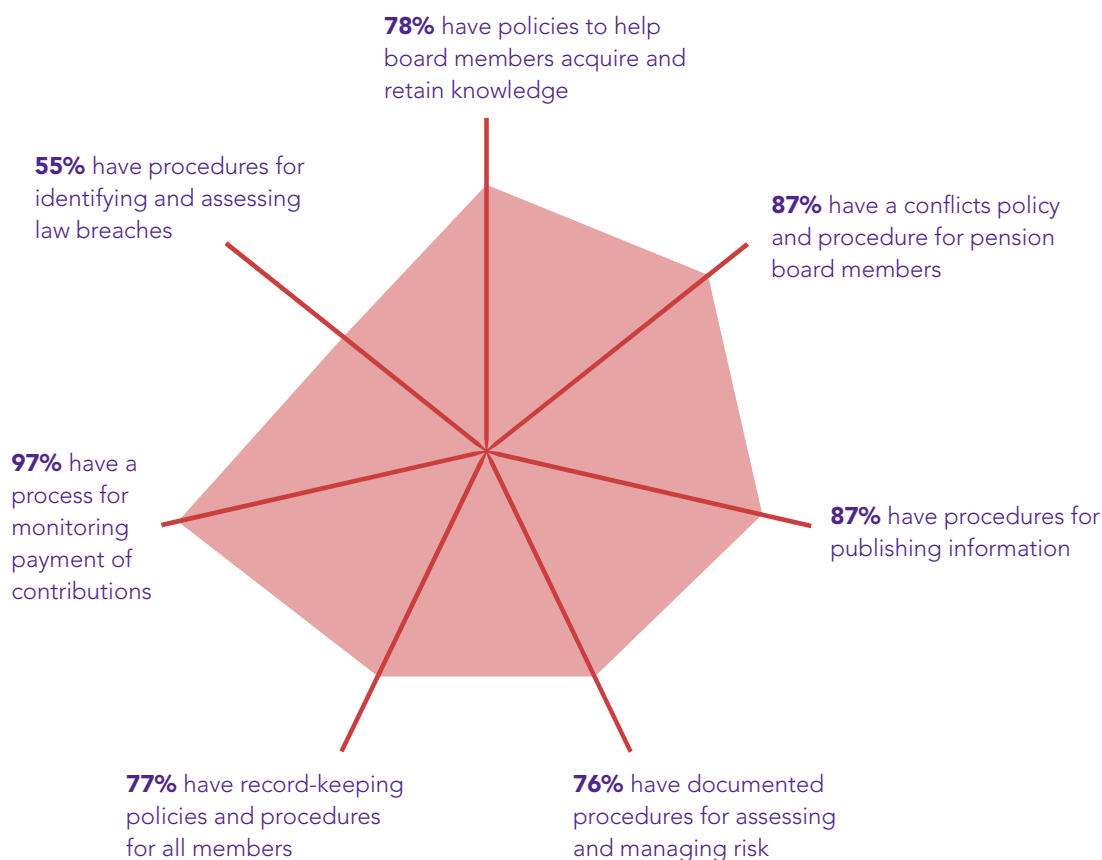
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- ▶ 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- ▶ 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- ▶ 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- ▶ 87% of schemes have a conflicts policy and procedure in place for pension board members.
- ▶ 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- ▶ 76% had documented procedures for assessing and managing risk.
- ▶ 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- ▶ 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

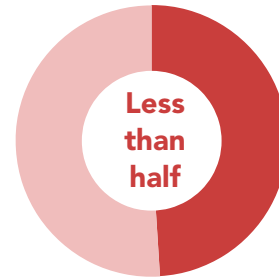
We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.



9/10 have established a pension board



Less than half have reviewed their scheme against the standards



Less than a third

have a plan in place to ensure compliance with the Public Service Pensions Act 2013



- ▶ 44% have measured against the record-keeping requirements
- ▶ just over a quarter have done data cleansing



76% of schemes have procedures in place to manage risk

82% have a risk register

Only **56%** assess their risks at least quarterly

- ▶ While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- ▶ Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- ▶ Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- ▶ Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- ▶ While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.



We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- ▶ fulfilled their requirement to register with us
- ▶ established their pension board
- ▶ published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- ▶ assessed themselves against the requirements set out in legislation
- ▶ assessed themselves against the standards set out in our code
- ▶ identified any gaps
- ▶ begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- ▶ the effectiveness of these processes and actions in driving good outcomes
- ▶ the efficiency and reliability of these processes
- ▶ how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

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Public service governance and administration survey

Summary of results and commentary

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The Pensions
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The Pensions Regulator

Public service governance and administration research

December 2015

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Executive summary

1. **The survey was completed on behalf of 48% of public service pension schemes, covering approximately 85% of scheme members.**
2. **There were generally high reported levels of awareness and understanding of both the legal requirements and the regulator's code of practice**

Most respondents in each of the four scheme types¹ gave a response of either four or five out of five for awareness and understanding of these.

3. **Four-fifths of schemes had a pension board that was operational**

92% of schemes reported that their pension board is established, and in most of these cases (80%) also operational (with pension board meetings having commenced). The remainder reported they would be operational within six months.

4. **A quarter of schemes had a plan to ensure compliance with the legal requirements and were already addressing key risks, and two fifths had conducted a review of their scheme against the guidance and standards set out in the regulator's code of practice**

One in six (15%) schemes had conducted an in-depth review against our code of practice, while a further quarter (29%) had undertaken a high-level review.

Over half of Local government and two-thirds of Central schemes had conducted a review of their scheme. Reviews were less prevalent among Police (around a fifth) and Fire and rescue (two out of seven).

A quarter (28%) of schemes had a plan in place to ensure compliance with the legal requirements of the Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 and were already addressing key risks. Schemes were more likely to be at the earlier stage of identifying risks and issues (44%), while a third (34%) were developing or implementing a plan to address key risks and issues.

No Police schemes and very few Fire and rescue schemes were at the stage of addressing key risks.

5. **The vast majority of schemes had ensured that board members understand their roles, responsibilities and duties**

¹ The four scheme types are termed: 'Central', 'Local government', 'Fire and rescue' and 'Police'. 'Central' includes centrally-administered unfunded schemes, excluding any fire and police schemes. This classification has been used to ensure consistency with the 2013 survey. For the purposes of this report, therefore, 'Police' and 'Fire and rescue' schemes which are centrally administered – ie the schemes for Scotland and Northern Ireland) – are included within their respective cohorts and not considered as 'Central' schemes.

Nearly all (93%) of schemes had produced guidance, while 94% reported the scheme manager or another person had ensured board members understand their roles, responsibilities and duties.

All Central schemes and nine in ten Local government and Police schemes stated that they had carried out these two tasks. Fire and rescue schemes were less likely (9 out of 14) to have briefed board members.

6. Four fifths of schemes had developed an approach to help pension board members to acquire and retain knowledge and understanding they require

Over four fifths of Central, Local government and Police schemes had developed a policy and arrangements to help board members to acquire and retain knowledge. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

7. Two thirds of schemes will review their risk management and internal control systems once or twice a year

A quarter (26%) review or will review these arrangements every six months and a further 45% once a year. Most Central schemes reported they would every six months while Local government schemes and Police schemes were most likely to do so once a year. The most common response from Fire and rescue schemes was that they did not know.

8. Two thirds of schemes had a documented service level agreement with their scheme administrator

70% had a service level agreement in place with their scheme administrator, whether in-house or outsourced. The levels were similar among all four scheme types.

9. Two thirds of schemes had measured their scheme's data against the legal requirements, with most of these measuring both data presence and accuracy

Almost half (45%) had measured and a further quarter (24%) had partially measured their data against the legal requirements. Of the 70% who had measured their data, four fifths (82%) had measured both the presence and accuracy of the data.

Around a third of Central, Local government and Fire and rescue schemes had fully measured their data, while around two thirds of Police schemes had done so. When accounting for partial measurement also, this rose to around two thirds of Central, Local government and Police schemes, and half of Fire and rescue schemes.

Almost half (49%) of schemes were either developing or implementing a data cleansing exercise while a third of schemes (36%) were developing or implementing a data improvement plan.

Central schemes and Police schemes were most likely to be implementing a data improvement plan, while Local government schemes and Police schemes were most likely to have carried out a data cleansing exercise.

2. Introduction

In March 2011 the Independent Public Service Pensions Commission: Final Report² identified issues concerning the availability and transparency of information, poor administration and governance of public service pension schemes, implying costs and risks are not properly understood or managed. The report recommended that there needed to be independent oversight of these areas.

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

The 2013-2014 Acts also gave The Pensions Regulator an expanded role to regulate the governance and administration of these public service pension schemes from 1 April 2015. In January 2015, we published our draft code of practice for the governance and administration of public pension service schemes (the PSPS code) which sets out the standards of conduct and practice we expect of those responsible for public service schemes, as well as practical guidance about how to comply with the legal requirements. The code came into force on 1 April 2015.

As part of our new role, we are responsible for 208 public service schemes³ in respect of eight public service workforces, covering over 13 million members .

Following on from our report on the governance and administration of public service pension schemes in 2013, before the requirements from the 2013-2014 Acts came into force, this survey aimed to assess how public service schemes are meeting the new requirements and the standards to which they are being run.

² http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

³ Where a scheme is locally administered we have treated each local administering authority as an individual scheme.

The survey considered 10 areas and reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code:

- Action – Activity undertaken to ensure compliance with the new requirements
- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to members
- Internal dispute resolution
- Reporting breaches of the law

3. Methodology

As with the 2013 survey, a self-completion approach was adopted for this study for the following reasons:

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

In contrast to the 2013 survey, we conducted the research in-house rather than commission it to a third-party research supplier.

The method chosen for data collection was an interactive pdf, which was emailed to named scheme contacts held by us. Respondents were encouraged to identify their scheme, but were allowed to submit responses on an anonymous basis if they wished. Where responses were attributed to a particular scheme, it was shared with our public service regulatory team. They will use this, along with information gathered from other sources, to risk assess schemes for intervention as set out in our [compliance and enforcement policy](#). This was made clear to all respondents in the communications and survey invitations.

One issue with this approach is that respondents were not routed through the questionnaire according to their previous answers, resulting in a small number of questions for whom a very small number of respondents answered in error. These have been identified where they occur in this document.

Survey responses were entered into statistical analysis software package SPSS for data analysis purposes.

3.1 Sampling

As with the 2013 survey, the target audience for this research was the designated scheme contact at each of the 208 public service pension schemes for who we held nominated contact details, although it was expected that they may seek input from colleagues with specialist knowledge related to some aspects of their scheme.

A total of 187 self-completion surveys were sent to scheme contacts, 21 of which were the contact for more than one scheme.

3.2 Fieldwork

The fieldwork period lasted from 22 July 2015 until 4 September 2015.

Prior to the survey being issued, an email was sent to all 187 scheme contacts for which we had details approximately one week before launch.

Several steps were taken to maximise response rates. These are detailed below.

Table 1.2 – Activity undertaken to improve response rate

Date	Action
17/08/15	First email chaser sent to 177 scheme contacts who hadn't yet completed the survey
18/08/15	Email sent to 630 contacts on our Public Service Pension Scheme news-by-email distribution list
26/08/15	Second email reminder sent to 157 scheme contacts
August 2015	Over 300 telephone calls were made to nominated scheme contacts to encourage response
04/09/15	Final email reminder sent to 134 scheme contacts

Table 1.3 shows the responses rate across the four scheme groupings

Table 1.3 – Sample profile and response rates

	Total number of schemes	Completed surveys	Response rate
Fire & Rescue	51	14	37%
Police	45	22	49%
Local Government	101	53	52%
Central	12	12	100%
TOTAL	209	101	48%

Please note: survey responses were received in respect of 103 schemes, of which 101 were usable for survey analysis, and 84 attributable

Overall, the survey was completed on behalf of 48% of Public Service Pension Schemes, covering approximately 85% of scheme members. Responses were received from all the Central schemes (100%). As in 2013, (when the response rate was 53%), this compares favourably to the response rate achieved in other surveys we conducted.

3.3 Weighting

The data shown throughout this report is unweighted.

3.4 Reporting conventions

No comparisons have been made in this report between the findings from the four scheme types (Central, Fire and Rescue, Local government and Police). These scheme types are typically very different in nature and as such it may not be appropriate to make direct comparisons. The same approach was adopted in the 2013 survey report.

4. Research findings

4.1 Note on reporting of results

Owing to the low base sizes for three of the four scheme groupings, all findings are shown throughout this report in absolute numbers, ie they are reported as the number of schemes, not the percentage of schemes.

Owing to the low base sizes, limited comparisons are able to be drawn between the types of scheme on an individual question basis.

4.2 Role of respondent who took part in the survey

The most common job role reported by respondents to the survey was 'administrator' (42 out of 101, 41%). 14 respondents were pension managers/officers or fund managers, with seven pension board members and 38 'others'. The job roles of these others included Director of Operations, Director of People & Development, Director of Corporate Services and Governance & Compliance Manager.

4.3 Awareness and understanding of the legal governance and administration requirements and The Pensions Regulator's code of practice

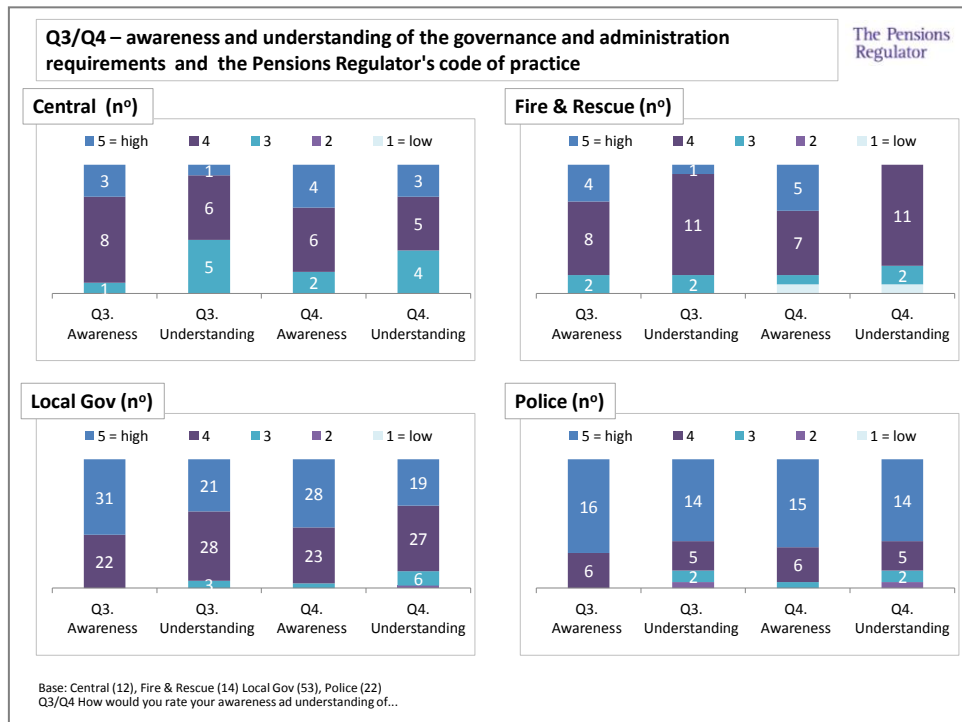
Figure 2-1 shows the reported level of awareness and understanding of:

- The legal governance and administration requirements introduced by the Public Service Pensions Act 2013
- The regulator's code of practice

Respondents rated their own awareness and understanding of these, using a scale from 1 to 5, where 1 is 'low' and 5 is 'high'.

Among the scheme contacts answering the survey, there were generally high levels of awareness and understanding of both the legal requirements and our code among all four scheme types. Most respondents gave a response of either four or five out of five.

Figure 4.3-1 - Awareness and understanding of the governance and administration requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and The Pensions Regulator's code of practice for public service pension schemes.



Overall, the mean scores for awareness and understanding of the governance and administration requirements were 4.5 and 4.23 respectively. The corresponding figures for awareness and understanding of our code of practice were 4.43 and 4.15 respectively.

4.4 Training undertaken by respondents relating to public service pension schemes

As shown in Figure 2-2, most respondents of all four scheme types had undertaken some form of training relating to public service pension schemes.

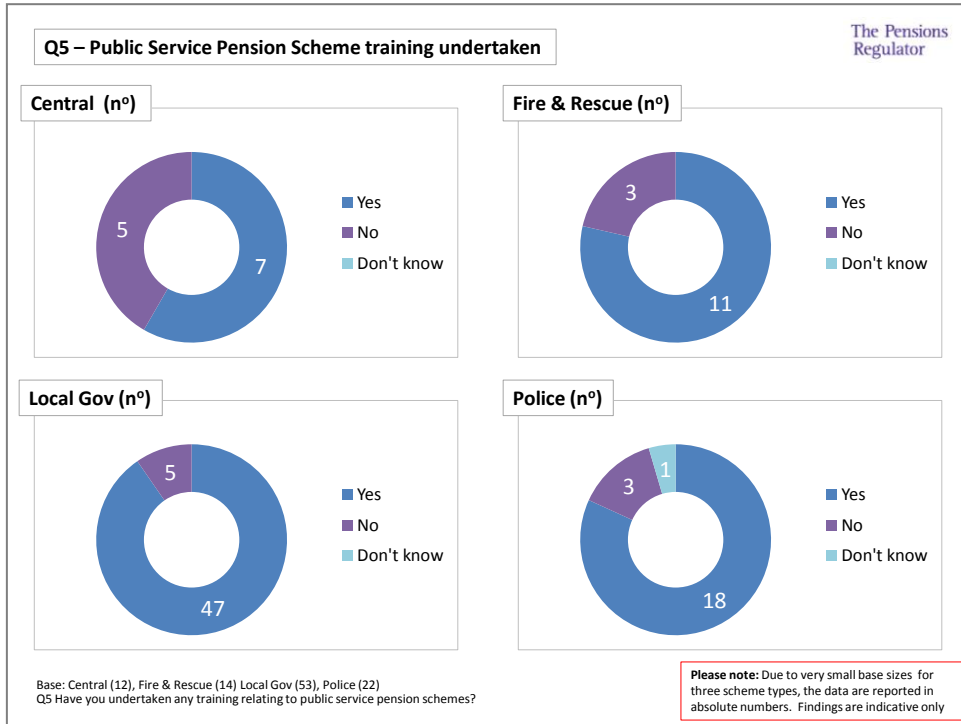
Overall, 83 out of 101 (82%) of respondents indicated they had received training.

According to respondents, where they indicated they had received training, it was provided by a mixture of different organisations:

- All seven Central scheme contacts who had received training said they received this from the regulator.
- 10 of the 11 Fire and rescue scheme contacts that had received training said they had received it from the Local Government Association (LGA).
- For Local government scheme contacts, the LGA (23), CIPFA (14) and 'Other consultants' (19) were the most common providers of training.

- For the Police schemes, information published by the regulator was identified as the most common source of training.

Figure 4.4-1 – Training undertaken by respondents relating to public service pension schemes



4.5 Pension scheme membership and status of pension board

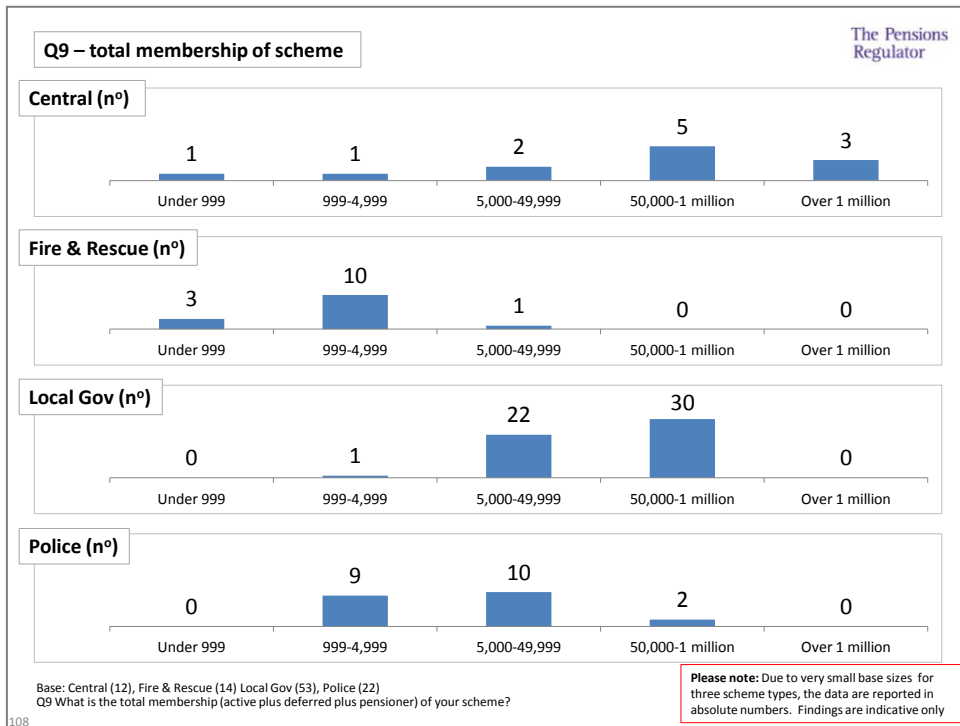
Two thirds of Central schemes (8 out of 12) reported a membership in excess of over 50,000; the three public service schemes that responded to the survey with over a million memberships were Central schemes.

The majority of Fire and rescue (13 out of 14) schemes had fewer than 5,000 memberships.

Three fifths of Local government schemes that responded had a membership of between 50,000 and one million (30 out of 53); most others (22 out of 53) were in the 5,000 and 49,999 membership range.

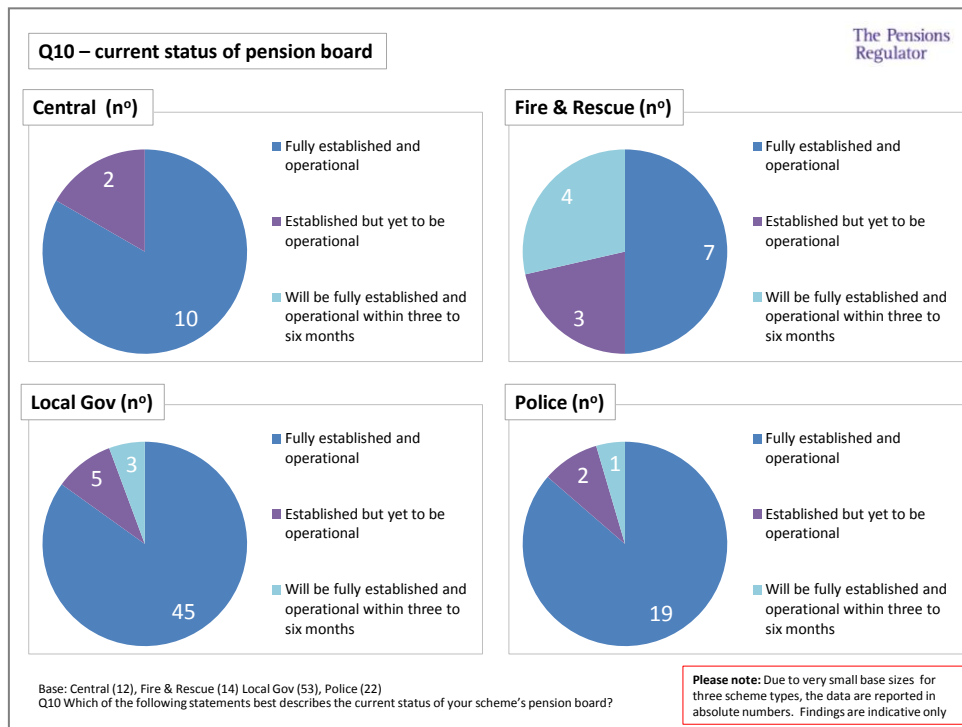
Around half of Police schemes had between 999 and 4,999 members, with around half having 5,000 to 49,999 memberships.

Figure 4.5-1 – Total membership of scheme



Overall (93 out of 101, 92%) of respondents identified their pension board as established (terms of reference agreed and all board members appointed). This held true across all the scheme types. Most boards (81 out of 101, 80%) were operational (with pension board meetings having commenced) while a minority were not. The remainder reported they would be operational within six months; there were no respondents that answered it would take longer than six months to operationalise.

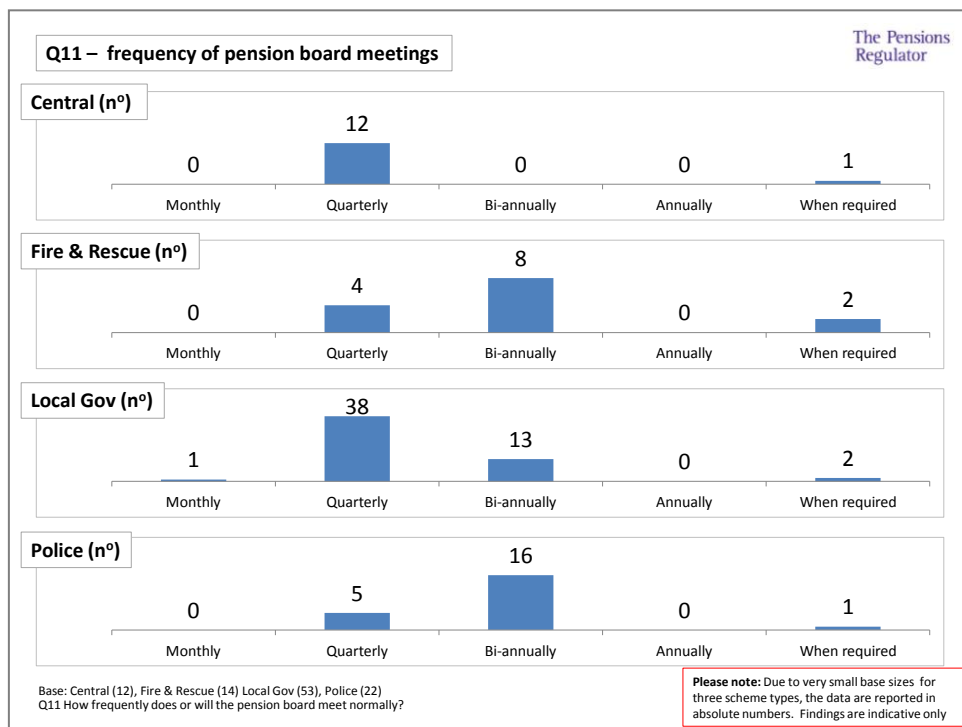
Figure 4.5-2 - Current status of pension board



4.6 Frequency of pension board meetings

The vast majority of schemes (96 out of 101, 95%) reported that their pension boards met or intend to meet at least every six months:

- All Central schemes stated they met/will meet at least quarterly (one scheme contact also stated they also met/will meet as required, if different from quarterly).
- Twelve of the 14 Fire and rescue schemes met/will meet at least every six months (four met/will meet quarterly).
- Over seven in ten Local government schemes (38 out of 53) met/will meet quarterly.
- Two in ten Police schemes (5 out of 22) met/will meet quarterly, while most others (16 out of 22) reported that their boards met/will meet on a biannual basis.

Figure 4.6-1 - Frequency of pension board meetings

4.7 Activity undertaken by schemes to ensure compliance with the legal requirements and reviewing the scheme against the code of practice

Schemes were asked about the actions completed (or being addressed) to ensure compliance with the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and also whether the scheme had been reviewed against our code of practice for public service pension schemes.

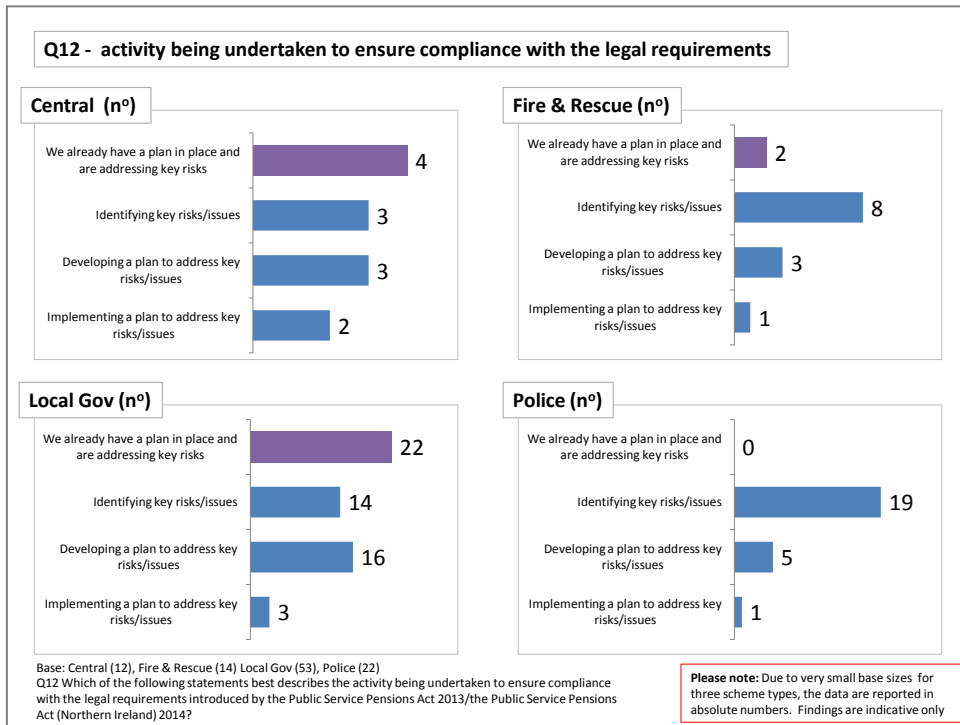
Overall, 28 out of 101 (28%) of schemes reported that they had plans in place and were addressing key risks.

The majority of Fire and rescue (12 out of 14) and all Police schemes (22 out of 22) reported that they were still at the stage of identifying, developing or implementing a plan to address key risks and issues. (Please note: respondents were able to select more than one of these options). Two Fire and rescue schemes said they had a plan in place and were addressing key risks; no Police schemes reported having reached that stage.

A third of Central schemes (4 out of 12) and a slightly higher proportion of Local government schemes (22 out of 53) reported that they had plans in place and were addressing key risks. The remainder were still at the stage of identifying, developing or implementing a plan to address key risks and issues.

In all scheme groups, fewer schemes reported that they were at the stage of implementing plans than identifying or developing plans.

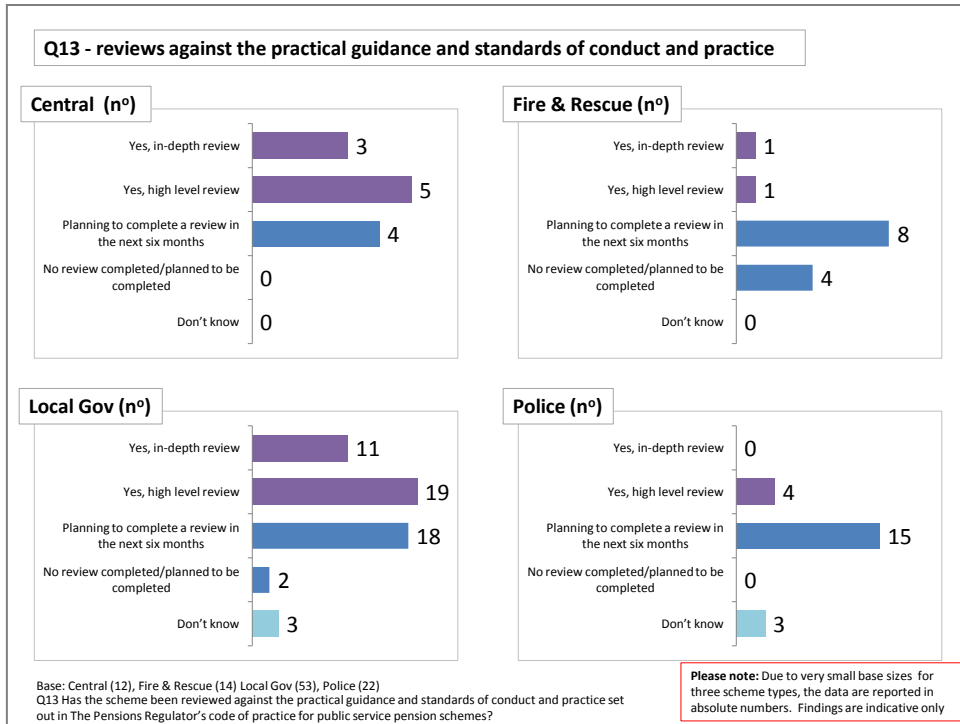
Figure 4.7-1: Activity being undertaken to ensure compliance with the legal requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014



Overall, 44 out of 101 schemes (44%) reported that they had already conducted either an in-depth or high level review of their scheme against the practical guidance and standards of conduct and practice set out in our code of practice for public service pension schemes

Over half of Local government (30 out of 53) and two-thirds of Central (8 out of 12) schemes had undertaken such a review. Most Police (15 out of 22) and Fire and rescue (8 out of 14) schemes planned to conduct a review in the next six months.

Figure 4.7-2: Reviews against the practical guidance and standards of conduct and practice set out in The Pensions Regulator’s code of practice for public service pension schemes



4.8 Roles, responsibilities, knowledge and understanding

All Central schemes and nine in ten Local government (50 out of 53) and Police (20 out of 22) schemes stated that they had:

- Produced guidance on the roles, responsibilities and duties of pension boards and the members of those boards and;
- Ensured that pension board members fully understood their roles, responsibilities and duties.

Overall, this equated to 94 out of 101 (93%) of schemes producing guidance and 91 out of 101 (90%) ensuring their boards understood their role.

Although most Fire and rescue schemes (12 out of 14) reported that they had produced guidance, fewer (9 out of 14) stated the scheme manager or another person had ensured the board members fully understood their role.

Figure 4.8-1: Production of guidance on the roles, responsibilities and duties of pension boards and the members of those boards

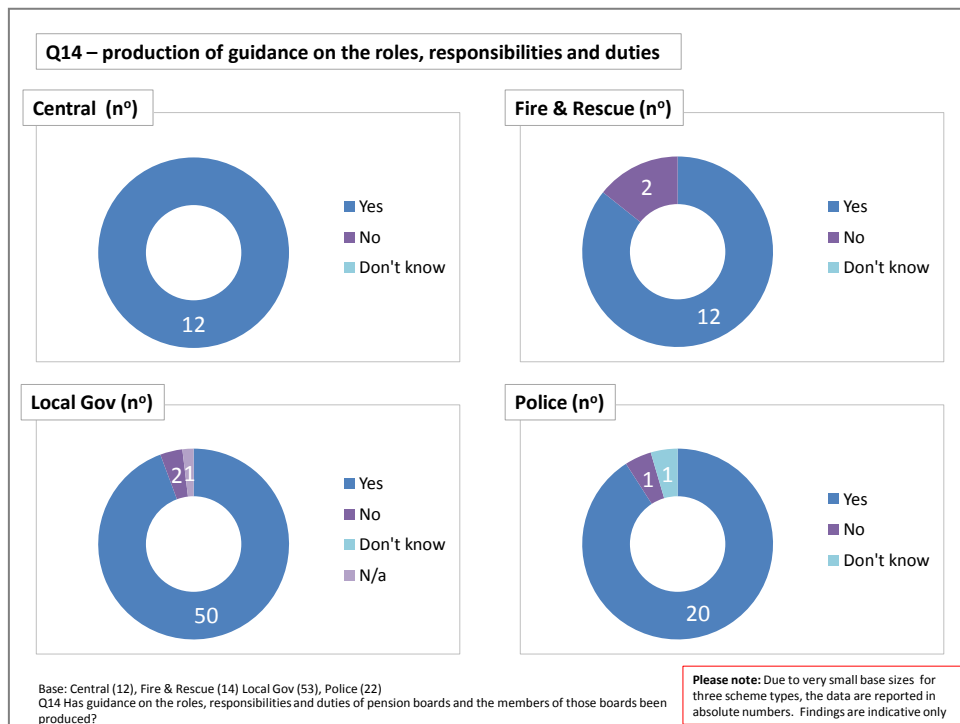
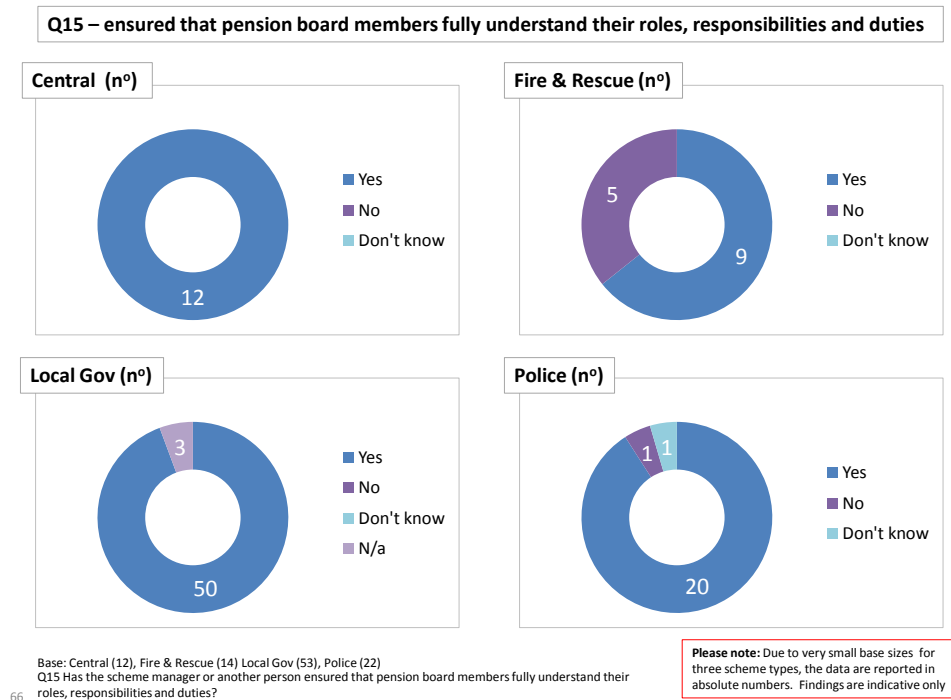


Figure 4.8-2: Scheme manager or another person has ensured that pension board members fully understand their roles, responsibilities and duties



Overall, 79 out of 101 schemes (78%) reported having developed policies and arrangements to help pension board members to acquire and retain required knowledge and understanding. This was the case for over four-fifths of Central (11 out of 12), Local government (46 out of 53) and Police (18 out of 22) schemes. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

In terms of the specific policies and arrangements that schemes stated had been developed, the focus was on training frameworks, training logs and pension board training plans rather than individual training plans.

Figure 4.8-3: Policies and arrangements to help pension board members to acquire and retain the knowledge and understanding they require

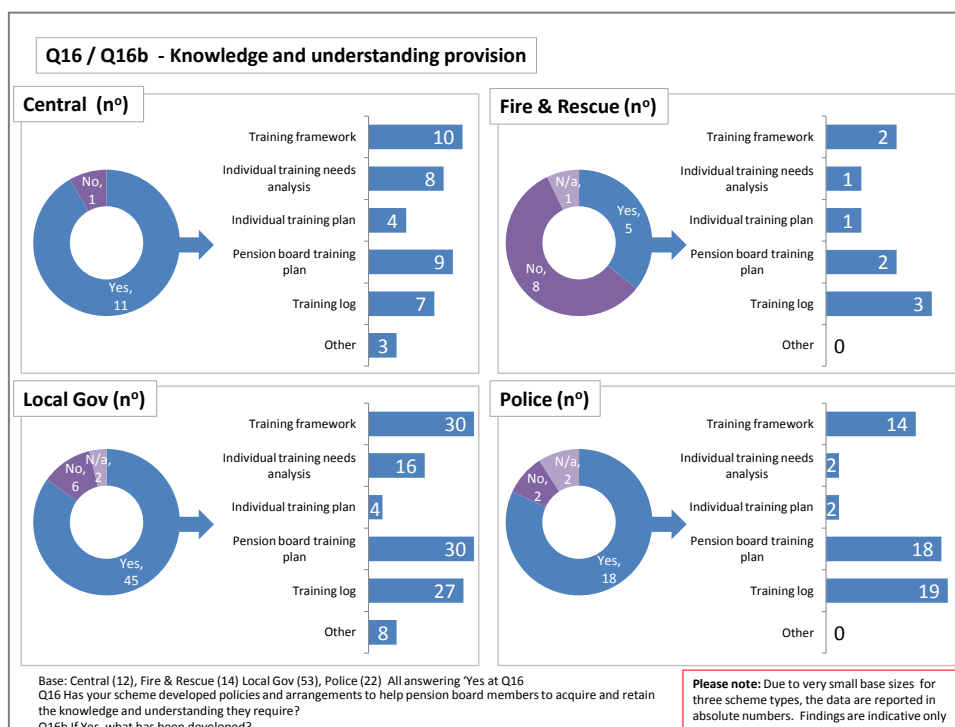


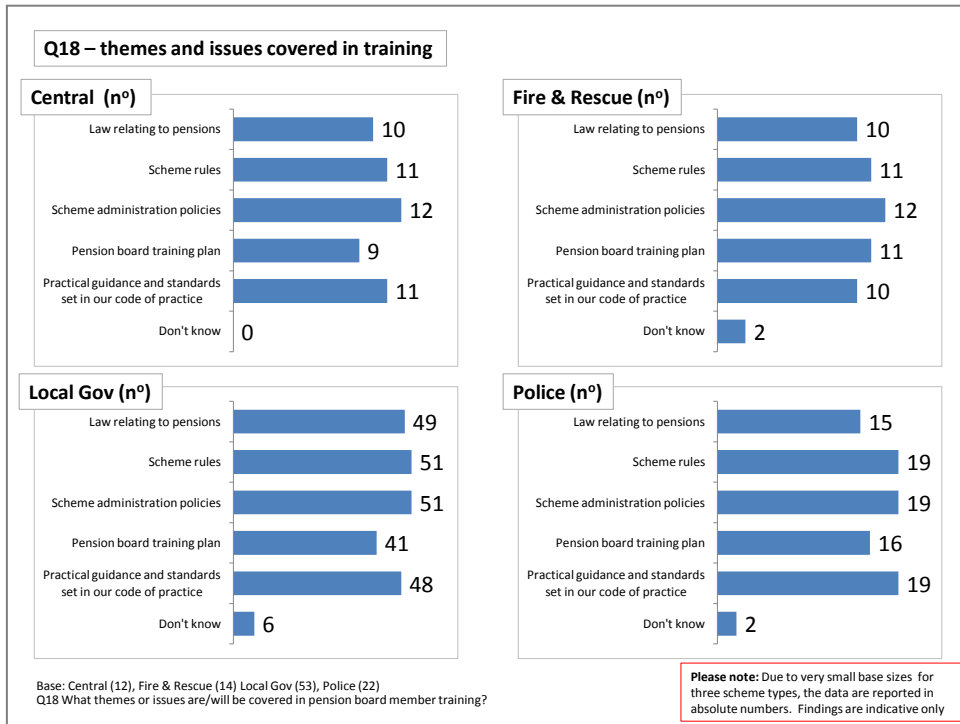
Table 4.8.1 below summarises the key sources of training identified for each scheme type. In addition to the sources identified below, for local government schemes the 'Local Government Association' (12) and 'Actuary' (9) also received high numbers of mentions.

Table 4.8.1 – Top 3 sources of pension board training by scheme type (numbers of mentions)

Central	Local government	Fire & Rescue	Police
The Pensions Regulator	Investment adviser	Local Government Association	The Pensions Regulator
Responsible/ administering authority	Responsible/ administering authority	The Pensions Regulator	Chartered Institute of Public Finance and Accountancy
Actuary	The Pensions Regulator	-	-

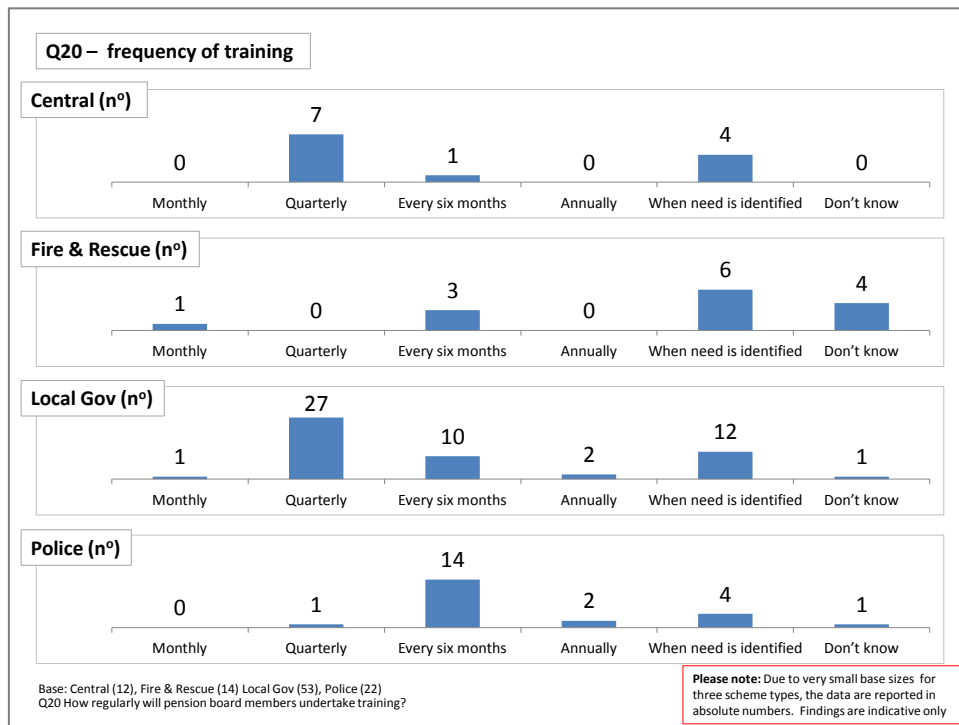
Most schemes reported that their board member training covered a wide remit, with scheme administration policies (94 out of 101, 93%), scheme rules (92 out of 101, 91%) and practical guidance and standards in the code of practice (88 out of 101, 87%) being the three areas mentioned most frequently. These areas were cited by all types of scheme.

Figure 4.8-4: Themes and issues covered in pension board member training



Overall, almost two thirds (63 out of 101, 62%) of schemes reported that training will take place either quarterly or every 6 months. Around half of Central (7 out of 12) and Local Government (27 out of 53) schemes answered that training will be conducted quarterly. Among Police schemes, the majority conducted training every six months (14 out of 22). For Fire & Rescue schemes, training was reported to be on a relatively ‘ad hoc’ basis, with 6 out of 14 stating it was whenever needed and 4 out of 14 reporting that they ‘don’t know’.

Figure 4.8-5: Frequency of pension board member training



4.9 Conflicts of interest

Overall, 88 out of 101 (87%) of schemes reported that they have a conflicts policy and procedure for pension board members, with 79 out of 101 (78%) having a register of interests in place.

All 12 Central schemes reported they had a conflicts of interest policy in place; 11 also stated that they had procedures that require board members to disclose interests which could become conflicts of interest prior to appointment and a register of interests (nine of the 11 updated this quarterly). Similar questions were asked in the 2013 survey relating to the presence of a conflicts policy and procedure and register of interests; more Central schemes reported they had these in place in the 2015 survey versus the 2013 survey. 4 out of 11 schemes reported they had these in place in the 2013 survey.

Over three-quarters of Fire and rescue schemes (11 out of 14) stated they had a conflicts policy in place, while a lower number (8 out of 14) had procedures that require disclosure of interests prior to appointment and a register of interests. Five out of the eight schemes with a risk of interests reported that they updated this quarterly.

Over four-fifths of Local government schemes reported they had a conflicts policy in place (46 out of 53), and procedures that require board members to disclose interests prior to appointment (45 out of 53). Slightly fewer had a register of

interests in place (41 out of 53). Results were very similar to the 2013 survey where equivalent questions were asked.

Over four-fifths of Police schemes reported they had a conflicts policy in place (19 out of 22). Almost all Police schemes (21 out of 22) had procedures that require board members to disclose interests prior to appointment and a majority (19 out of 22) had a register of interests in place. Of those with a risk register, this was most commonly updated on an annual basis (14 out of 19).

Figure 4.9-1: Conflicts policy and procedure in place for pension board members

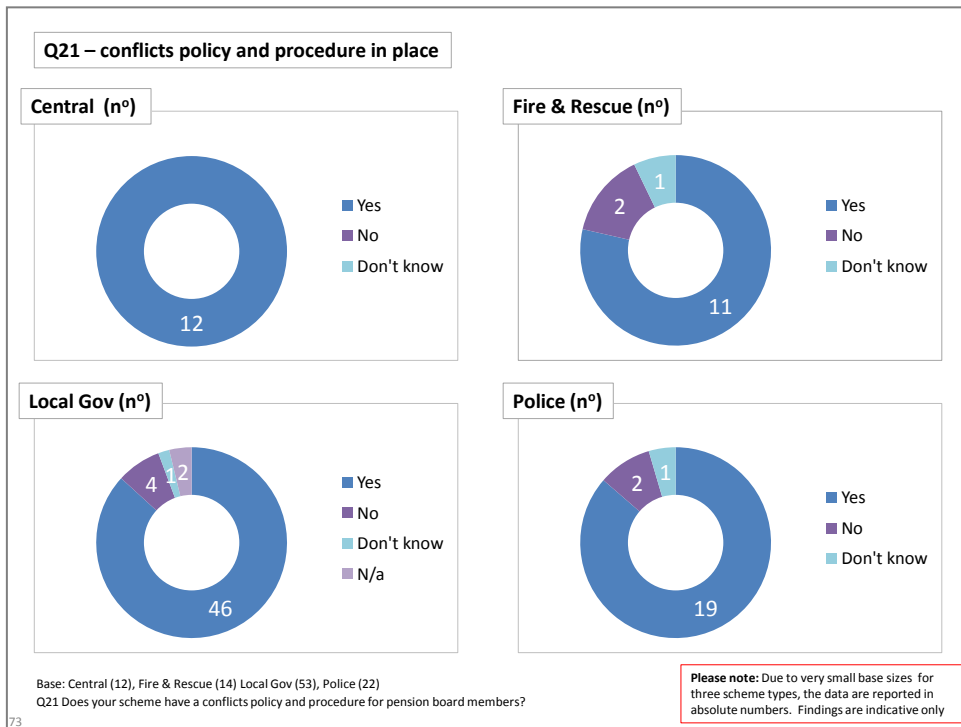


Figure 4.9-2: Conflicts policy and procedure content

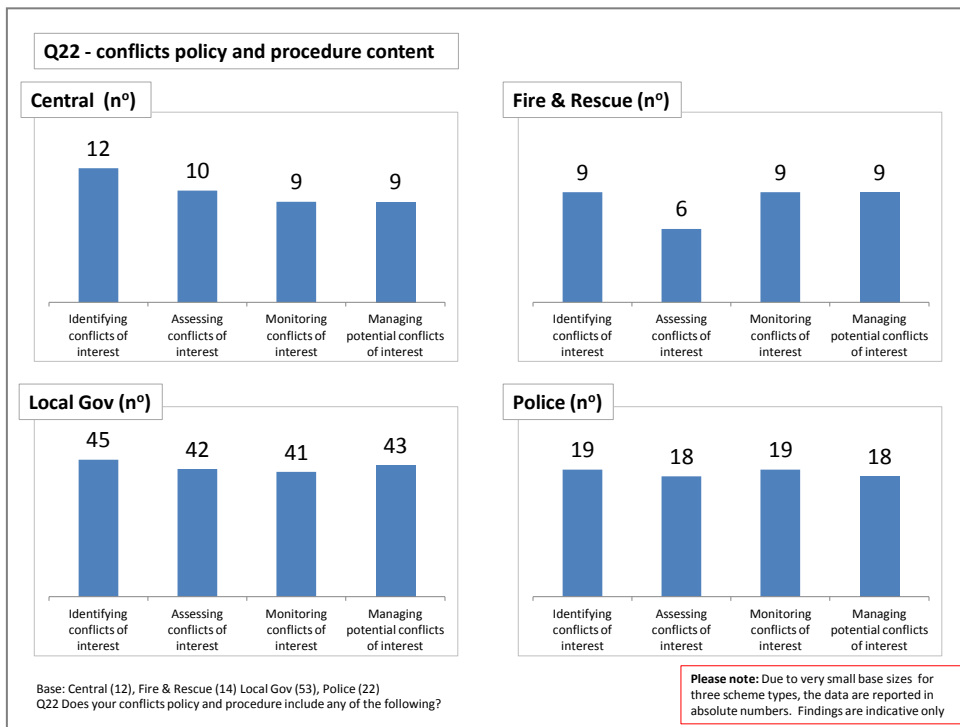


Figure 4.9-3: Procedures that require disclosure of interests which could become conflicts of interests prior to appointment

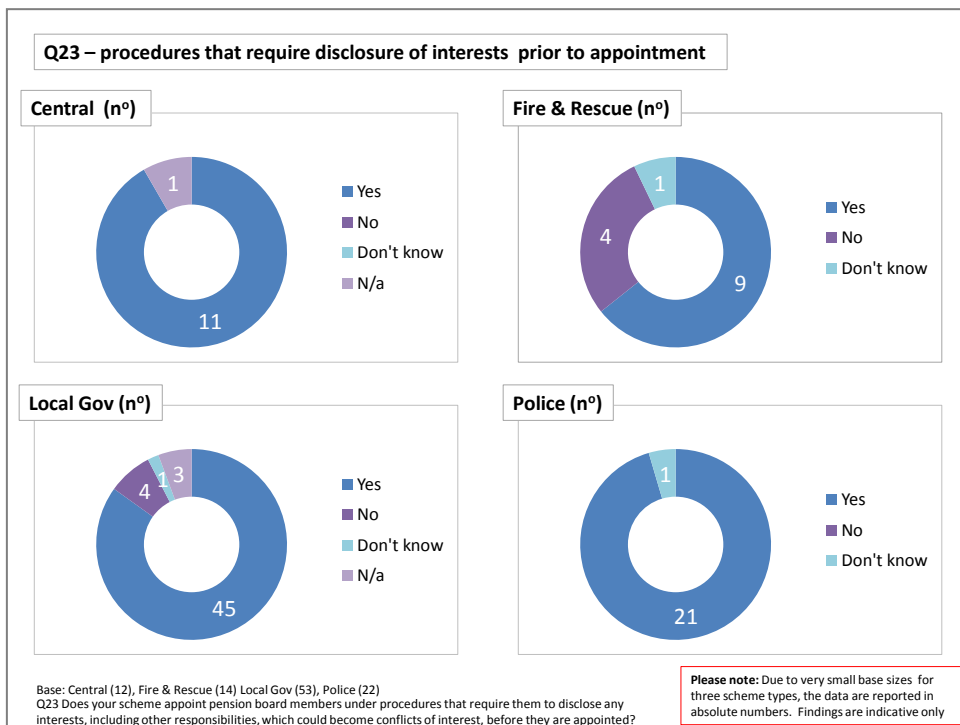


Figure 4.9-4: Register of interests in place

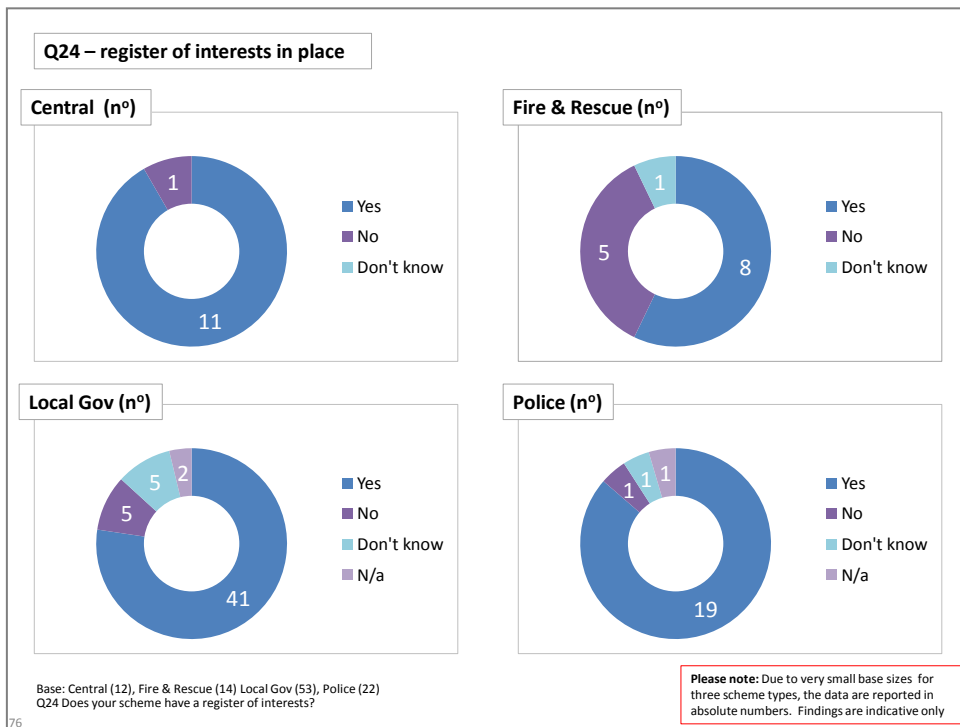
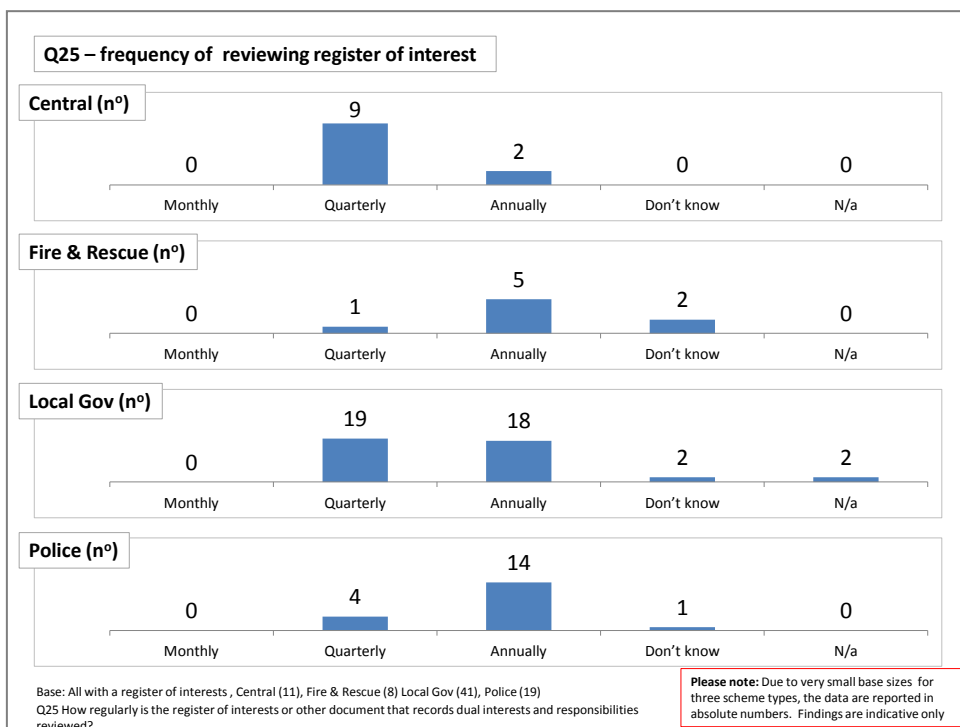


Figure 4.9-5: Frequency of reviewing register of interest or other document that records dual interests and responsibilities

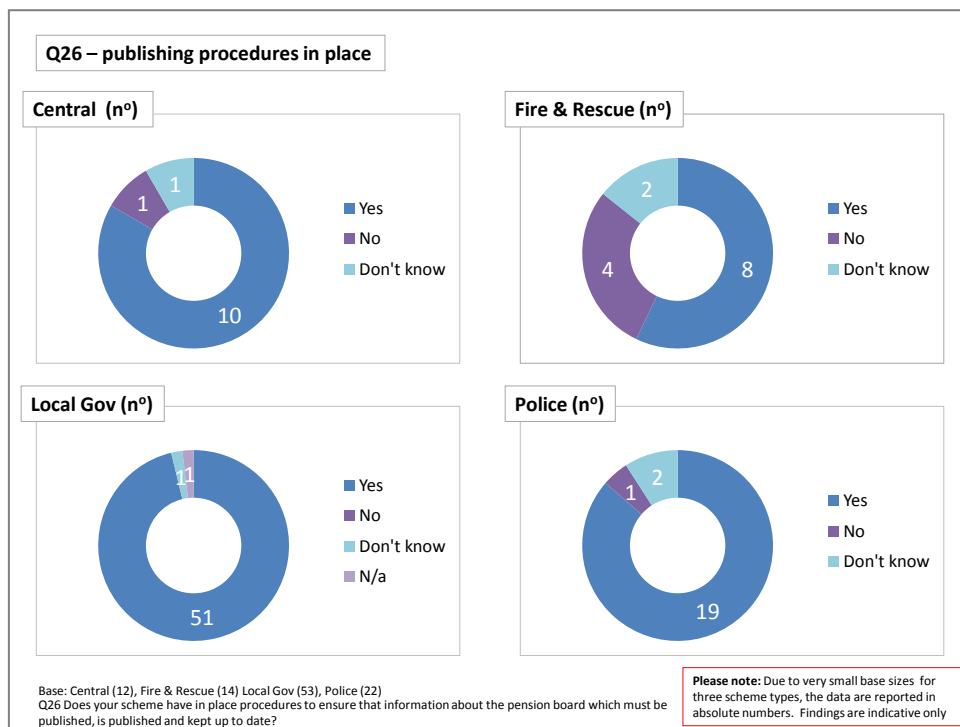


4.10 Publishing information about pension boards

Almost all Central (10 out of 12), Local government (51 out of 53) and Police schemes (19 out of 22) reported that they had in place procedures to ensure that information about the pension board which must be published, was published and kept up to date. Within Fire and rescue schemes, over half (8 out of 14) had procedures in place.

Overall, 88 out of 101 (87%) reported that this was the case.

Figure 4.10-1: Publishing procedures in place to ensure that information about the pension board which must be published, is published and kept up to date



Schemes were also asked about their plans to publish additional information (not specified in legislation) about the pension board. In total, 49 out of 101 schemes responded:

- 24 had plans to publish additional data, primarily relating to meeting agendas and minutes
- 11 had no plans to publish additional data
- 14 had not yet decided whether or not to publish additional data

4.11 Internal controls

Overall, 57 out of 101 (56%) conducted risk assessments at least quarterly, and 83 out of 101 (82%) had a risk register in place. 77 out of 101 (76%) had documented procedures for assessing and managing risk.

All Central schemes conducted risk assessments at least quarterly, and all had a risk register in place. Additionally, all of the Central schemes had documented procedures for assessing and managing risk – of which two-thirds (8 out of 12) (do or will) review the effectiveness of risk management and internal control systems at least every six months.

Almost half of Fire and rescue schemes conducted risk assessments quarterly (6 out of 14). Around a third had a risk register in place (5 out of 14) and documented procedures for assessing and managing risk (5 out of 14). In terms of reviewing the effectiveness of its risk management and internal control systems, almost half (6 out of 14) stated they do or will do this once a year or more, while half (7 out of 14) 'don't know' how frequently they do or will do this.

Among Local government schemes, two-thirds conducted risk assessments at least quarterly, and the vast majority had a risk register in place (48 out of 53). Four-fifths of Local government schemes had documented procedures for assessing and managing risk – of which around a fifth do or will review the effectiveness of risk management and internal control systems at least every six months. Over half (29 out of 53) do or will do this at least once a year.

Around half of Police schemes conducted risk assessments every six months (13 out of 22), and the majority had a risk register in place (18 out of 22). The majority (18 out of 22) also had documented procedures for assessing and managing risk – of which almost three-quarters (16 out of 22) do or will review the effectiveness of risk management and internal control systems once a year or more.

Figure 4.11-1: Frequency of risk assessment

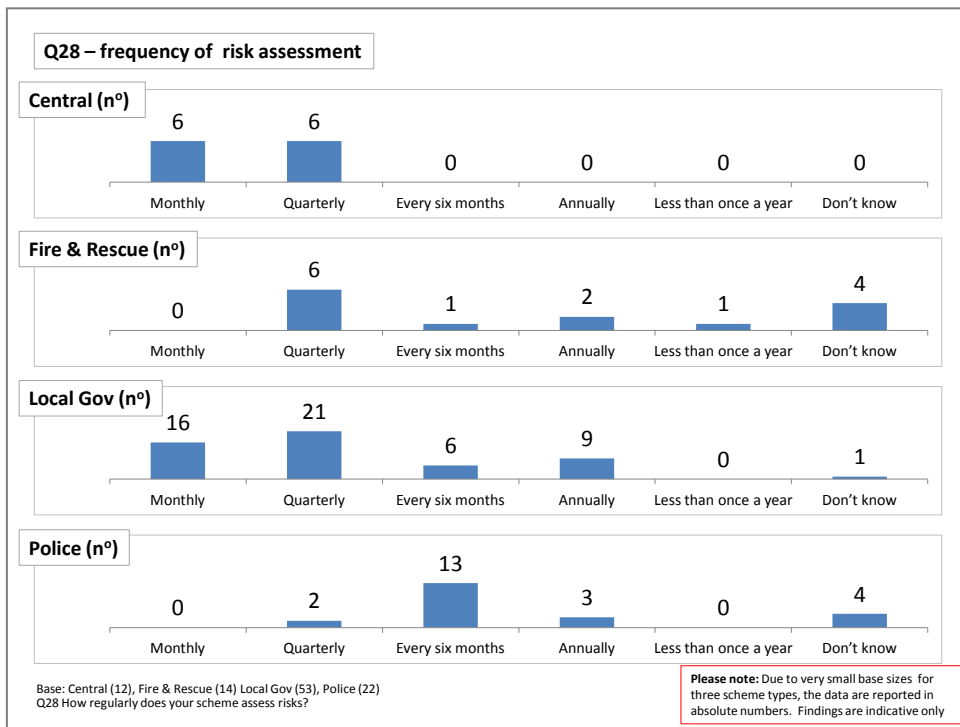


Figure 4.11-2: Risk register in place

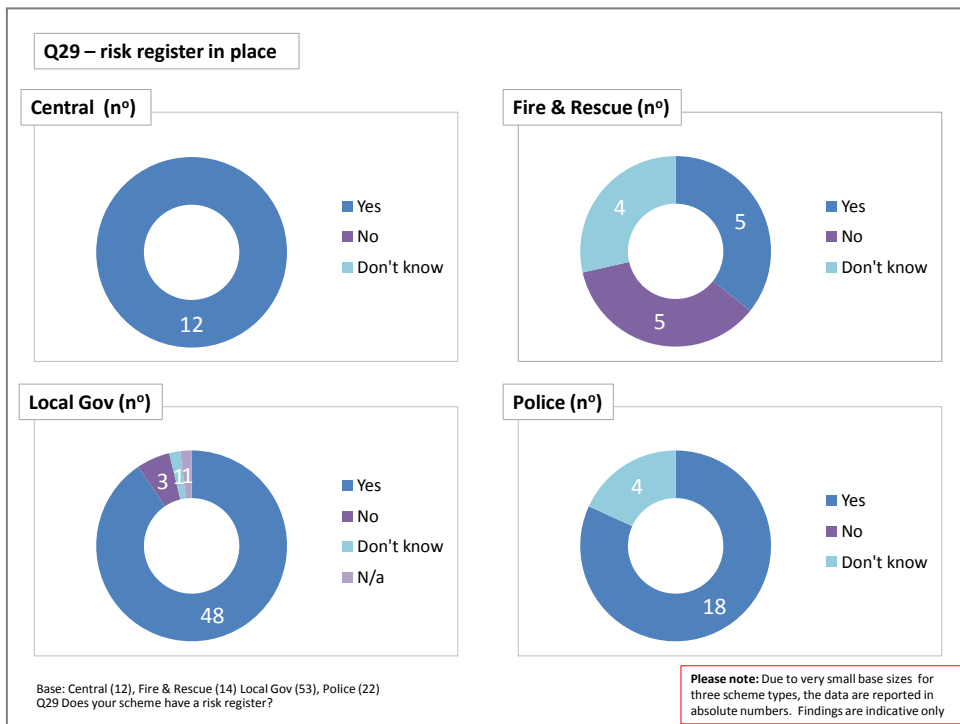


Figure 4.11-3: Documented procedures in place for assessing and managing risk

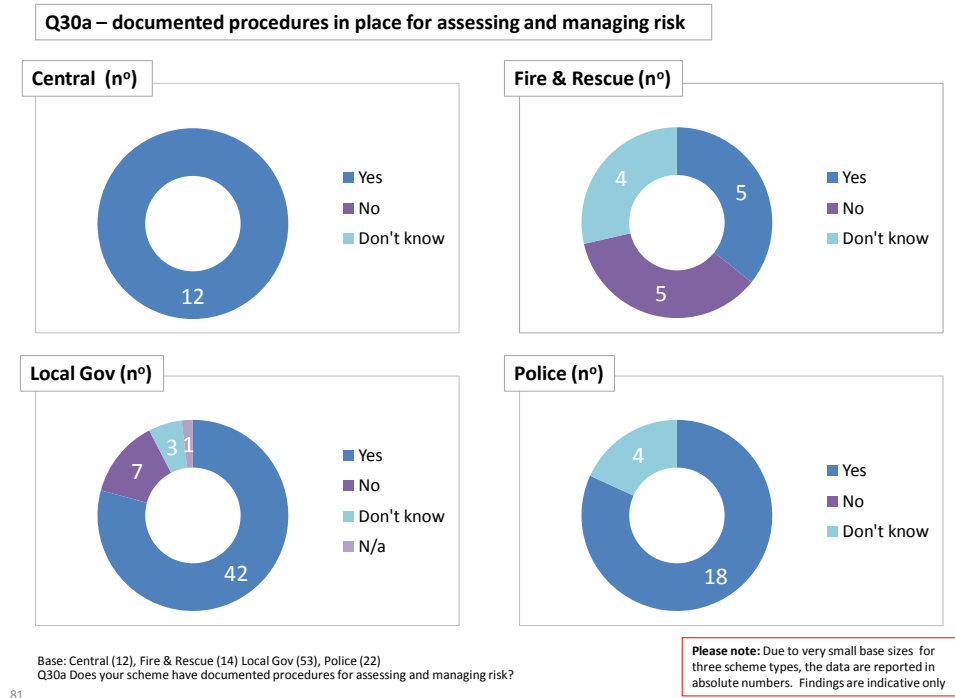
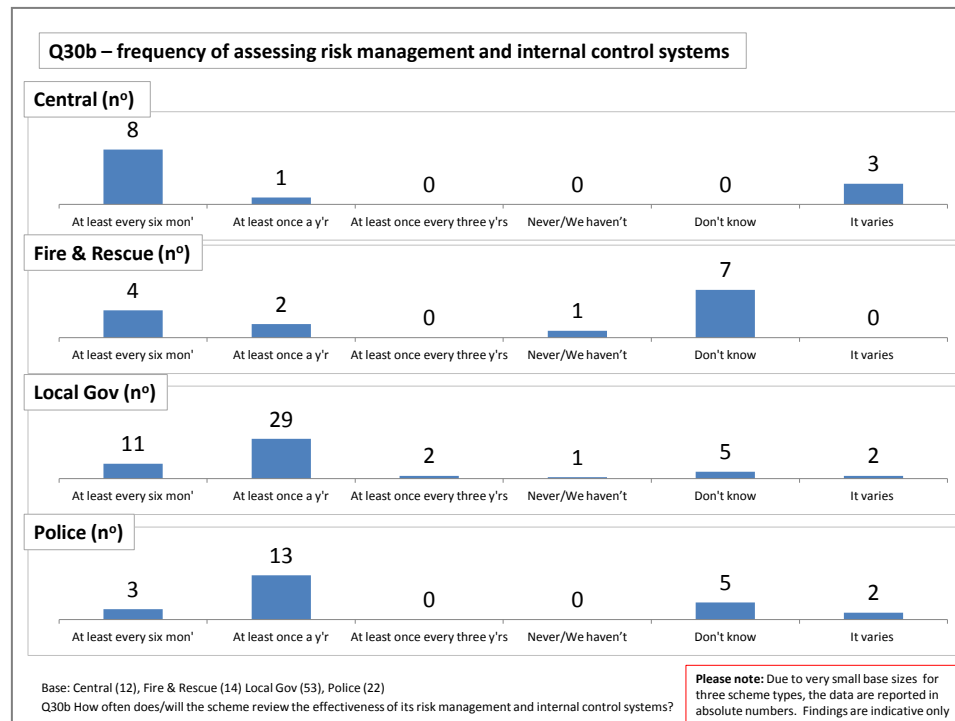


Figure 4.11-4: Frequency of reviewing effectiveness of risk management and internal control systems

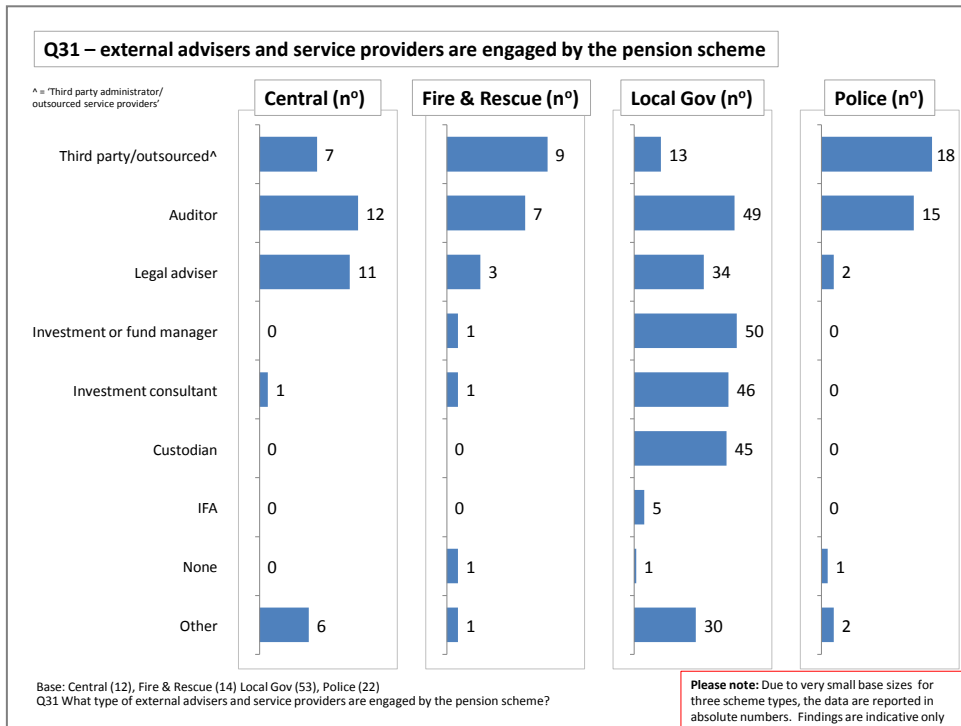


4.12 External advisers and service providers

Overall, 47 out of 101 (47%) used third party administrators, and 83 out of 101 (82%) reported the use of an auditor.

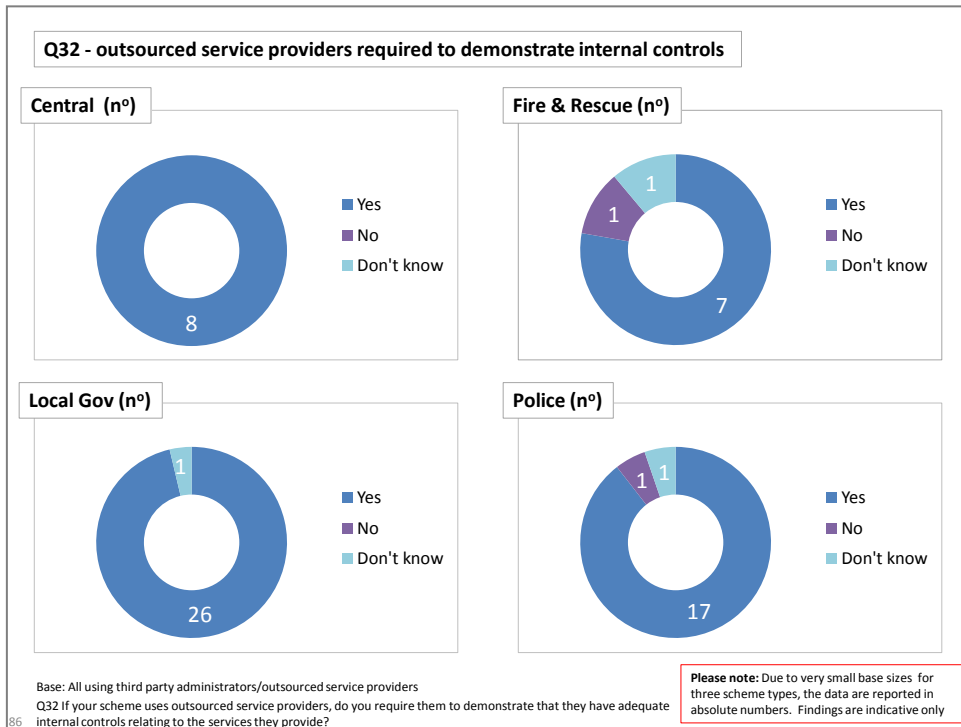
The types of external advisers and service providers engaged by Central, Fire and rescue and Police schemes tended to be similar. All three schemes mainly used ‘Third party administrator/ outsourced service providers’ and ‘auditors’; Central schemes also used ‘legal advisers’. Local government schemes used a wider range of advisers and providers – mainly investment/fund managers, auditors, investment consultants and custodians. A large minority (24 out of 53) of Local Government schemes reported retaining the services of an actuary.

Figure 4.12-1: External advisers and service providers engaged by the pension scheme



Among schemes that used third party administrators or outsourced providers, almost all required the supplier to demonstrate adequate internal controls – regardless of scheme type.

Figure 4.12-2: Outsourced service providers required to demonstrate that they have adequate internal controls relating to the services they provide

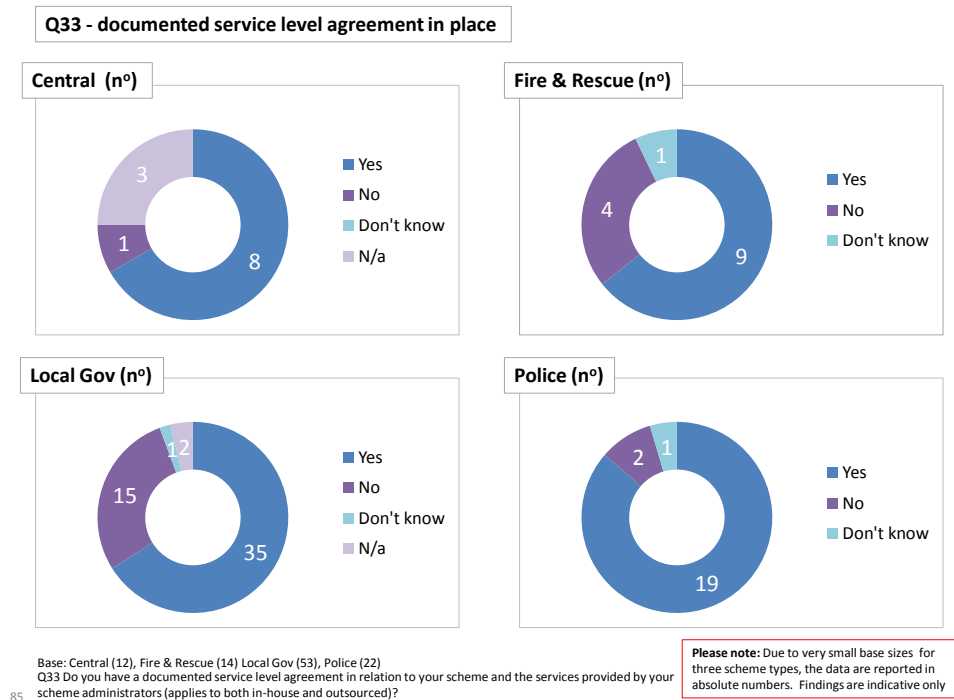


PLEASE NOTE: A small number of respondents provided an answer for Q32 despite their response to Q31 indicating that their scheme did not use outsources service providers. As such there are additional responses included in the above Figure.

Overall, 71 out of 101 (70%) of schemes reported having a documented service level agreement in relation to their scheme and the services provided by their scheme administrators, regardless of whether administration was carried out in-house or provided by a third party.

Around two-thirds of Central (8 out of 12) Fire and rescue (9 out of 14) and Local government (35 out of 53) schemes had a documented service level agreement in relation to their scheme and the services provided by scheme administrators (in-house and outsourced). Almost 9 in 10 Police schemes (19 out of 22) had these in place.

Figure 4.12-3: Documented service level agreement in place in relation to the scheme and the services provided by their scheme administrators



Overall, 43 out of 101 (43%) of schemes received information on their administrator's internal controls on a monthly or quarterly basis.

The frequency with which information was reported to be received on administrators' internal controls varied within scheme types:

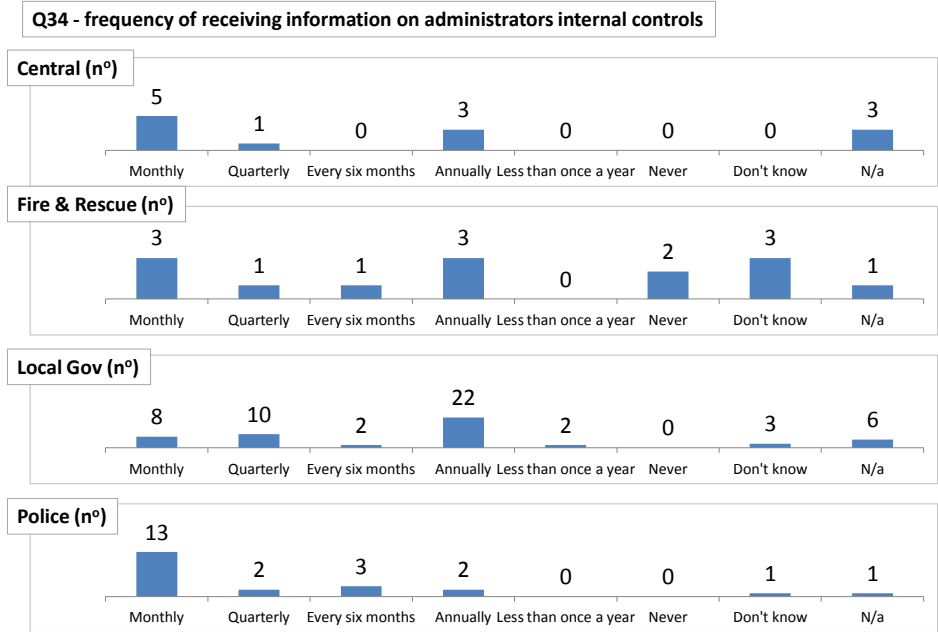
Central schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (5 out of 12) or 'annually' (3 out of 12).

The frequency of information on administrator's internal controls varied between the individual Fire and rescue schemes, for example: three schemes received information 'monthly', three schemes received this 'annually', three schemes stated 'don't know' and a further three schemes stated 'never' or 'no answer'.

Two-fifths of Local government schemes received information on internal controls relating to the services that administrators provided 'annually' (22 out of 53); slightly less than one-fifth received this 'monthly' (8 out of 53) or 'quarterly' (10 out of 53).

Police schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (13 out of 22).

Figure 4.12-4: Frequency of information on internal controls relating to the services that administrators provide



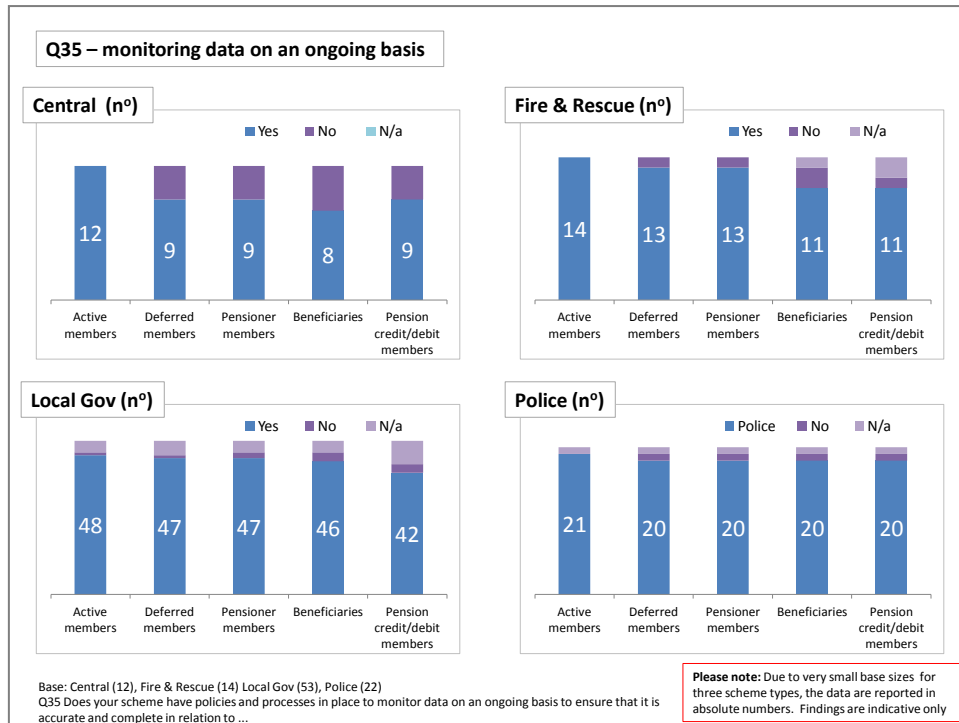
Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
 Q34 How frequently do you receive information on internal controls relating to the services that administrators provide?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

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4.13 Scheme record-keeping and data monitoring

Figure 4.13-1: Policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete



Policies and processes for ongoing monitoring of member data were in place for almost all schemes in respect of 'active members'. There were more gaps regarding record-keeping for other member types. Data monitoring policies and processes for deferred members, pensioner members, beneficiaries and pension credit / debit members were not in place in a significant minority of Central schemes.

Figure 4.13-2: Measurement of data against requirements of the Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014

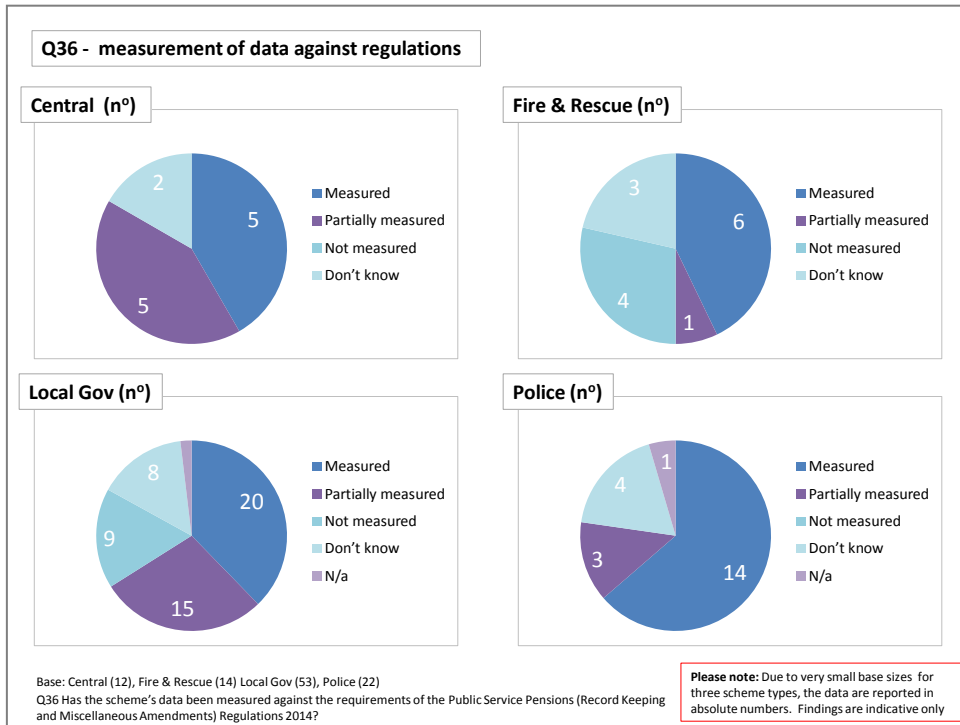
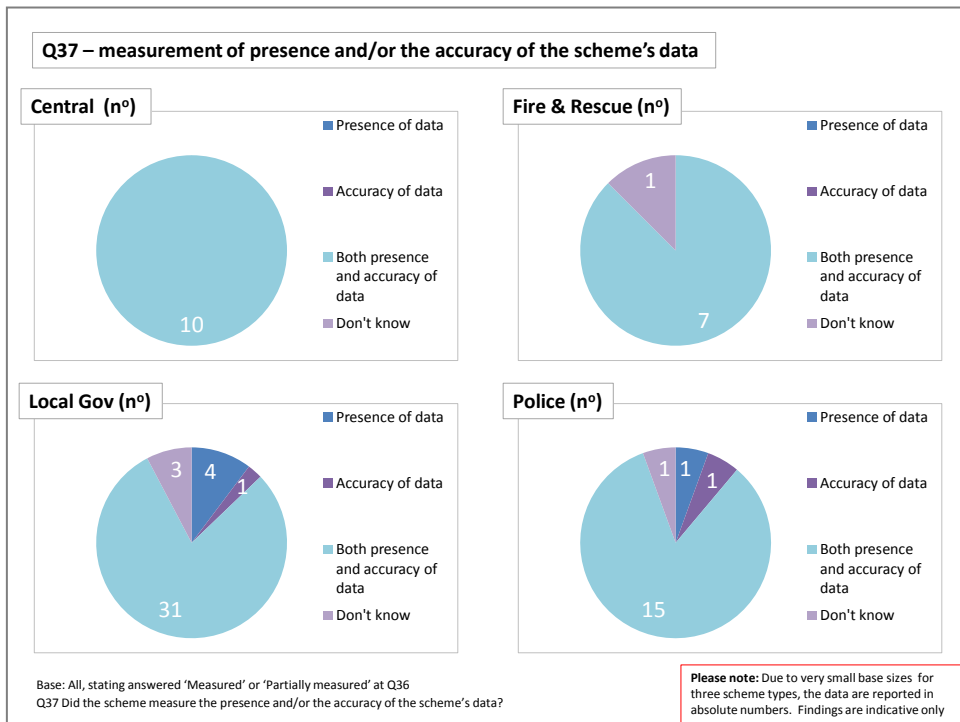
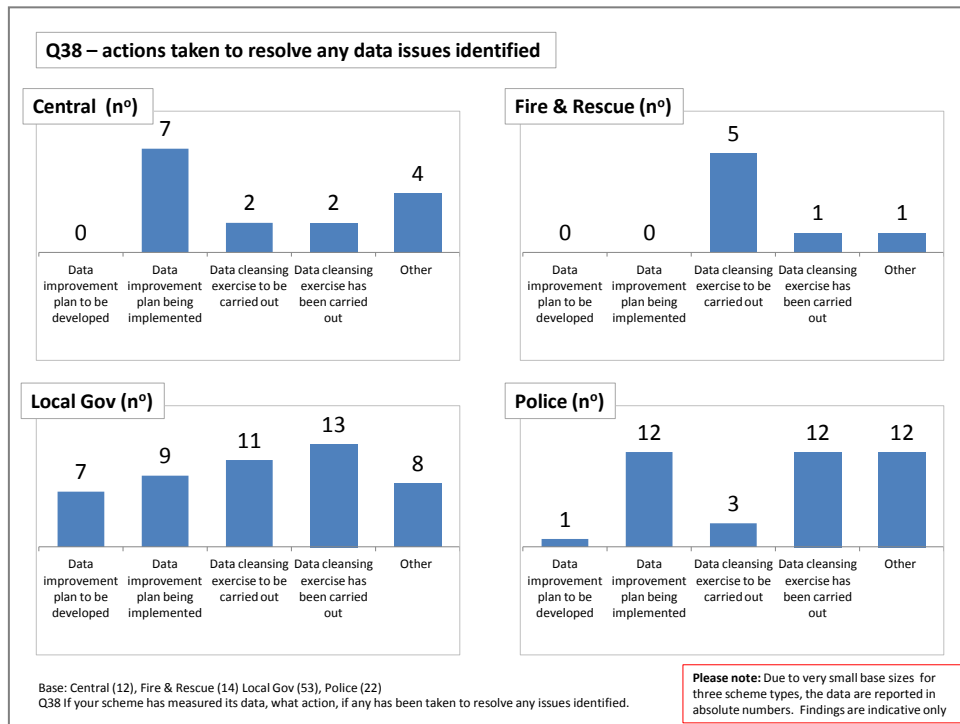


Figure 4.13-3: Measurement of presence and/or the accuracy of the scheme's data



PLEASE NOTE: A small number of respondents provided an answer for Q37 despite their response to Q36 indicating that their scheme had not measured its data against the regulations. As such there are additional responses included in the above Figure.

Figure 4.13-4: Actions taken to resolve any data issues identified



PLEASE NOTE: A small number of respondents provided an answer for Q38 despite their response to Q36 indicating that their scheme did not measure its data against the regulations. As such there are additional responses included in the above Figure.

Overall, 45 out of 101 schemes (45%) had measured their data, with a further 24 out of 101 (24%) having partially measured the scheme's data against the requirements of the Record Keeping Regulations⁴. Of these 69 schemes, 63 had measured both the presence and accuracy of data.

The majority (10 out of 12) of Central schemes had measured the scheme's data against the Regulations (5 out of 12 measures and 5 out of 12 partially measured). Of those who had conducted these measurements, all measured the presence and accuracy of the scheme's data. The main action taken by seven schemes to resolve any data issues identified were a 'data improvement plan being implemented'. Data cleansing exercises will or had been carried out by four schemes.

Half of Fire and rescue schemes (7 out of 14) had measured the scheme's data against the Regulations (6 out of 14 measures and 1 out of 14 partially measured). Of those who provided a response relating to conducting these measurements, the majority (7) measured the presence and accuracy of the scheme's data. Data cleansing exercises will or had been carried out by six schemes to resolve any data issues identified.

⁴ Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014.

Among Local government schemes, two-thirds had measured the scheme's data against the Regulations (20 out of 53 measured and another 15 out of 53 partially measured). Of those who provided a response relating to conducting these measurements, the majority (31) measured the presence and accuracy of the scheme's data. Local government schemes were split between planning and having completed actions to resolve any data issues identified:

- Seven schemes were developing a data improvement plan, nine had this in place.
- Data cleansing exercises were to be carried out by 11 schemes, 13 schemes had already conducted them.
- 'Other' actions were also planned/being carried out by eight schemes.

Over three-quarters of Police schemes had measured the scheme's data against the Regulations (14 out of 22 measures and 3 out of 22 partially measured). Of those who provided a response relating to conducting these measurements, the majority (15) measured the presence and accuracy of the scheme's data. 12 Police schemes had implemented data improvement plans and had carried out data cleansing exercises. Furthermore 'other' actions were also planned/being carried out by eight schemes.

Figure 4.13-5: Last data review exercise



Overall, 72 out of 101 (71%) schemes reported that they had conducted a data review within the last year.

Over half of Central schemes had conducted a data review exercise in the last year (7 out of 12); and the majority currently carried out or planned to carry out future data review exercises (including an assessment for accuracy and completeness of the data) at least annually (6 out of 12 annually, 4 out of 12 more frequently).

Half of Fire and rescue schemes had also conducted a data review exercise in the last year (7 out of 14) and the majority currently carried out or planned to carry out future data review exercises annually (11 out of 14)

Among Local government schemes, data review exercises were most frequently carried out within the last 12 months (41 out of 53). Over three-fifths of Local government schemes currently carried out or planned to carry out future data review exercise annually (34 out of 53), with one-fifth planning to conduct data reviews more frequently than annually (11 out of 53).

The majority of Police schemes (17 out of 22) had carried out a data review exercise in the last year. Looking ahead, almost all schemes currently carried out or planned to carry out future data review exercise at least annually (7 out of 22 annually, 13 out of 22 more frequently).

Figure 4.13-6: Frequency of data review exercise including an assessment for accuracy and completeness of the data

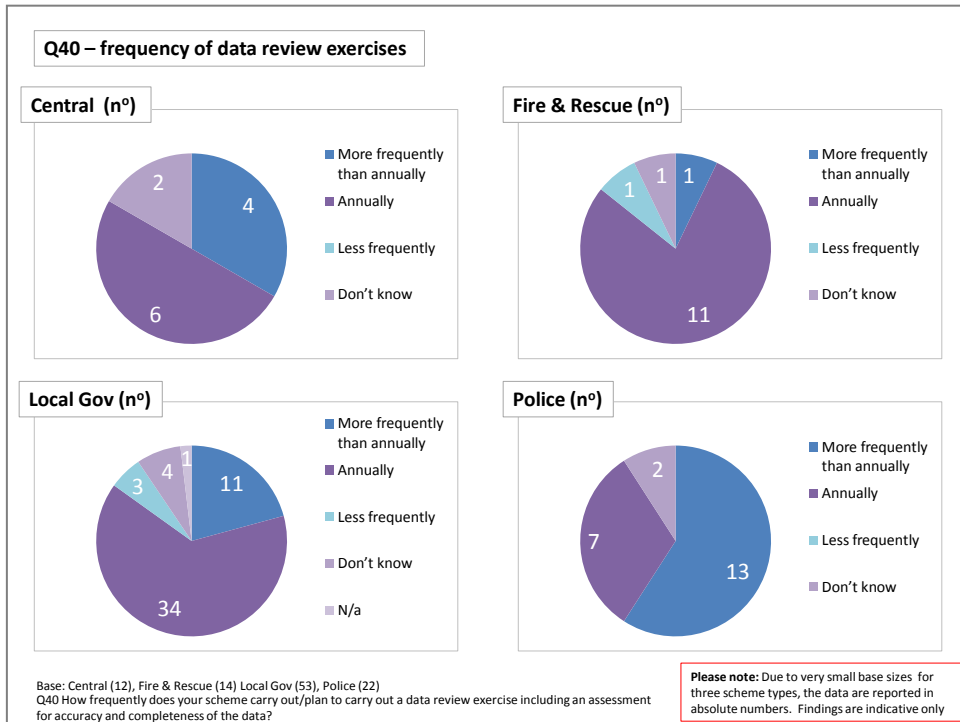
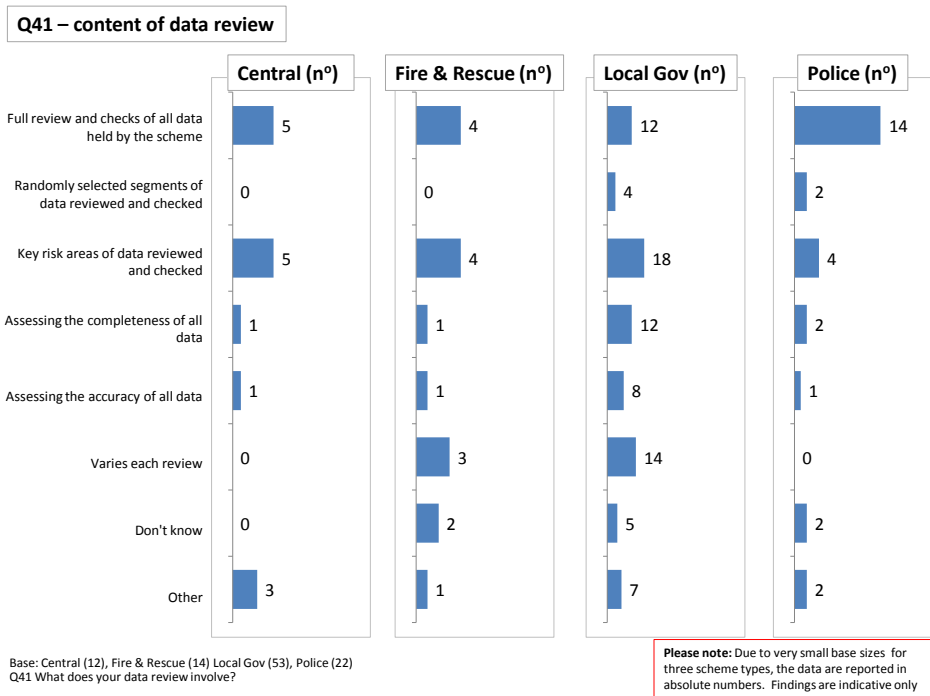


Figure 4.13-7: Content of data review



Schemes data review involved a wide range of activities:

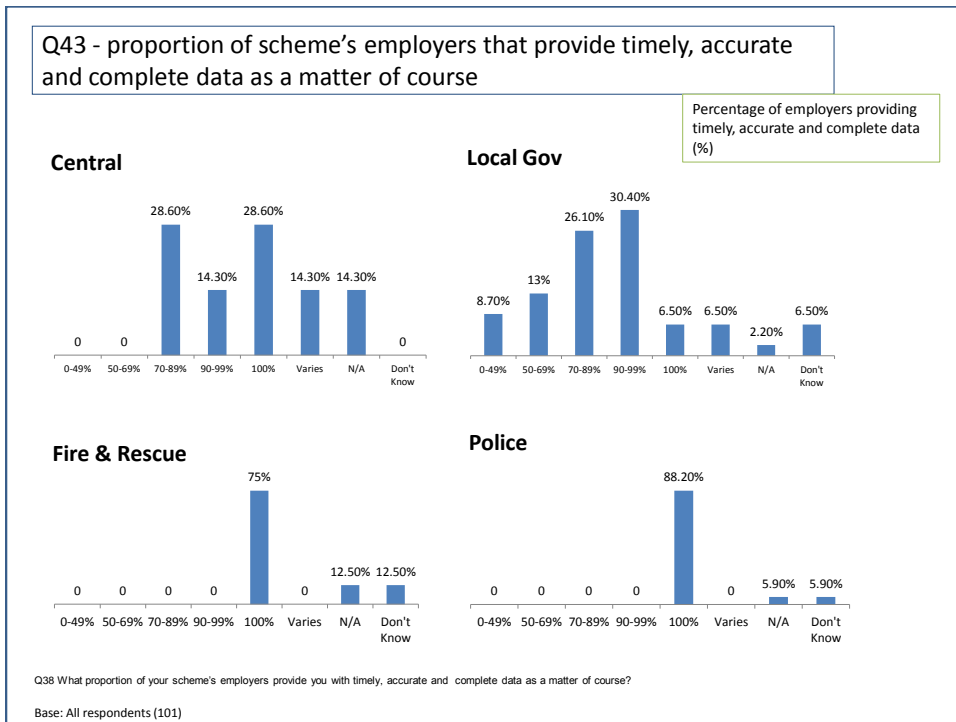
- A full review and checks of all data held by the scheme was one of the most common tasks identified by those answering for Central (5 out of 12), Fire & Rescue (4 out of 14) and Police (14 out of 22) schemes.
- Key risk areas of data reviewed and checked was also a top mentioned activity among Central (5 out of 12), Fire & Rescue (4 out of 14) and Local Government (18 out of 53) schemes.
- Assessing the completeness of all data was also part of the review among several Local Government schemes (12 out of 53).
- A quarter of Local Government schemes (14 out of 53) mentioned that the content varied in each review.

Figure 4.13-8: Schemes require participating employers to provide timely and accurate data



In all scheme types the vast majority of schemes require employers to provide data on a timely and accurate basis. In a minority of cases, Central schemes, Fire and rescue schemes and Police schemes do not have this requirement.

Figure 4.13-9: Proportion of scheme employers which provide data that is timely, accurate and complete as a matter of course



Overall (51%) of schemes reported that 90%-100% of scheme employers provided schemes with timely, accurate and complete data as a matter of course; three in ten (32%) stating 100%.

3 out of 7 Central schemes submitted that 90% of employers provided timely, accurate and complete data. The same figure for Local government schemes was 17 out of 46 schemes. Most Fire and rescue (6 out of 8 schemes) and Police schemes (15 out of 17) who answered the question indicated that 100% of employers provided timely, accurate and complete data.

4.14 Maintaining contributions

Almost all schemes (98 out of 101, 97%) regardless of type had a method or other process for monitoring the payment of contributions to the scheme in place. The vast majority also had processes in place to resolve payment issues and assess whether to report payment failures.

Figure 4.14-1: Method or other process for monitoring the payment of contributions into the scheme

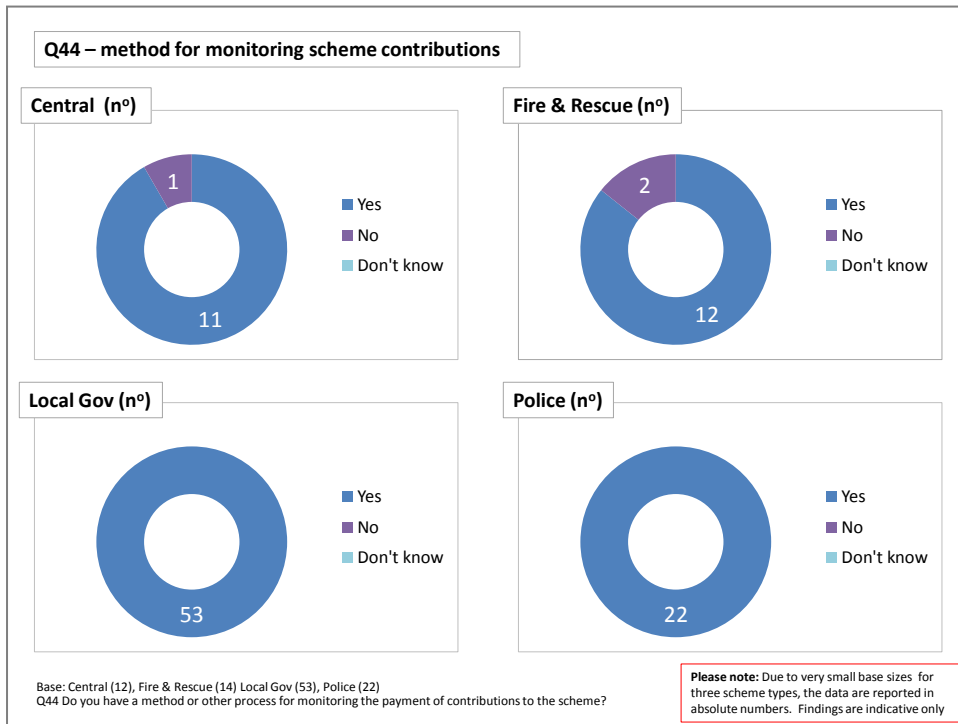
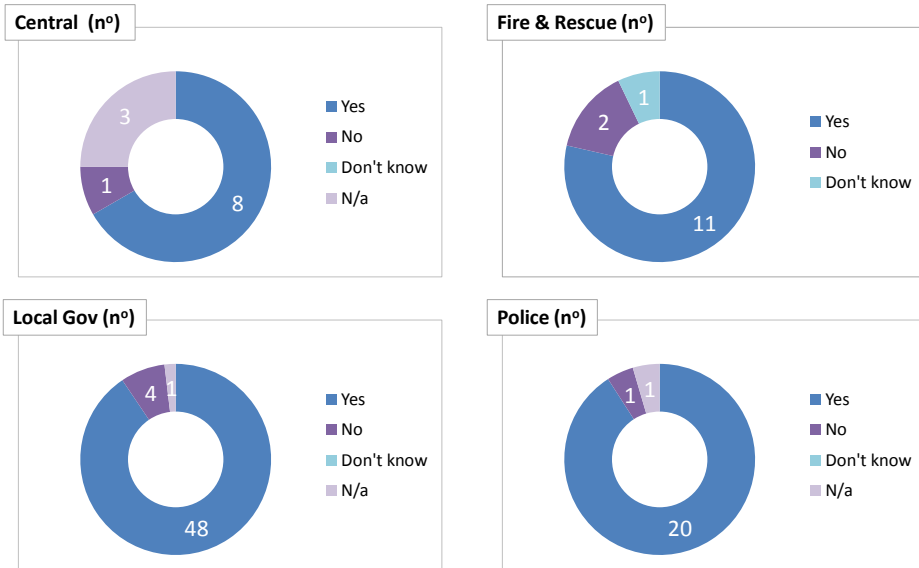


Figure 4.14-2: Processes in place to resolve payment issues and assess whether to report payment failures

Q45 – processes for resolving payment issues and assessing whether to report payment failures

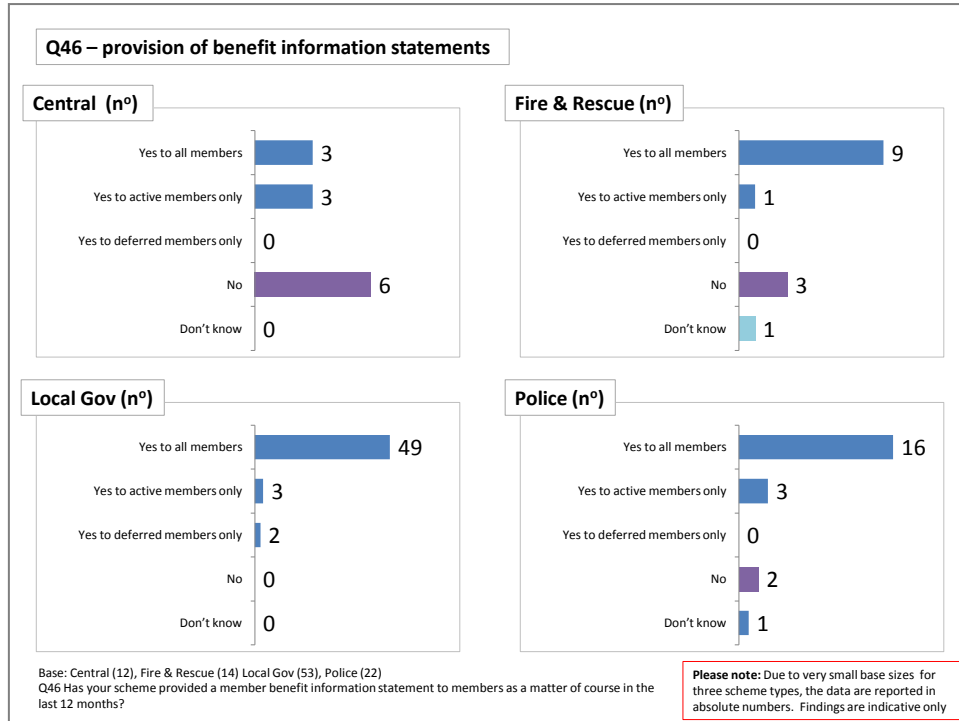


Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
 Q45 Does your scheme have a process to resolve payment issues and assess whether to report payment failures?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

4.15 Providing information to members

Figure 4.15-1: Provision of benefit information statements to members as a matter of course in the last 12 months



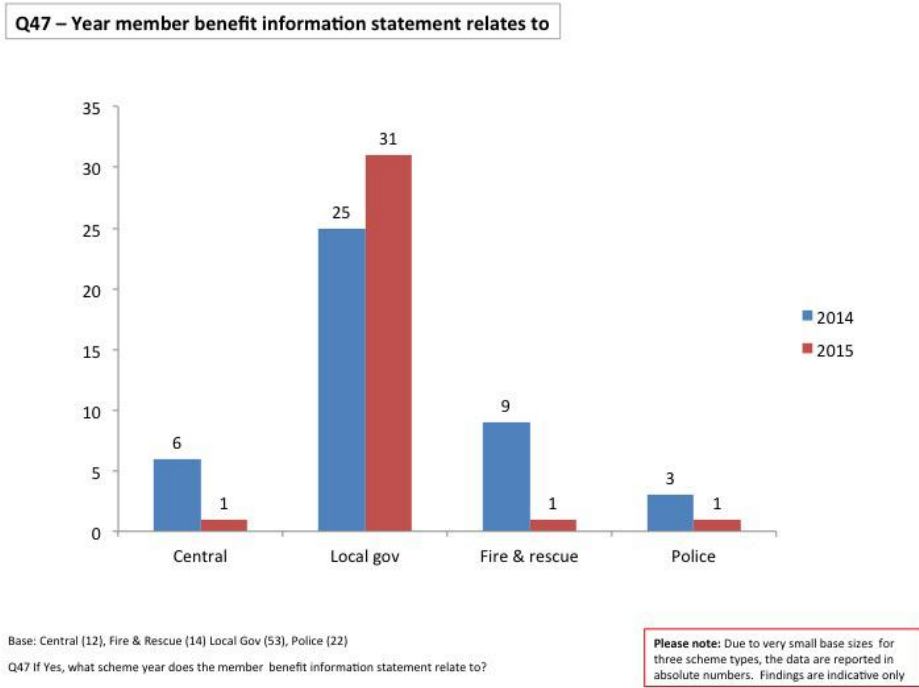
Overall, 77 out of 101 (76%) of schemes reported that they had issued a member benefit statement to all members as a matter of course in the last 12 months.

Half of Central schemes (6 out of 12) had provided member benefit information statements to members as a matter of course in the last 12 months. Three provided these to all members and three to active members only.

The majority of Fire and rescue (9 out of 14) and Police (16 out of 22) schemes had provided member benefit information statements to all members as a matter of course in the last 12 months

Among Local government schemes, all schemes had provided member benefit information statement to members as a matter of course in the last 12 months, with the vast majority being provided to all members (49 out of 53).

Figure 4.15-2: Year that the member benefit statement refers to



Of the schemes that had provided a member benefit statement in the previous 12 months, the majority related to the year ended 31 March 2014 for Central, Fire and rescue and Police schemes. For Local government, the majority related to the year ended 31 March 2015.

4.16 Internal Dispute Resolution

Figure 4.16-1: frequency of assessing effectiveness of Internal Dispute Resolution arrangements

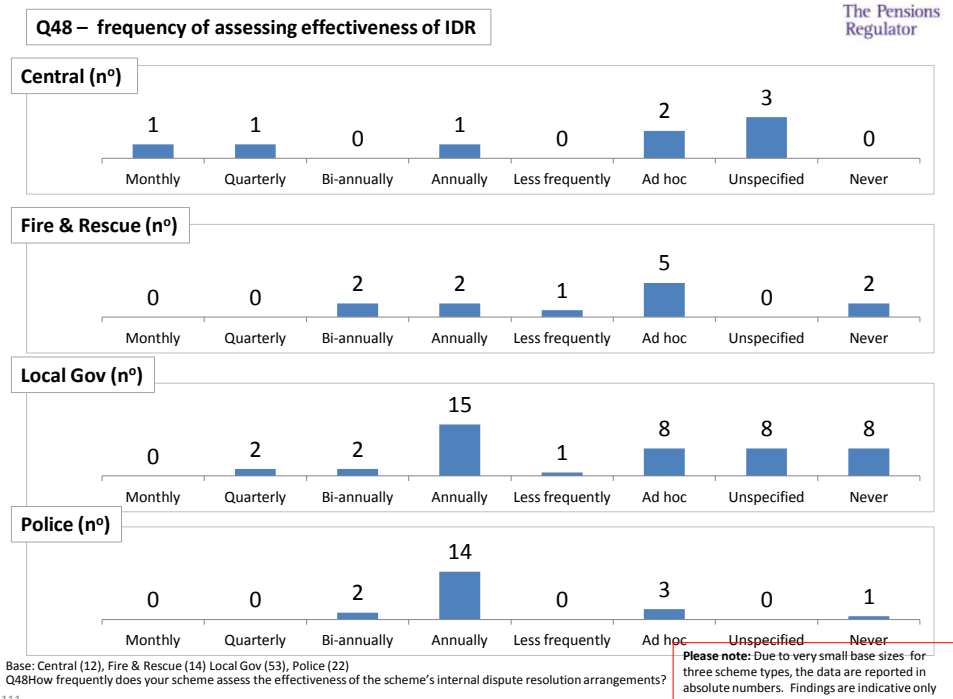
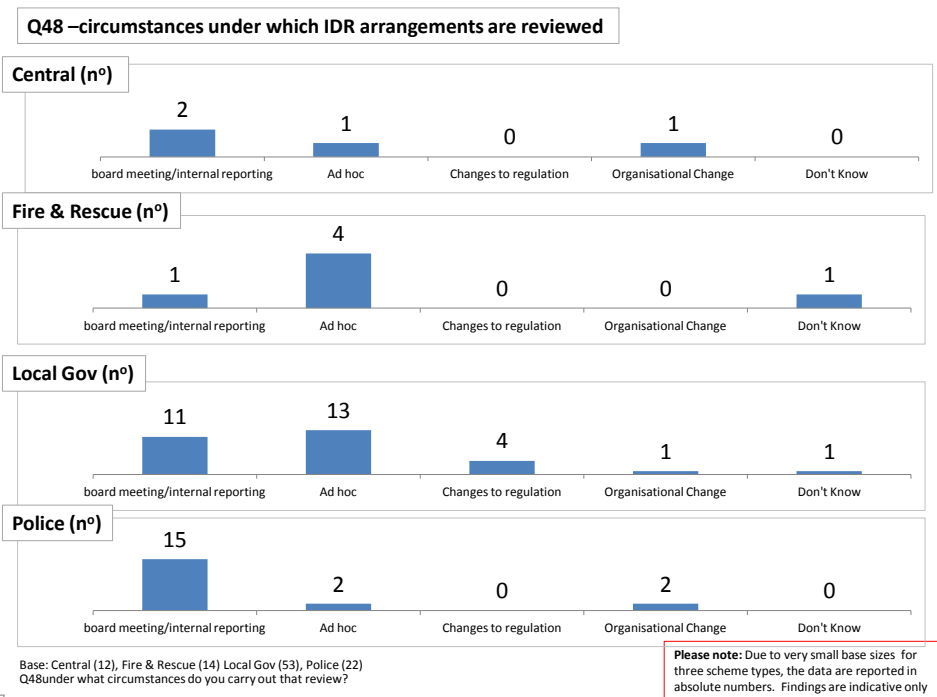


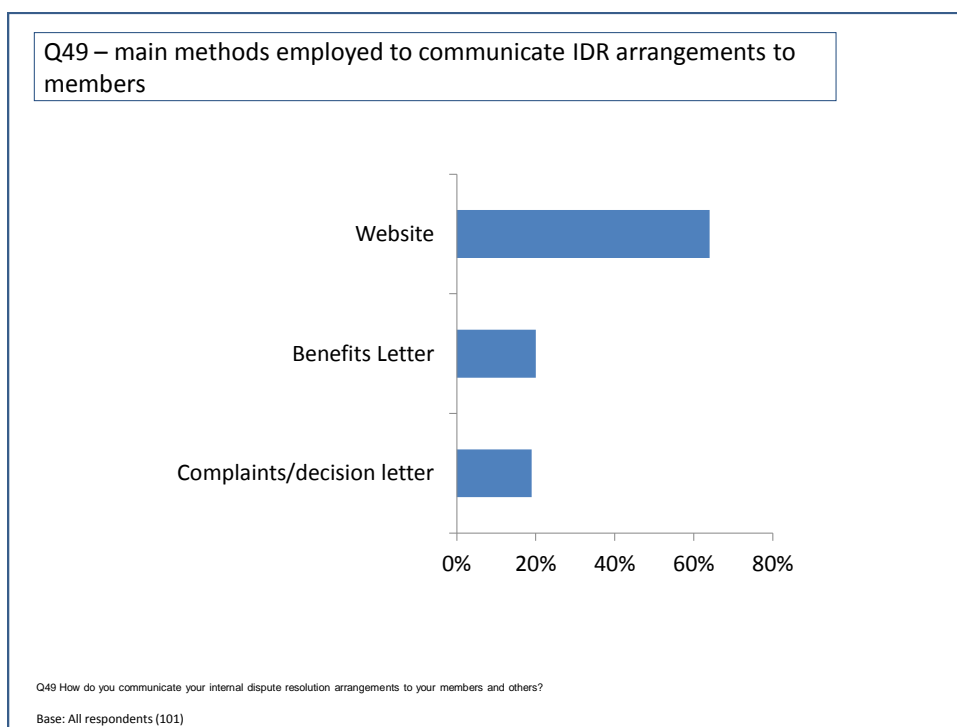
Figure 4.16-2: circumstances under which Internal Dispute Resolution arrangements are reviewed



In terms of internal dispute resolution (IDR) arrangements, assessments tended to be carried out on infrequent or ad hoc basis for all scheme types. 14 out of 22 Police schemes and 15 out of 53 Local Government schemes reported that they carried out reviews annually. Schemes reported that they typically reviewed arrangements as part of a wider internal reporting review.

Online methods were prevalent as a form of communication, but IDR arrangements were either included with or mentioned in hard copy communications by a large minority of schemes. This was consistent across all scheme types.

Figure 4.16-3: main methods employed to communicate Internal Dispute Resolution arrangements to members



4.17 Reporting breaches

Training was provided to the scheme managers and pension board members on their duty to report breaches of the law to the regulator for 71 out of 101 (70%) schemes. Overall, 56 out of 101 (55%) schemes reported that their scheme had procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law.

Among Central schemes, training was provided in two-thirds of the schemes (8 out of 12). The same proportion of schemes (8 out of 12) had procedures in place regarding identifying and assessing breaches of the law.

Just over half (8 out of 14) of Fire and rescue schemes stated training was provided regarding reporting breaches of the law, with five schemes stating they had procedures relating to identifying and assessing breaches of the law in place.

Training was provided regarding duties to report breaches of the law among two-thirds of Local government schemes (37 out of 53). With regard to having procedures in place relating to identifying and assessing breaches of the law, half of the Local government schemes stated they were doing this (27 out of 53).

The vast majority of Police schemes (18 out of 22) provided training regarding reporting breaches of the law. Around three-quarters (16 out of 22) had procedures relating to identifying and assessing breaches of the law in place.

Figure 4.17-1: Provision of training for scheme managers and pension board members on their duty to report breaches of the law to the regulator

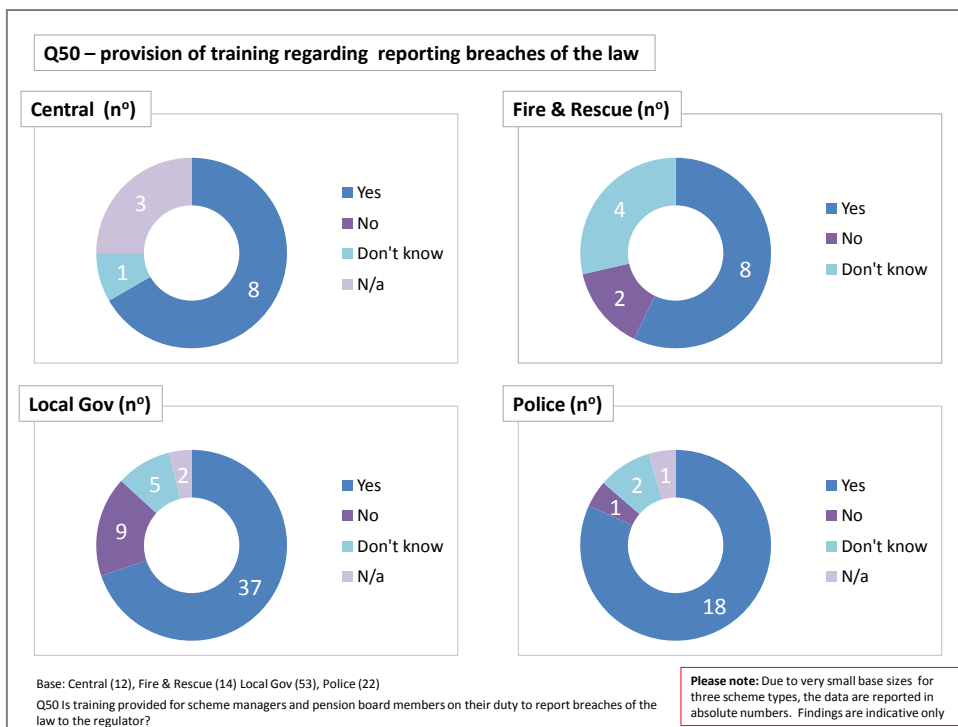
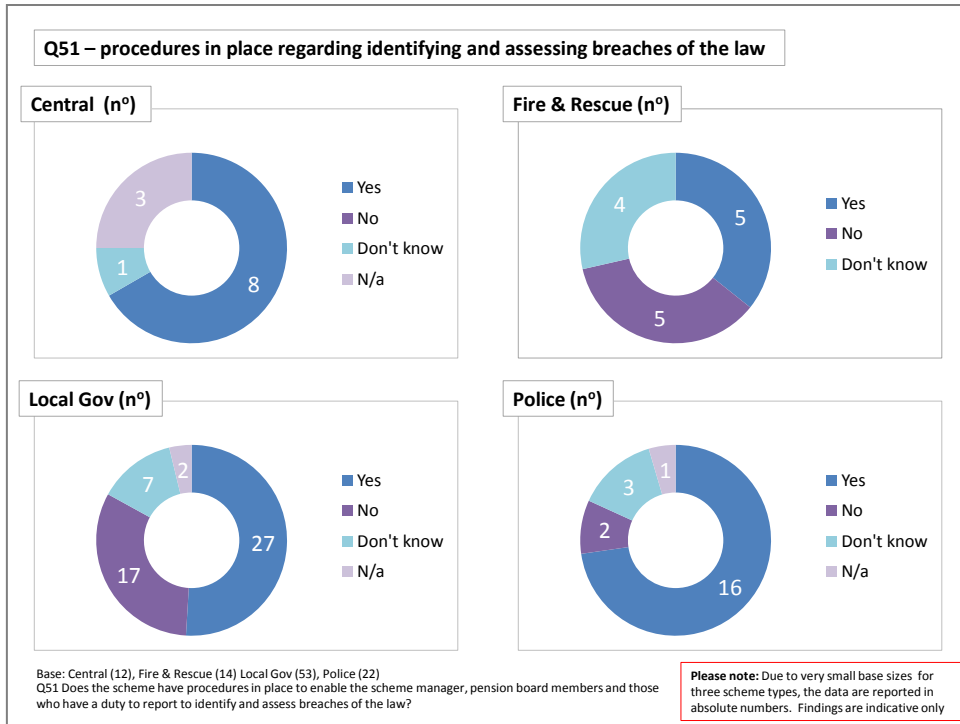


Figure 4.17-2: Procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law



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2015

Public service governance and administration survey

Note to respondents

Please note: for locally administered pension schemes, where we use the word 'scheme', this term includes pension funds and administering authorities.

When answering questions, if you choose an answer by mistake, please click the chosen option again to undo and then choose the correct answer. Once completed, please save your survey and either email it to: pspsr@tpr.gov.uk or print it off and send it by post to:

Bill Catchpole
Insight team
The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Survey questions

Basic information – Scheme contact

1. What is your job title?

2. Which of the following best describes your role within the pension scheme?

Please tick the relevant box

Scheme manager

Pension board member

Administrator

Other (please specify)

3. How would you rate your awareness and understanding of the governance and administration requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014? (Scale 1-5 – 1 = low and 5 = high)

1 2 3 4 5

Awareness

1 2 3 4 5

Understanding

4. How would you rate your awareness and understanding of The Pensions Regulator's code of practice for public service pension schemes? (Scale 1-5 – 1 = low and 5 = high)

1 2 3 4 5

Awareness

1 2 3 4 5

Understanding

5. Have you undertaken any training relating to public service pension schemes?

Yes

No

Don't know

6. If so, who provided the training?

Basic information – Pension scheme

7. Which of the following options best describes your scheme:

Centrally administered

Locally administered

If locally administered, is your scheme:

Fire and rescue

Local government

Police

8. This question is voluntary: What is the name of your scheme if centrally administered, or if locally administered – what is the name of your pension fund/administering authority?

9. What is the total membership (active plus deferred plus pensioner) of your scheme?

Under 999

999-4,999

5,000-49,999

50,000-1 million

Over 1 million

10. Which of the following statements best describes the current status of your scheme's pension board?

Fully established and operational (terms of reference agreed, all board members appointed and pension board meetings have commenced)

Established but yet to be operational (terms of reference agreed, all board members appointed)

Will be fully established and operational within three months

Will be fully established and operational within six months

Longer than six months to be fully established and operational

11. How frequently does or will the pension board meet normally?

Monthly

Quarterly

Bi-annually

Annually

When required

Action – Pension scheme

12. Which of the following statements best describes the activity being undertaken to ensure compliance with the legal requirements introduced by the Public Service Pensions Act 2013¹/the Public Service Pensions Act (Northern Ireland) 2014²?

Identifying key risks/issues

Developing a plan to address key risks/issues

Implementing a plan to address key risks/issues

We already have a plan in place and are addressing key risks/issues

'Risks/issues' are those which may prevent legal requirements introduced by the Public Service Pensions Act 2013¹/the Public Service Pensions Act (Northern Ireland) 2014² relating to the governance and administration of the scheme being met.

13. Has the scheme been reviewed against the practical guidance and standards of conduct and practice set out in The Pensions Regulator's code of practice for public service pension schemes?

Yes, in-depth review

Yes, high level review

Planning to complete a review in the next six months

No review completed/planned to be completed

I'm not aware of the code

Don't know

¹ <http://www.legislation.gov.uk/ukpga/2013/25/contents>

² <http://www.legislation.gov.uk/nia/2014/2/contents>

Knowledge and understanding required by pension board members

14. Has guidance on the roles, responsibilities and duties of pension boards and the members of those boards been produced?

Yes No Don't know

15. Has the scheme manager or another person ensured that pension board members fully understand their roles, responsibilities and duties?

Yes No Don't know

16. Has your scheme developed policies and arrangements to help pension board members to acquire and retain the knowledge and understanding they require?

Yes No

If Yes, what has been developed? Please select all that apply.

Training framework

Individual training needs analysis

Individual training plan

Pension board training plan

Training log

Other (please specify)

17. Where do pension board members receive their training from?

18. What themes or issues are/will be covered in pension board member training?
Please select all that apply.

Law relating to pensions

Scheme rules

Scheme administration policies

Pension board training plan

Practical guidance and standards set in our code
of practice for public service pension schemes

Other (please specify)

Don't know

19. Please could you identify the top 3 themes or issues that will be covered in pension board training that you have identified in question 18.

20. How regularly will pension board members undertake training?

Monthly

Quarterly

Every six months

Annually

Only when a training need is identified

Don't know

Pension board members – Conflicts of interest and representation

21. Does your scheme have a conflicts policy and procedure for pension board members?

Yes No Don't know

22. Does your conflicts policy and procedure include any of the following? (Select all that apply)

Identifying conflicts of interest

Assessing conflicts of interest

Monitoring conflicts of interest

Managing potential conflicts of interest

23. Does your scheme appoint pension board members under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest, before they are appointed?

Yes No Don't know

24. Does your scheme have a register of interests?

Yes, we have a register of interests or another document that records dual interests and responsibilities (go to question 25)

No, we do not have a register of interests or another document that records dual interests and responsibilities (go to question 26)

Don't know (go to question 26)

25. How regularly is the register of interests or other document that records dual interests and responsibilities reviewed?

Monthly

Quarterly

Annually

Don't know

Publishing information about schemes

26. Does your scheme have in place procedures to ensure that information about the pension board which must be published, is published and kept up to date?

Yes

No

Don't know

27. Does/will your scheme publish additional information (not specified in legislation) about the pension board? If Yes, please specify the information that the scheme publishes.

Internal controls

28. How regularly does your scheme assess risks*?

Monthly

Quarterly

Every six months

Annually

Less than once a year

Never

Don't know

*'Risks' are those that may prevent the scheme being administered and managed in accordance with the scheme rules and requirements of the law.

29. Does your scheme have a risk register?

Yes

No

Don't know

30. Does your scheme have documented procedures for assessing and managing risk?

Yes No Don't know

How often does/will the scheme review the effectiveness of its risk management and internal control systems?

At least every six months

At least once a year

At least once every three years

Never/We haven't

It varies (please specify the timeframe)

Don't know

31. What type of external advisers and service providers are engaged by the pension scheme?
Please select all that apply.

Third party administrator/outsourced service providers
(If Yes, please answer question 32, if No, please go to question 33)

Auditor

Legal adviser

Investment or fund manager

Investment consultant

Custodian

IFA

Other (please state)

None

32. If your scheme uses outsourced service providers, do you require them to demonstrate that they have adequate internal controls relating to the services they provide?

Yes No Don't know

33. Do you have a documented service level agreement in relation to your scheme and the services provided by your scheme administrators (applies to both in-house and outsourced)?

Yes No Don't know

34. How frequently do you receive information on internal controls relating to the services that administrators provide?

Monthly

Quarterly

Every six months

Annually

Less than once a year

Never

Don't know

Scheme record-keeping

35. Does your scheme have policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete, in relation to:

Active members? (Yes or No or N/A)	Yes	No	N/A
Deferred members? (Yes or No or N/A)	Yes	No	N/A
Pensioner members? (Yes or No or N/A)	Yes	No	N/A
Beneficiaries (Yes or No or N/A)	Yes	No	N/A
Pension credit/debit members (Yes or No or N/A)	Yes	No	N/A

36. Has the scheme's data been measured against the requirements of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014?

Measured

Partially measured

Not measured

Don't know

37. If you have answered 'Measured' or 'Partially measured' to question 36, did the scheme measure the presence and/or the accuracy of the scheme's data?

Presence of data

Accuracy of data

Both presence and accuracy of data

Don't know

38. If your scheme has measured its data, what action, if any has been taken to resolve any issues identified.

Data improvement plan to be developed

Data improvement plan being implemented

Data cleansing exercise to be carried out

Data cleansing exercise has been carried out

Other (please specify)

39. When did your scheme last carry out a data review exercise?

Within the last 12 months

More than 12 months ago

Don't know

40. How frequently does your scheme carry out/plan to carry out a data review exercise including an assessment for accuracy and completeness of the data?

More frequently than annually

Annually

Less frequently

Don't know

41. What does your data review involve?

Full review and checks of all data held by the scheme

Randomly selected segments of data reviewed and checked

Key risk areas of data reviewed and checked

Assessing the completeness of all data

Assessing the accuracy of all data

Varies each review

Don't know

Other (please specify)

42. Does your scheme require participating employers to provide timely data?

Yes

No

Don't know

Does your scheme require participating employers to provide accurate data?

Yes

No

Don't know

43. What proportion of your scheme's employers provide you with timely, accurate and complete data as a matter of course? (Please write in percentage)

Maintaining contributions

44. Do you have a method or other process for monitoring the payment of contributions to the scheme?

Yes No Don't know

45. Does your scheme have a process to resolve payment issues and assess whether to report payment failures?

Yes No Don't know

Providing information to members

46. Has your scheme provided a member benefit information statement to members as a matter of course in the last 12 months?

Yes to all members

Yes to active members only

Yes to deferred members only

No

Don't know

47. If Yes, what scheme year does the member benefit information statement relate to – eg the year to 31 March 2014

Internal dispute resolution

48. How frequently does your scheme assess the effectiveness of the scheme's internal dispute resolution arrangements and under what circumstances do you carry out that review?

Please specify the:

Frequency

Circumstances

49. How do you communicate your internal dispute resolution arrangements to your members and others?

Reporting breaches

50. Is training provided for scheme managers and pension board members on their duty to report breaches of the law to the regulator?

Yes

No

Don't know

51. Does the scheme have procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law?

Yes

No

Don't know

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www.tpr.gov.uk

www.pensionseducationportal.com

Free online learning for those running public service schemes

2015

Public service governance and administration survey

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

14 January 2016

Training Plans for the Local Pension Board

Purpose of the Report

1. The purpose of this report is to outline the technical knowledge and skills framework for the Local Pension Boards (LPB) and propose a Training Plan for approval.

Background

2. As outlined in the July 2015 report to the Board, the Pension Regulator (tPR) Code of Practice no.14: 'Governance and administration of public service and pensions schemes' states every individual who is a member of a LPB must:
 - be conversant with:
 - i. the rules of the Local Government Pension Scheme (LGPS), in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
 - ii. any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and
 - have knowledge and understanding of:
 - i. the law relating to pensions; and
 - ii. such other matters as may be prescribed.
3. TPR have developed their own on-line toolkit for Board Members of public service schemes to develop their knowledge and understanding.
4. CIPFA have also issued the following guidance "Local Pension Board – A Technical Knowledge and Skills Framework" which is intended to complement tPRs Code of Practice (see Appendix 3). This Framework outlines the approach required for a Fund to establish and maintain policies for acquiring and retaining knowledge to support Board Members while also providing an assessment tool for individuals to measure and monitor their development progress.
5. Following the meeting of the LPB in July and October 2015 it was:
 - agreed that all Members of the Board complete a self-assessment form to identify any areas which require further training and develop a LPB training programme;
 - agreed that all LPB Members complete the on-line tPR e-learning public service toolkit;
 - recommend that LPB Members (depending on experience) attend the LGE 3 day Pensions Fundamental Course as an introduction to the LGPS;

- agreed that LPB Members are updated of relevant conference that may be useful to attend;
- to develop and keep up-dated a LPB Members' Handbook to complement all training undertaking and become a live document being a single reference source for Members;
- to continuously review training plans with an aspiration to have all Board members fully trained within 12 months;
- to share training events with the Pension Fund where possible to support a positive working relationship and save resource;
- agreed that training policies embrace flexible ways of learning;
- agreed the Head of Pensions take responsibility for ensuring the knowledge and understanding framework is developed and implemented; and
- agreed that Board members pass details of any additional training/conference attended to Head of Pensions to include in the training logs.

Considerations for the Board

tPR On-line Public Service Toolkit

6. TPR have set up a toolkit for anyone involved in the governance and administration of the public service pension schemes, specifically aimed at pension board members. This covers all the areas of governance and administration that need to be focussed on, namely:
 - Reporting duties
 - Internal controls and managing risks
 - Record Keeping
 - Communicating to members
 - Publishing scheme information
 - Maintaining contributions
 - Pension Board conflicts of interest and representation
 - Resolving internal disputes
 - Reporting disputes
 - Reporting breaches of the law
7. This is split into 9 modules, and can be done at one's own pace and completed by undertaking a set of multiple choice questions. The target is for each Member of the Board to have completed this within 12 months of appointment. Therefore, with each module taking around 1 hour, it should be possible for members of the Board to complete this by July 2016.
8. The tPR toolkit can be found at the following website:

<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

9. Board Members will be required to evidence that this training has been completed which can be done by sending the tPR development record certificate which can be downloaded on completion to the Head of Pensions.

CIPFA – A Technical Knowledge and Skills Framework

10. This CIPFA Framework ensures that all the complex areas of pension administration, that extend across several disciplines from accountancy and audit to areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment are covered. CIPFA highlight 8 key areas of core technical competence:

- Pension legislation
- Public sector pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standards and practices

11. CIPFA also outline that a programme should be in place for Board Members to acquire and maintain knowledge levels. This is built around the following process which has been adopted by this Fund:

- Assessment and Planning
- Training
- Support
- Monitoring & Reporting

Assessment and Planning

12. The Self-Assessments returns issued to Members in September 2015 were based on the CIPFA toolkit guidance and covers each area of knowledge outlined above. There was a 100% response from Board Members and the results consolidated in Appendix 1.
13. Each area of knowledge was then reviewed by officers and given a priority of either high, medium or low based on knowledge levels across Board Members. As the legislation requires each individual member to have knowledge and understanding on the scheme and its legislation, any category where “No Knowledge” was reported was highlighted as a high priority.
14. When planning how to address the training priorities, the method of training delivery was considered and split into the following categories:
 - Members Handbook
 - Members Briefing Notes / Board Papers
 - Short Seminars (at Board Meetings)
 - Internal Training Sessions
 - External Conferences or Training Events
 - The Pension Regulator Public Sector Service Toolkit & other E-learning methods
 - One to One briefing with officers
15. Consideration was also given to the appropriate delivery method taking account of the current forward work plan and Pension Committee training plans. High priority areas will

be mainly delivered through specific short seminars at the LPB meeting or through an internal training session held jointly with the Pension Fund Committee. Lower priority areas will be delivered through a combination of other delivery methods. The proposed method for each area is shown on the right hand side of Appendix 1.

16. All training delivered internally will be included in the Member's handbook which will build up as a single reference source.
17. Particular appropriate conferences and webcasts will be highlighted to LPB Members where appropriate. It is recommended that Members attend the LGE 3 day Fundamental courses which take place in the autumn. Officers will provide further details when dates are released for 2016.

Training Plan

18. Using the information in Appendix 1 from the Self-Assessment returns a consolidated LPB Members Training Plan has been produced (Appendix 2). Where possible training will take place jointly with the Pension Fund Committee. For internal courses, the aim is to have a training workshop day in the spring and autumn each year, with an investment 'Away Day' held in the summer.
19. The Plan runs from 2015, as a couple of areas of training along with the Induction day have already taken place. The end date of 2017 is in-line with the plan for the Pension Fund Committee Members.

Support

20. If a members feels that a specific training need has not been met, or further training is needed then contact the Head of Pensions who can either arrange a 1:1 session or suggest further appropriate training. There are a range of networking events, newsletters and briefing notes that will be made available to Members as appropriate. Members should now all be on the Hymans Robertson circulation list.

Monitoring & Reporting

21. The CIPFA Framework requires this to be a continual process. Following the completion of the Training Plan Members will be reassessed on their knowledge and skills levels to inform future plans.
22. Training Logs will be maintained by the Head of Pensions and this along with the agreed Training Plan will be published in the LPB's Annual report.
23. Therefore, it's important that Members update the Head of Pensions with any additional training along with any changes to their experience for their personal biography to be amended.

Next steps

24. Once the Training Plan is approved, LPB Members will be informed of the dates for the internal training sessions, and be made aware of any relevant courses or conferences as they arise. The short seminars during the LPB meetings are already scheduled as part of the Forward Work Plan. A reminder will also be sent to all Members to complete the tPR on-line Toolkit.

Environmental Impact of the Proposal

25. Not applicable.

Financial Considerations & Risk Assessment

26. There are no significant financial implications from this report. The costs of providing training to the LPB has already been included in the budget projections elsewhere on this agenda.

27. The development and implementation of a training policy will ensure LPB Members have sufficient knowledge and understanding to carry out their duties effectively.

Legal Implications

28. There are no material legal implications from this report. Implementation of the Training Plan and Framework ensures Board Members meet the statutory requirements outlined in the scheme regulations.

Safeguarding Considerations/Public Health Implications/Equalities Impact

29. There are no known implications at this time.

Reasons for Proposals

30. To ensure the LPB is able to meet the statutory requirements of ensuring all its Board Members have capacity to fulfil their obligations associated with their role.

Proposals

31. The Board is asked to:

- a) approve the attached Board Members Training Plan as proposed in Appendix 2;
- b) note the Framework for Training outlined in this report; and
- c) complete the tPR on-line toolkit within 12 months of their appointment.

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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LOCAL PENSION BOARD - SELF ASSESSMENT & TRAINING REQUIREMENTS

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (High / Medium / Low)	Member's Handbook	Members' Briefing Notes / Board Papers (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Toolkit & E-Learning (webcasts)	COMPLETION TARGET DATE
1. Pensions legislation													
A general understanding of the pensions legislative framework in the UK.		3	2	1	1	MEDIUM	✓					✓	Jun-16
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.		3	2	1	1	MEDIUM	✓					✓	Jun-16
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1	3	2		1	HIGH	✓		✓				Jan-16
A regularly updated appreciation of the latest changes to the scheme rules.	1	2	2	2		HIGH		✓					As required
2. Pensions governance													
Knowledge of the role of the administering authority in relation to the LGPS.		1	4	1	1	LOW	✓			✓	✓		May-16
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1	3	2		1	HIGH	✓		✓				Jan-16
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1	1	4		1	HIGH	✓		✓				Jul-17
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.		1	4	1	1	LOW	✓			✓			May-16
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1	2	3	1		HIGH	✓		✓				Jul-17
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	4		1	1	1	HIGH	✓		✓				Jul-17
A detailed knowledge of the duties and responsibilities of pension board members.		1	4	1	1	LOW	✓						Jun-17

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (High / Medium / Low)	Member's Handbook	Members' Briefing Notes / Board Papers (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Trustee Toolkit & E-Learning (webcasts)	COMPLETION TARGET DATE
Knowledge of the stakeholders of the pension fund and the nature of their interests.		1	5	1		MEDIUM	✓			✓			May-16
Knowledge of consultation, communication and involvement options relevant to the stakeholders.		5		2		HIGH	✓	✓	✓				As required
Knowledge of how pension fund management risk is monitored and managed.		4	2	1		MEDIUM	✓	✓				✓	Jun-16
An understanding of how conflicts of interest are identified and managed.		4	1	2		MEDIUM	✓		✓				Oct-15
An understanding of how breaches in law are reported.	2	3	2			HIGH	✓		✓				Oct-15
3. Pensions administration													
An understanding of best practice in pensions administration e.g. performance and cost measures.	1	4		1	1	HIGH	✓		✓				Oct-16
Understanding of the required and adopted scheme policies and procedures relating to: <ul style="list-style-type: none"> member data maintenance and record-keeping processes internal dispute resolution contributions collection scheme communication and materials 	1	4	1		1	HIGH	✓		✓				Oct-16
							✓		✓				Jan-17
							✓		✓				Oct-16
							✓			✓			May-16
Knowledge of how discretionary powers operate.	2	4			1	HIGH	✓		✓				Jan-16
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1	4		1	1	HIGH	✓		✓				Oct-16
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	3	3		1		HIGH	✓		✓				Oct-17

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (High / Medium / Low)	Member's Handbook	Members' Briefing Notes / Board Papers (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Toolkit & E-Learning (webcasts)	COMPLETION TARGET DATE
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.		6		1		HIGH	✓		✓				Oct-17
4. Pensions accounting and auditing standards													
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1	3	1	1	1	HIGH	✓		✓				Jul-16
An understanding of the role of both internal and external audit in the governance and assurance process.		3	1	1	2	MEDIUM	✓		✓			✓	Jul-16
An understanding of the role played by third party assurance providers.	2	2		3		HIGH	✓		✓				Jul-16
5. Pensions services procurement and relationship management													
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.		3	2		2	MEDIUM	✓			✓			May-17
A general understanding of the main public procurement requirements of UK and EU legislation.		1	4		2	LOW	✓			✓			May-17
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.		4	1		2	MEDIUM	✓	✓		✓		✓	May-17
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1	4	1	1		HIGH	✓	✓		✓			May-17
6. Investment performance and risk management													
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.		2	3		2	MEDIUM	✓					✓	Jun-16

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (High / Medium / Low)	Member's Handbook	Members' Briefing Notes / Board Papers (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Trustee Toolkit & E-Learning (webcasts)	COMPLETION TARGET DATE
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	3	1	1		2	HIGH	✓		✓				Jul-17
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1	4	1	1		HIGH	✓						Dec-16
7. Financial markets and products knowledge													
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).		3	2		2	MEDIUM	✓					✓	Jun-16
An understanding of the role of these asset classes in long-term pension fund investing.		3	2		2	MEDIUM	✓					✓	Jun-16
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.		3	2		2	MEDIUM	✓			✓		✓	Jun-16
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.		2	3	1	1	MEDIUM	✓					✓	Jun-16
An understanding of the limits placed by regulation on the investment activities of local government pension funds.		5		1	1	MEDIUM	✓			✓			Sep-16
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	2	3	1	1		HIGH	✓		✓				Oct-17
8. Actuarial methods, standards and practices													
A general understanding of the role of the fund actuary.		2	3		2	MEDIUM	✓					✓	Jun-16
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1	2	2		2	HIGH	✓			✓			Apr-16
An awareness of the importance of monitoring early and ill health retirement strain costs.		3	2	1	1	MEDIUM	✓						Dec-16
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.		1	4	1	1	LOW	✓	✓					As required

HOW DOES THE BOARD RATE THEIR KNOWLEDGE ON THE FOLLOWING AREAS	No Knowledge	A Little	Good	Skilled	Highly Skilled	Priority (High / Medium / Low)	Member's Handbook	Members' Briefing Notes / Board Papers (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Trustee Toolkit & E-Learning (webcasts)	COMPLETION TARGET DATE
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.		3	2		2	MEDIUM	✓			✓			Apr-17
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1	3	1		2	HIGH	✓			✓			Apr-16

Self-Assessments Returned:

Howard Pearce	Yes
Councillor Newbury	Yes
Kirsty Cole	Yes
Lynda Croft	Yes
Mike Pankiewiez	Yes
David Bowater	Yes
Barry Read	Yes
	100%

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WILTSHIRE PENSION BOARD – MEMBERS' TRAINING PLAN 2015-2017

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE	Joint Training with Pension Committee
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Trustee Toolkit & E-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer		
GENERAL TRAINING									
General overview of LGPS	✓			✓				June 2015 - Completed	
Members' individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions	
New Members induction session				✓			✓	June 2015 - Completed	
Specific items on Board agendas		✓	✓					As required	
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS									
1. Pensions Legislation									
<ul style="list-style-type: none"> Appreciation of LGPS discretions policies 	✓		✓					January 2016	
<ul style="list-style-type: none"> Overview of all the relevant sources of legislation that impact on the Fund 	✓							May 2016	YES
<ul style="list-style-type: none"> Terms of Reference for Pension Committee, Investment Sub-Committee, Local 	✓		✓					July 2017	
<ul style="list-style-type: none"> Understanding the pensions UK Legislative framework in the UK & the main features relating to benefits, administration & investments 	✓				✓			June 2016	
<ul style="list-style-type: none"> Update on consultations & changes to scheme legislation 		✓			✓			As required	
2. Pensions Governance:									
<ul style="list-style-type: none"> Understanding of Conflicts of Interest & how these are managed 			✓					October 2015 - Completed	
<ul style="list-style-type: none"> Understanding framework for Breaches Reporting 			✓					October 2015 - Completed	
<ul style="list-style-type: none"> Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board & Scheme Manager 	✓			✓				May 2016	YES
<ul style="list-style-type: none"> How pension fund risk is monitored & managed 	✓	✓				✓		June 2016	
<ul style="list-style-type: none"> Overview of Mynes Principles & associated CIPFA & SOLACE guidance 	✓		✓					July 2017	
3. Pensions Administration:									
<ul style="list-style-type: none"> Review of the Fund's communication policy & tools 				✓				May 2016	YES
<ul style="list-style-type: none"> Data maintenance, protection & quality standards 	✓		✓					October 2016	
<ul style="list-style-type: none"> Complaints & Internal Dispute Resolution Procedures 	✓		✓					January 2017	
<ul style="list-style-type: none"> Interaction of the Pension Fund with taxation in UK & overseas 	✓		✓					October 2017	
<ul style="list-style-type: none"> AVC arrangements for the Wiltshire Pension Fund 	✓		✓					October 2017	
4. Pension Accounting & Auditing standards:									
<ul style="list-style-type: none"> Update on Annual Reporting requirements & controls 	✓		✓					July 2016	
5. Pensions Services Procurement:									
<ul style="list-style-type: none"> Current public procurement policy & procedures 	✓							May 2017	
<ul style="list-style-type: none"> Brief overview of UK & EU procurement legislation 	✓							May 2017	
<ul style="list-style-type: none"> Awareness of support services suppliers and contract monitoring 	✓			✓		✓		May 2017	YES
6. Investment Performance & Risk Management:									
<ul style="list-style-type: none"> Monitoring asset returns relative to liabilities and monitoring funding level risk 	✓	✓			✓	✓		December 2016	
7. Financial markets & products knowledge:									
<ul style="list-style-type: none"> Review of asset allocation and investment strategy and the role it plays in long term investing 		✓		✓		✓		June 2016 / 2017	YES
<ul style="list-style-type: none"> Limits placed by regulation on investment activities in the LGPS 	✓			✓				September 2016	YES
<ul style="list-style-type: none"> Role of the Statement of Investment Principles & broad understanding of investment vehicles 						✓		December 2016	
<ul style="list-style-type: none"> Environmental, Social and Governance considerations for investing 				✓				September 2017	YES

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE	Joint Training with Pension Committee
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (at Board meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars (LGE Fundamentals, etc.)	The Pension Regulator Trustee Toolkit & E-Learning (e.g., Webcasts, Videos)	One-to-One Briefing with an officer		
8. Actuarial methods, standards and practices:									
<ul style="list-style-type: none"> • Review purpose of the Funding Strategy Statement 	✓			✓				April 2016	YES
<ul style="list-style-type: none"> • Triennial Valuation refresher 	✓		✓	✓				April 2016	YES
<ul style="list-style-type: none"> • Understanding importance of employer covenant strength across the Fund 	✓			✓				April 2016	YES
<ul style="list-style-type: none"> • Understanding the role of the Actuary 	✓					✓		June 2016	
<ul style="list-style-type: none"> • Awareness of ill health retirement monitoring 	✓					✓		December 2016	
<ul style="list-style-type: none"> • Broad understanding of implications of new employers to the Fund and of cessation of existing employers 	✓	✓				✓		June 2016	
<ul style="list-style-type: none"> • Considerations in relation to outsourcings and bulk transfers 	✓			✓				April 2017	YES

local pension boards

A Technical Knowledge and Skills
Framework



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local pension boards

A Technical Knowledge and Skills
Framework

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Geik Drever – West Midlands Pension Fund

Jeff Houston – Local Government Employers Pensions Committee

John Hattersley – South Yorkshire Pensions Authority

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Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

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1. Purpose, Scope and Status of this Guidance

PURPOSE

- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*¹, as amended by the *Public Service Pensions Act 2013*.

1. Section 248a of the *Pensions Act 2004* sets out the following:

Requirement for knowledge and understanding: pension boards of public service pension schemes

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
 - (a) *the rules of the scheme, and*
 - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
 - (a) *the law relating to pensions, and*
 - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator’s *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)². The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing³. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator’s *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

SCOPE

- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

2. www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf

3. The Pensions Regulator’s *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

‘For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator’s *Code of Practice No 14* which states that scheme managers should ‘*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*’
 - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

STATUS

- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
 3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
 4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
 5. The organisation has designated a named individual⁴ to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that ‘*this Code of Practice applies to all individuals that take on a*

4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator’s *Code of Practice No 14* as set out in paragraph 38 of that Code⁵.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA’s *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5. Paragraph 38 of the Pensions Regulator’s *Code of Practice No 14* states:
‘Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that the framework is developed and implemented.’

2. Policy and Legislative Background

- 2.1** On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.
- 2.2** These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011⁶.
- 2.3** In the final report, the Commission concluded that (page 126):
- ‘scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the “lay persons” there are also independent members, usually professionally trained and with experience of the pensions environment.’*
- 2.4** The Commission went on to make the following recommendation:
- ‘Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).’*
- 2.5** The Commission’s recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).
- 2.6** Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority⁷ for each public service pension scheme established under the 2013 Act is required to make

6. www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

7. The “responsible authority” for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as ‘the person who may make scheme regulations.’ For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager⁸ to establish a pension board to assist the scheme manager in relation to the following:

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

2.7 Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

- (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*
- (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*
- (iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;*
- (iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.'*

2.8 As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS⁹. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended) are reproduced in full at Annex C for ease of reference.

2.9 A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Subcommittee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at www.lgpsboard.org/index.php/about-the-board/board-guidance

8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the “scheme manager” for their fund.

9. *The Local Government Pension Scheme (Administration) (Governance) Regulations 2015.*

3. Key Skills

- 3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

SCOPE OF THE FRAMEWORK

- 3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

- 3.3 The Institute recognises that there will of course be other technical (non-pensions related) and “softer” skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the “capacity” to undertake the role. Whilst the Regulations do not define “capacity” in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have ‘*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate).*’ The “soft” skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

PENSIONS LEGISLATION

- 3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

- 3.5 A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

PUBLIC SECTOR PENSIONS GOVERNANCE

- 3.6 On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.
- 3.7 Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.
- 3.8 Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

PENSIONS ADMINISTRATION

- 3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.
- 3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

PENSIONS ACCOUNTING AND AUDITING STANDARDS

- 3.11 The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.
- 3.12 In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

- 3.13** Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.
- 3.14** In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

- 3.15** In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.
- 3.16** Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped with a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

- 3.17** In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

- 3.18** The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

THE KNOWLEDGE AND SKILLS FRAMEWORK

3.19 In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

4. Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation	<p>A general understanding of the pensions legislative framework in the UK.</p> <p>An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.</p> <p>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</p> <p>A regularly updated appreciation of the latest changes to the scheme rules.</p>
Pensions governance	<p>Knowledge of the role of the administering authority in relation to the LGPS.</p> <p>An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.</p> <p>Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.</p> <p>Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.</p> <p>Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p> <p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p> <p>A detailed knowledge of the duties and responsibilities of pension board members.</p> <p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p> <p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p> <p>Knowledge of how pension fund management risk is monitored and managed.</p> <p>Understanding of how conflicts of interest are identified and managed.</p> <p>Understanding of how breaches in law are reported.</p>

<p>Pensions administration</p>	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communications and materials. <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider’s investment and fund performance report and the payment schedule for such arrangements.</p>
<p>Pensions accounting and auditing standards</p>	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
<p>Pensions services procurement and relationship management</p>	<p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
<p>Investment performance and risk management</p>	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>

Financial markets and products knowledge	<p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
Actuarial methods, standards and practices	<p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

- 5.1** This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.
- 5.2** As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator’s *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.
- 5.3** The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

REPORTING AND COMPLIANCE

- 5.4** Statement 5 of the “statements to be adopted” in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:
- how the knowledge and skills framework has been applied
 - what assessment of training needs has been undertaken
 - what training has been delivered against the identified training needs.

- 5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator’s *Code of Practice No 14*¹⁰ and have in place a plan that includes pre-induction training, leading into a fuller induction programme. These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.
- 5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:
- ‘Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.’*
- 5.7 The Pension Regulator’s policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes* (2015)¹¹.
- Practitioners should familiarise themselves with this policy statement.

10. Paragraphs 34 to 36 of the Pensions Regulator’s Code of Practice 14 state that:

‘A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.’

11. www.thepensionsregulator.gov.uk/docs/default-source/compliance-2016-public-service-pension.pdf

6. Achieving Framework Standards – Training and Support

- 6.1** To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.
- 6.2** The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.
- 6.3** CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:
- **Assessment and planning**
 - Individual local pension board member knowledge, understanding and skills assessment.
 - Training plan/programme development.
 - **Training**
 - Pre-appointment and induction training.
 - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
 - Ongoing and subject specific training such as regulatory changes and triennial valuations.
 - Annual refresher training and updates.
 - Member requested training.
 - Bespoke and open courses aimed at retention of knowledge and development of best practice.
 - **Support and mentoring**
 - Ongoing local pension board member mentoring, coaching and support.
 - BWebstream document access and storage system.
 - Training and support materials.
 - **Monitoring and reporting**
 - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via annemarie.allen@barnett-waddingham.co.uk or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2014)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)

Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2012)

Managing Risk in the Local Government Pension Scheme (2012)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 (2012)

Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration (2011)

CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds (2011)

CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom (2011)

Narrative Reporting in Public Sector Pension Schemes (2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations (2008)

CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds (2007)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006)

OTHER SOURCES

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (The Pensions Regulator, 2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales (Shadow Scheme Advisory Board, 2015)

OTHER TRAINING AND SUPPORT

The CIPFA Pensions Network provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online “Public Service toolkit” available at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Legal requirements		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> ■ the rules of the scheme ■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. 		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> ■ the law relating to pensions ■ any other matters which are prescribed in regulations. 		
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14? Nature of requirement

Pension board member	Scheme manager	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)

Areas of knowledge and understanding required

	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
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Degree of knowledge and understanding required

	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)

Acquiring, reviewing and updating knowledge and understanding

Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	<p>Learning programmes should:</p> <ul style="list-style-type: none"> ■ cover the type and degree of knowledge and understanding required ■ reflect the legal requirements ■ be delivered within an appropriate timescale. 	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

PURPOSE OF ROLE

To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

PRINCIPAL RESPONSIBILITIES

- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

PERSON SPECIFICATION

Requirement	Essential	Desirable
1. Educational		<p>Appropriate financial experience and training.</p> <p>Knowledge of pension funds and schemes.</p> <p>Demonstrable evidence of knowledge kept up-to-date.</p>
2. Work experience	<p>Chairing meetings, achieving effective outcomes.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a board or similar.</p>
3. Abilities, intelligence and special aptitudes	<p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p>	<p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p>
4. Adjustment and social skills	<p>Able to establish good working relationships with board members, councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Able to achieve consensus when conflicting views arise.</p> <p>Able to challenge in a constructive manner.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	<p>Diplomacy and tact.</p>
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the pension scheme and fund(s).</p>	
6. Equal opportunities	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

Annex C – LGPS Governance Regulations 2014

PART 3

Governance

Delegation

- 105.**—(1) *The Secretary of State may delegate any function under these Regulations.*
- (2) *An administering authority may delegate any function under these Regulations including this power to delegate.*

Local pension boards: establishment

106.—(1) *Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—*

- (a) *to secure compliance with—*
- (i) *these Regulations,*
 - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme^(a), and*
 - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*
- (2) *Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.*
- (3) *Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*
- (4) *Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.*
- (5) *The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

- (6) *Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.*
- (7) *Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative^(b).*
- (8) *A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.*
- (9) *The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.*

Local pension boards: membership

- 107.**—(1) *Subject to this regulation each administering authority shall determine—*
- (a) *the membership of the local pension board;*
 - (b) *the manner in which members of the local pension board may be appointed and removed;*
 - (c) *the terms of appointment of members of the local pension board.*
- (2) *An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and*
 - (b) *a person to be appointed to the local pension board as a member representative has the capacity to represent members.*
- (3) *Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—*
- (a) *no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and*
 - (b) *any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.*
- (4) *Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be designated as an employer representative has the capacity to represent employers; and*

(b) See section 5(6) of the Public Service Pension Regulations 2012 for definitions of these terms.

- (b) *a person to be designated as a member representative has the capacity to represent members.*

Local pension boards: conflict of interest

- 108.**—(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^(a).*
- (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).*

Local pension boards: guidance

109. *An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

(a) *See section 5(5) of the Public Service Pensions Act 2010 for the meaning of “conflict of interest”.*

Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements and plan Training requirements Training plan (sources and timing)
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5	
An understanding of how breaches in law are reported.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
3 – Pensions administration	1 – no knowledge 5 – highly skilled	Training plan (sources and timing)
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5	
Understanding of the required and adopted scheme policies and procedures relating to: <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communication and materials. 	1 2 3 4 5	
Knowledge of how discretionary powers operate.	1 2 3 4 5	
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5	

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5		
4 – Pensions accounting and auditing standards			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5		
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5		
An understanding of the role played by third party assurance providers.	1 2 3 4 5		
5 – Pensions services procurement and relationship management			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled	
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5	
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5	
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5	
6 – Investment performance and risk management		
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5	
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5	
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
	1 – no knowledge 5 – highly skilled	Training plan (sources and timing)
7 – Financial markets and products knowledge		
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5	
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5	
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5	
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5	
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements Training plan (sources and timing)
8 – Actuarial methods, standards and practices	1 – no knowledge 5 – highly skilled	
A general understanding of the role of the fund actuary.	1 2 3 4 5	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	
A general understanding of the relevant considerations in relation to outsourcing and bulk transfers.	1 2 3 4 5	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	



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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
14 January 2016

PENSION FUND BENCHMARKING UPDATE

Purpose of the Report

1. The purpose of this report is to present the CIPFA Benchmarking Club results for 2015 that was noted by the Pension Fund Committee at its meeting on 10th December 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 Board

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 Board is asked to note the report.

MICHAEL HUDSON
Treasurer to Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

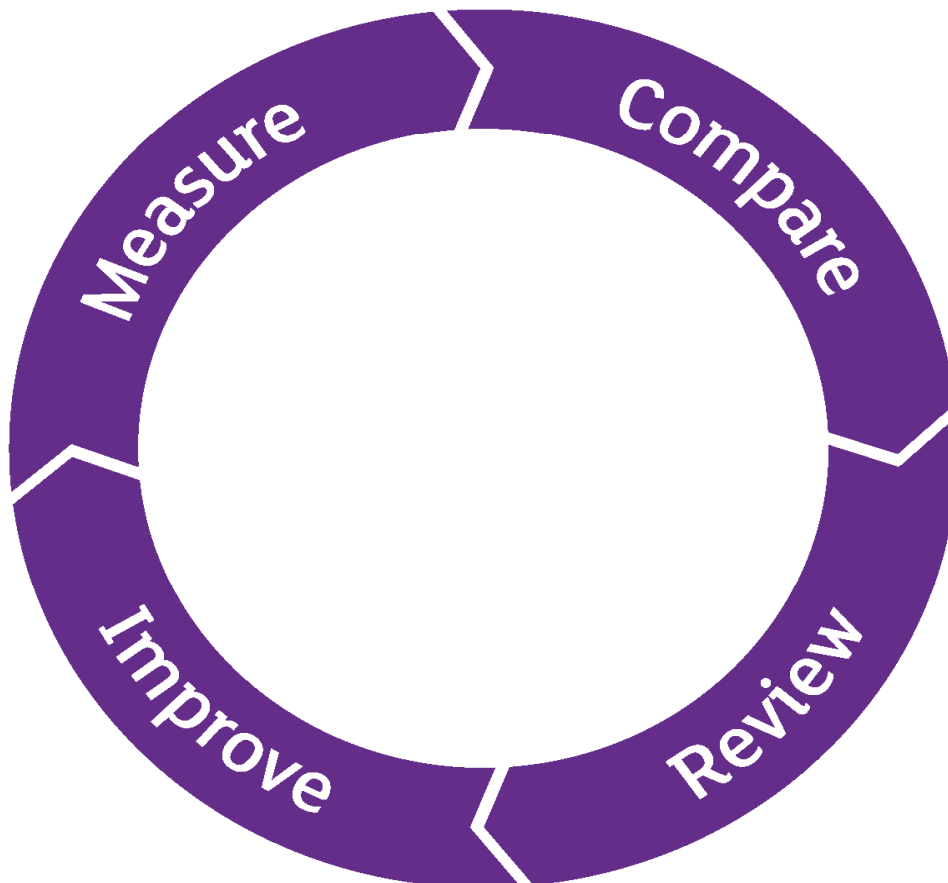
Unpublished documents relied upon in the production of this report: *None*

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Information Services

pensions administration benchmarking club

2015 - Wiltshire Final Report



PREFACE

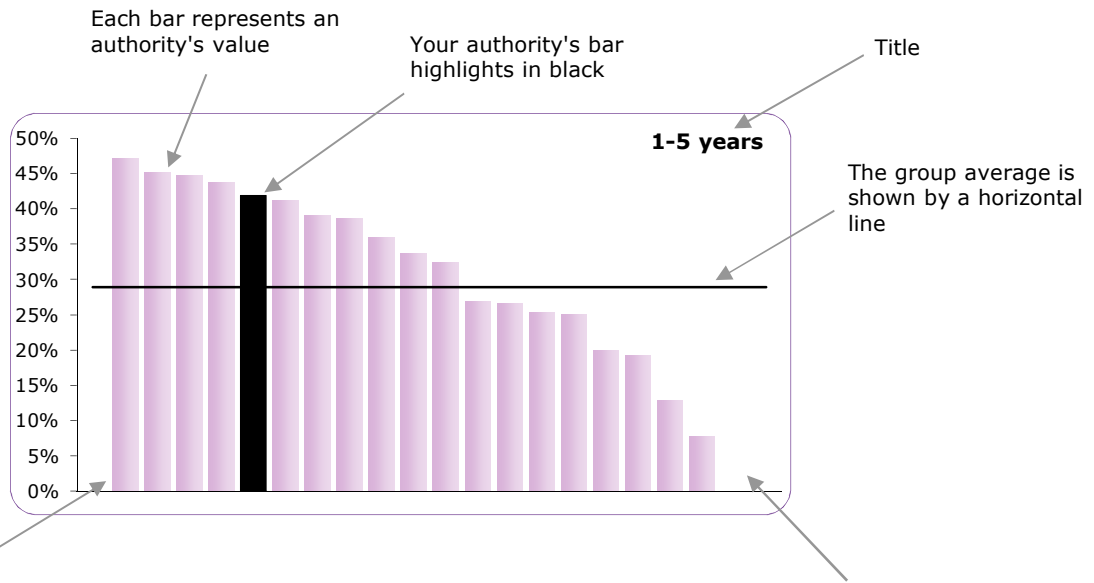
This report compares your data with the group of authorities specified on the title page.

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)

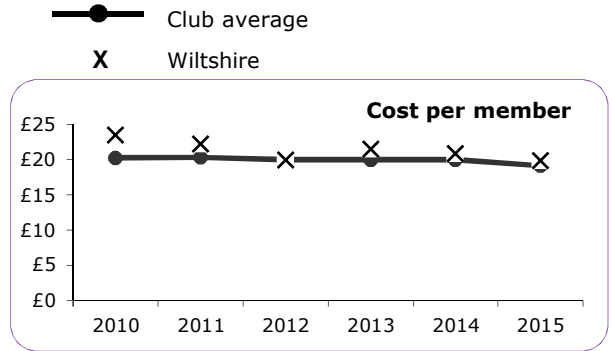
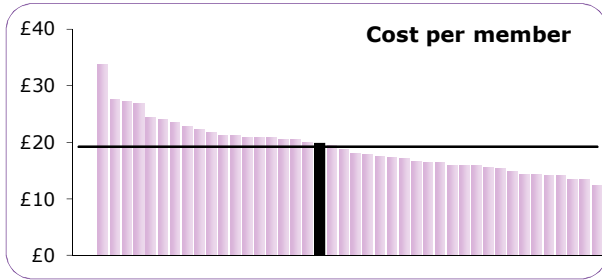
This shows members' costs and averages compared for in-house and externally managed pension schemes.

Section 7 -Timeseries (final report only)

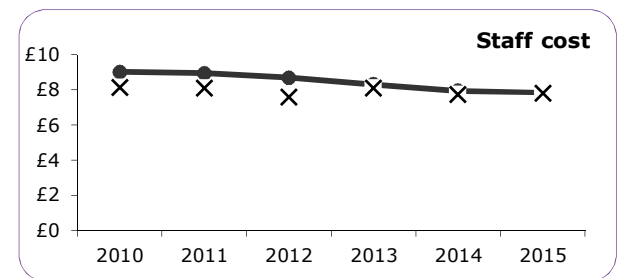
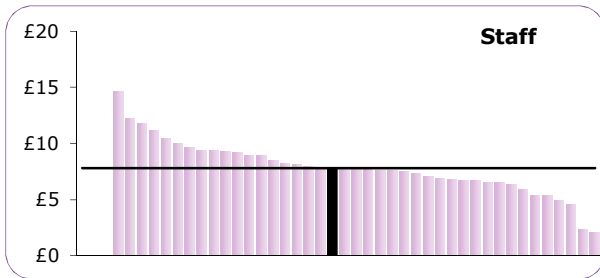
This shows the individual members' performance over time compared to the club average for cost per member, which is analysed over staff cost and other costs.

SECTION 1 - SUMMARY 2014/15

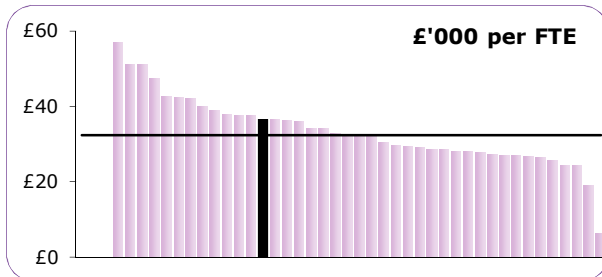
NET COST / MEMBER 2014/15



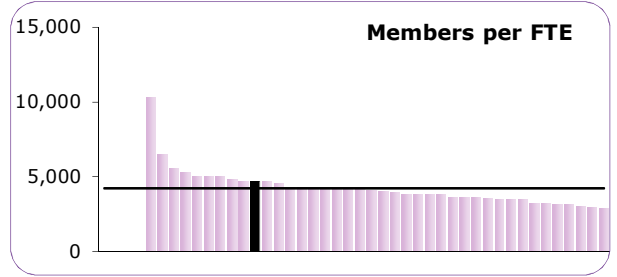
STAFF COST / MEMBER 2014/15



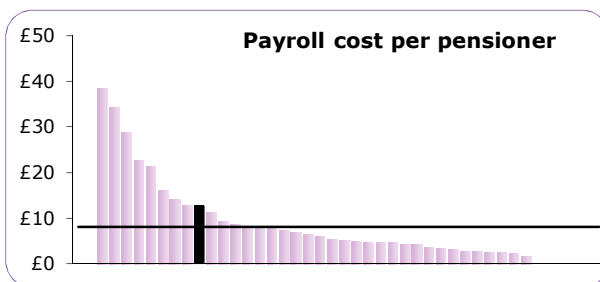
COST £'000 / FTE



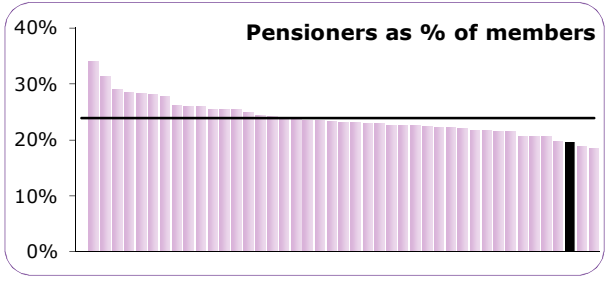
MEMBERS LGPS / ADMIN FTE



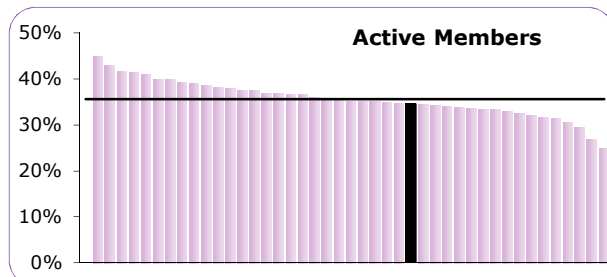
PAYROLL COST / PENSIONER



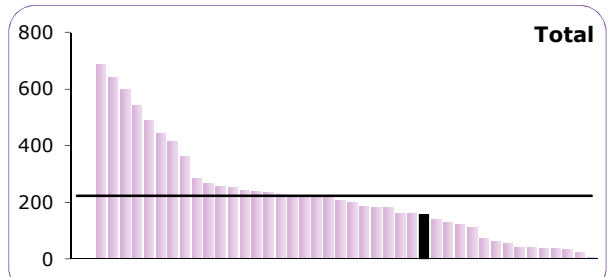
PENSIONERS AS A % MEMBERS



ACTIVES AS A % MEMBERS



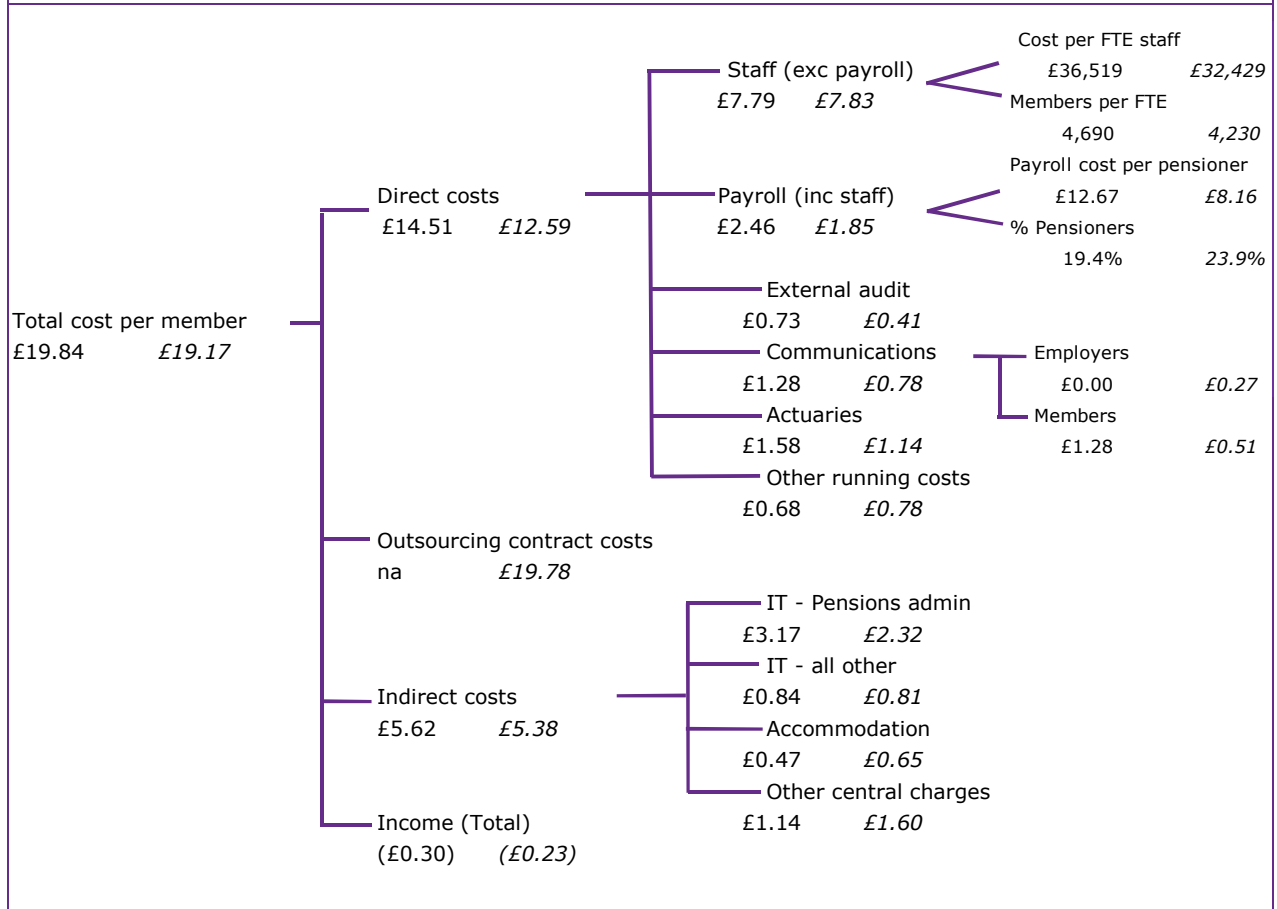
NUMBER OF LGPS EMPLOYERS



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

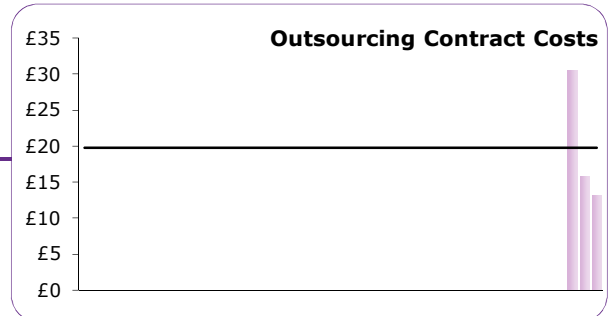
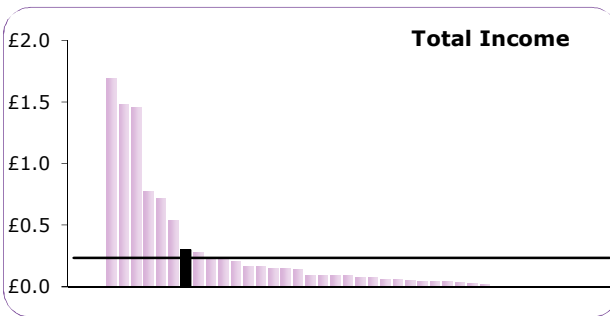
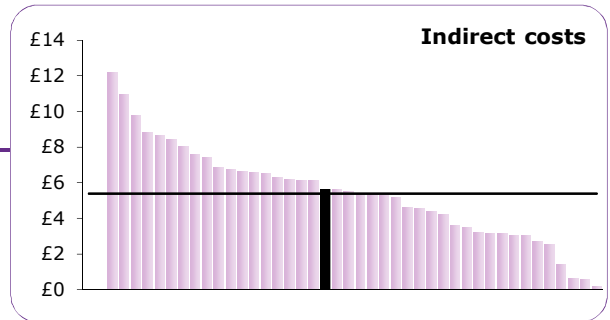
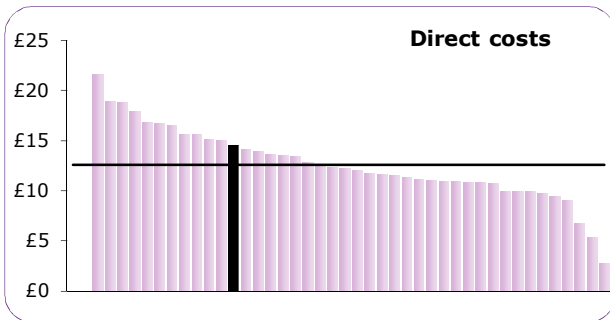
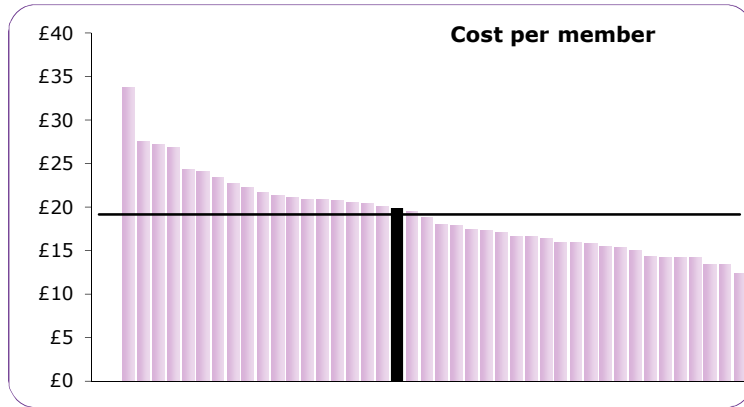
Net Costs £'000	
	£'000
Pension Section total	1,472
less	
Work for other schemes	12
Employing authority work	37
Other work	167
Admin of LGPS	1,256

Admin of LGPS costs	£'000	£ per member	Avg
Staff - administration	493	7.79	7.83
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.

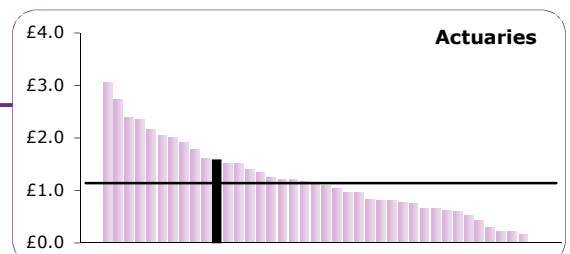
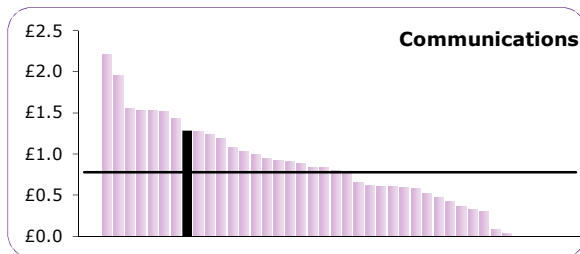
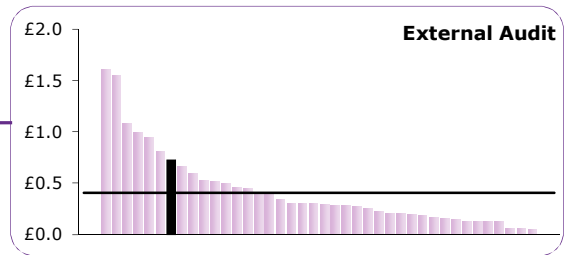
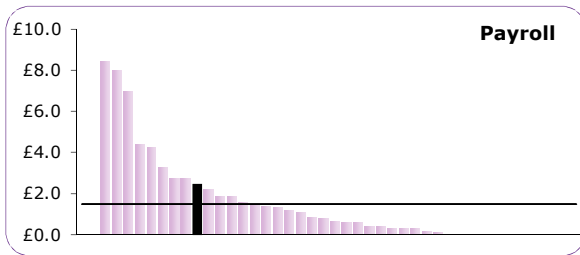
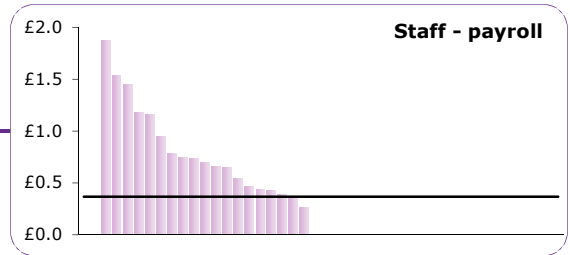
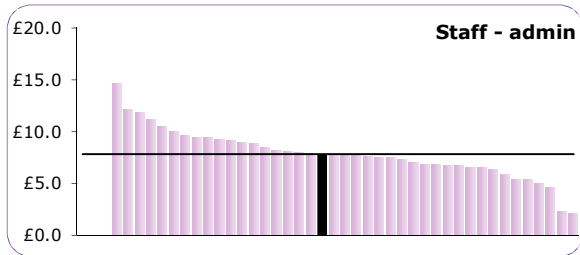
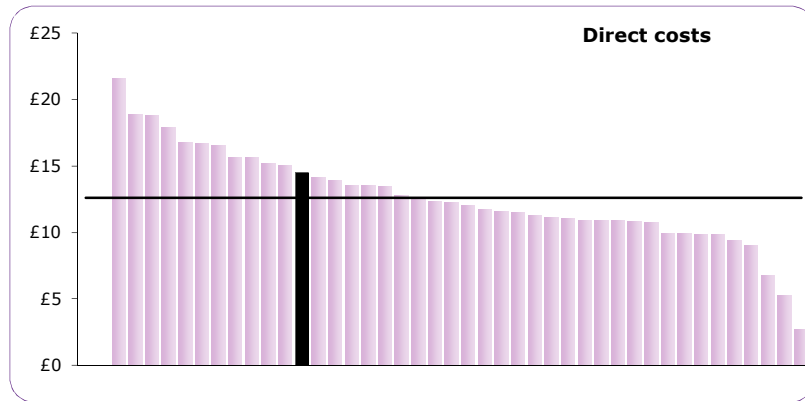
COST PER MEMBER 2014-15



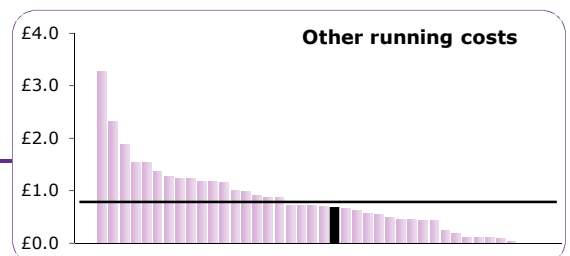
Admin of LGPS costs		£ per member	
	£'000		Avg
Total Direct Costs	919	14.51	12.59
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Total Indirect Costs	356	5.62	5.38
Total Income	(19)	(0.30)	(0.23)
Net Cost	1,256	19.84	19.17

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

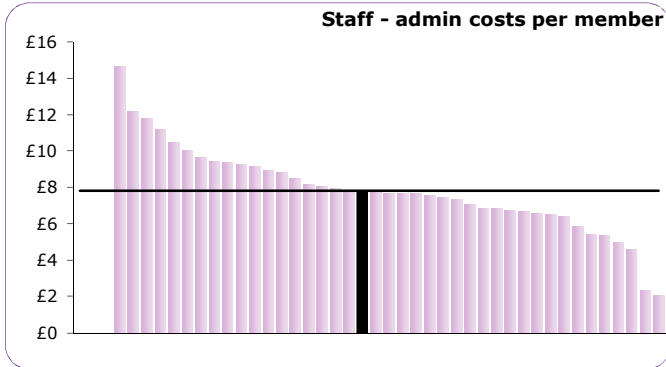


Direct costs	£'000	£ per member	Avg
Staff - admin	493	7.79	7.83
Staff - payroll	-	-	0.36
Payroll	156	2.46	1.49
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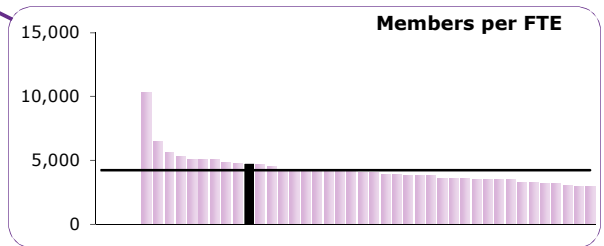


DIRECT COSTS PER MEMBER - Staff and Payroll costs 2014/15

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

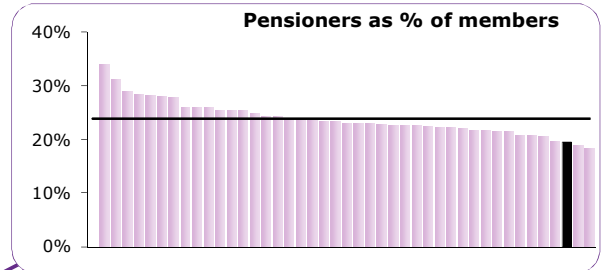
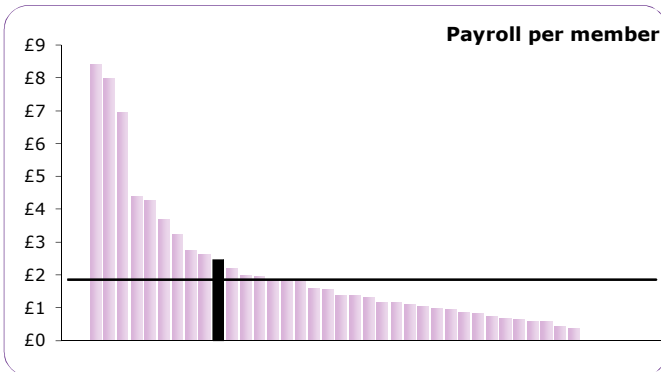


Wiltshire 36.5 Avg 32.4

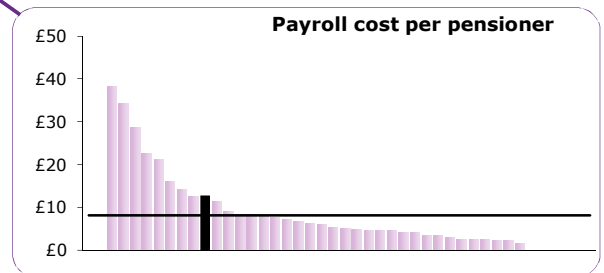


Wiltshire 4,690 Avg 4,230

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

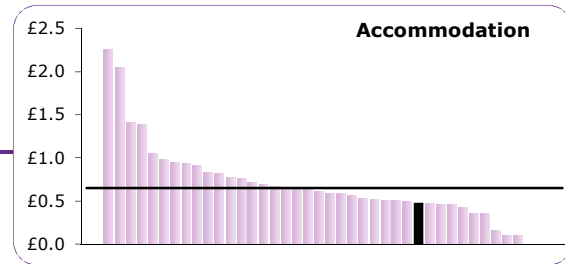
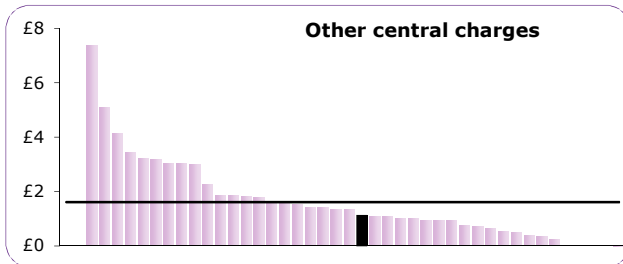
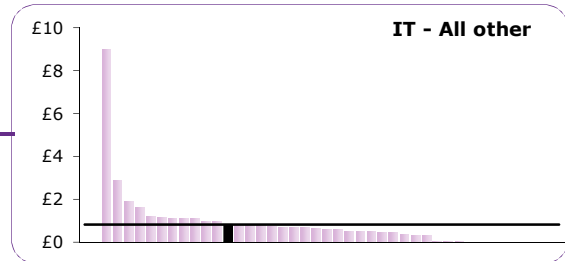
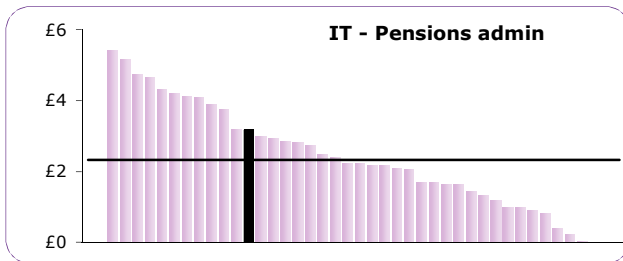
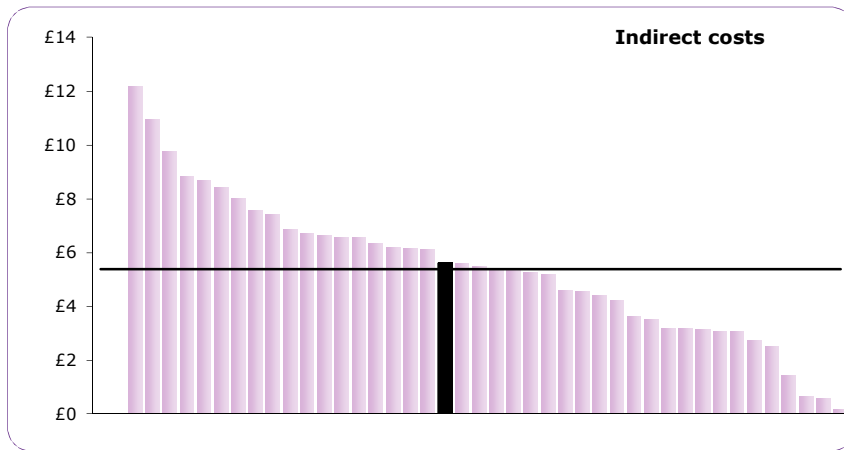


Wiltshire 19% Avg 24%



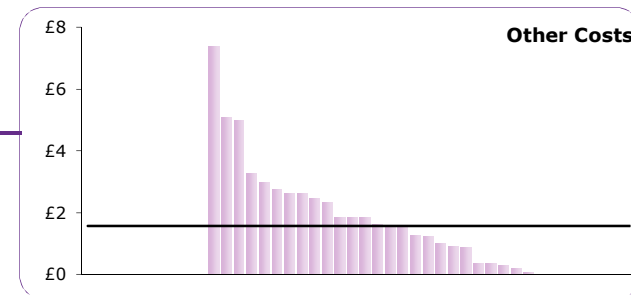
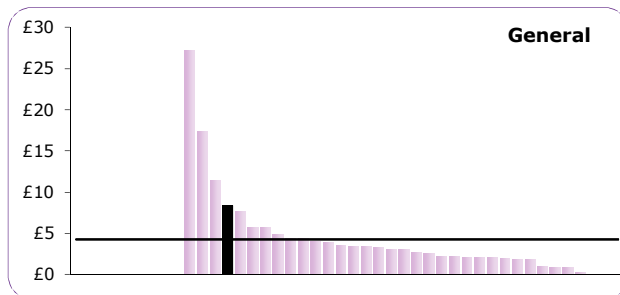
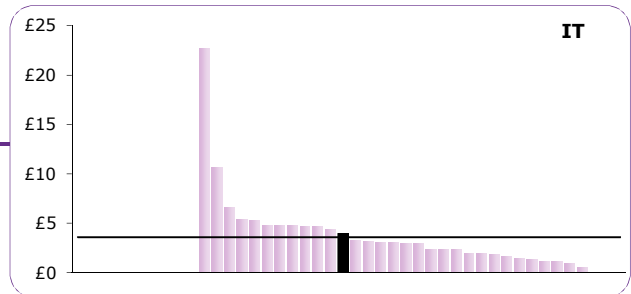
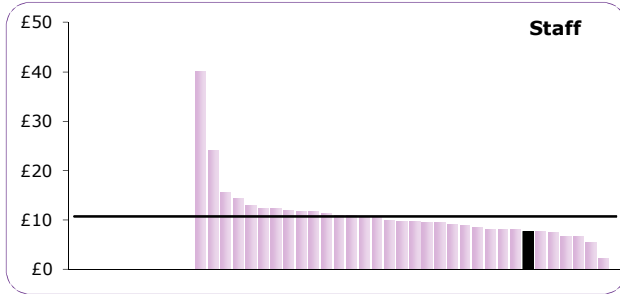
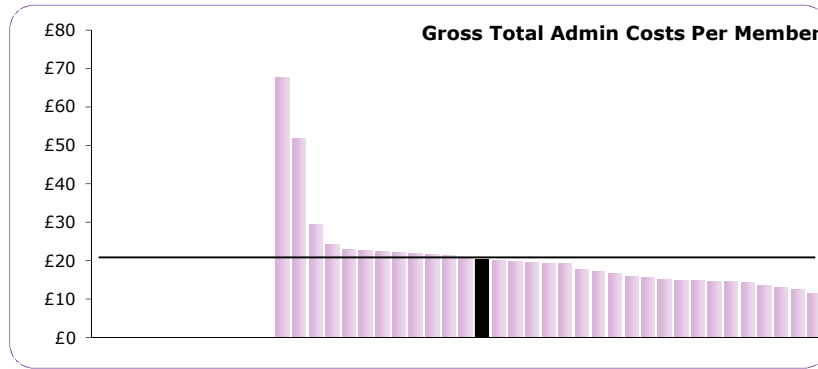
Wiltshire 12.7 Avg 8.2

COSTS PER MEMBER - Indirect costs 2014/15



Indirect costs	£'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

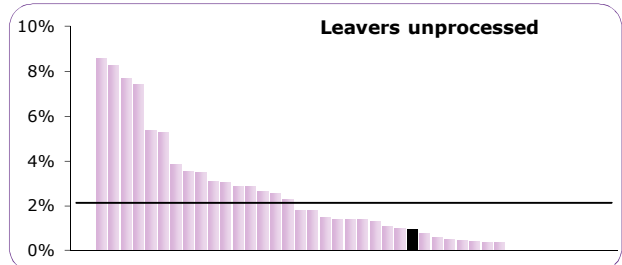
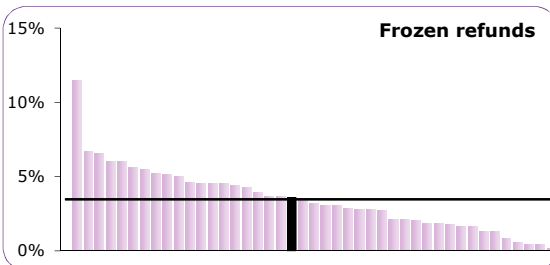
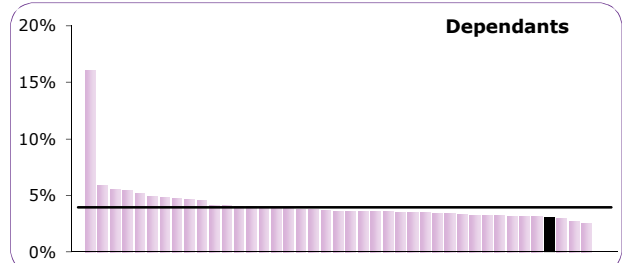
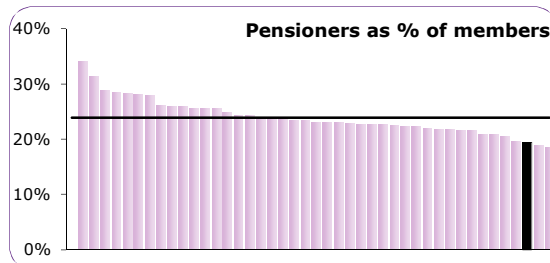
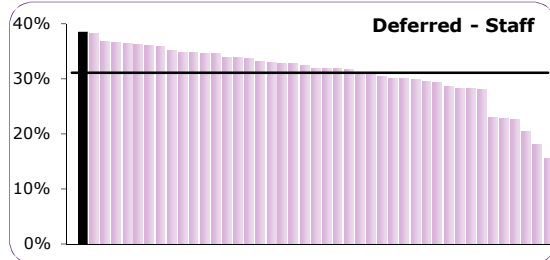
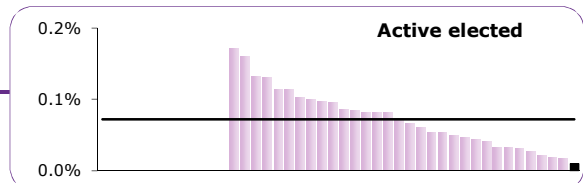
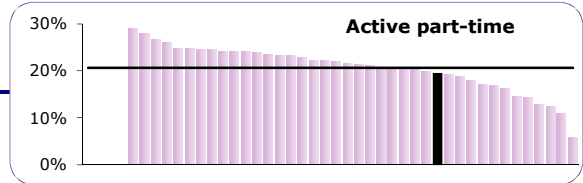
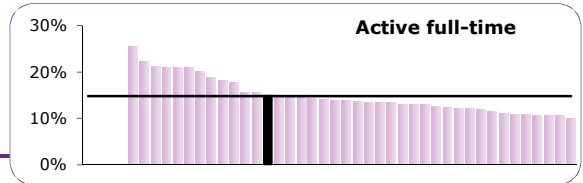
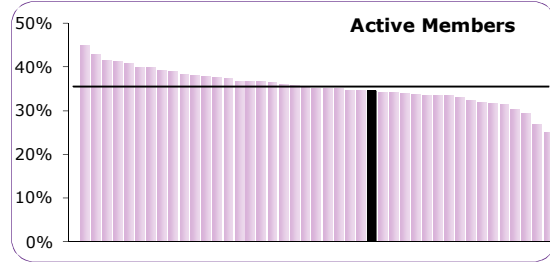
COSTS PER MEMBER - LGPS Administration Expenses Analysis 2014/15



LGPS Administration Expenses		£ per member	
	£'000		Avg
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

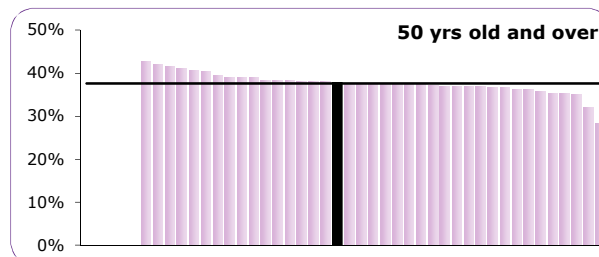
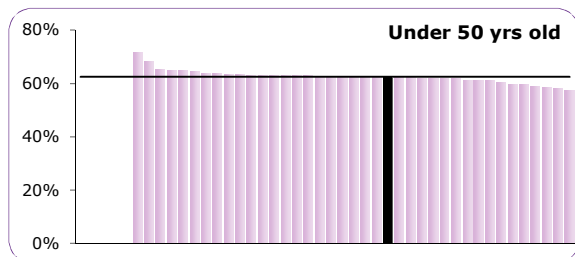
SECTION 3 - WORKLOAD MEASURES

COMPOSITION OF MEMBERS AS AT 31/3/2015



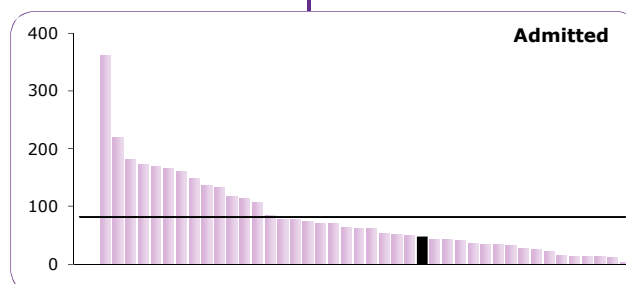
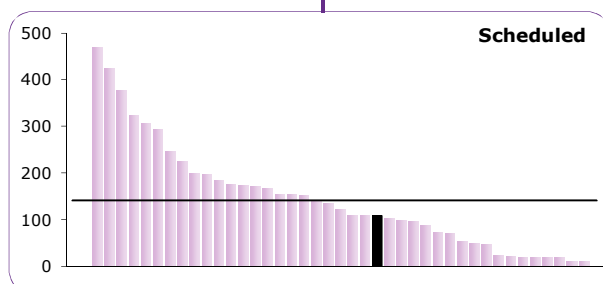
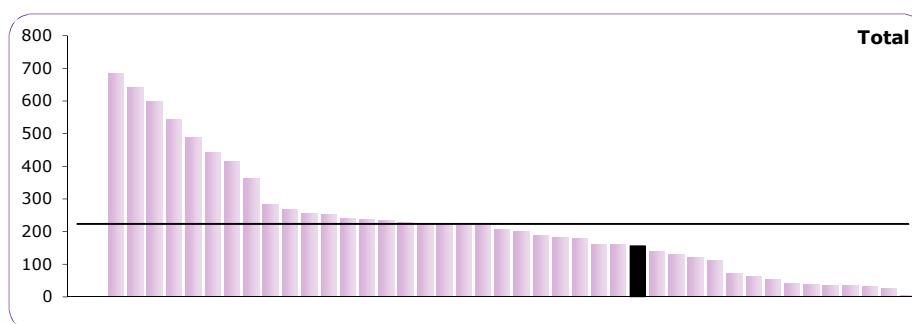
Composition of members				
	No.	%	Avg	Avg %
Active:				
- full-time	9,467	15%	15,569	14.8%
- part-time	12,353	20%	17,862	20.7%
- no. of elected Members	6	0.01%	52	0.07%
- sub-total	21,826	34%	33,067	35.5%
Deferred:				
- Staff	24,413	39%	27,618	31.1%
- Elected Members	4	0.0%	21	0.0%
Pensioners	12,315	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%

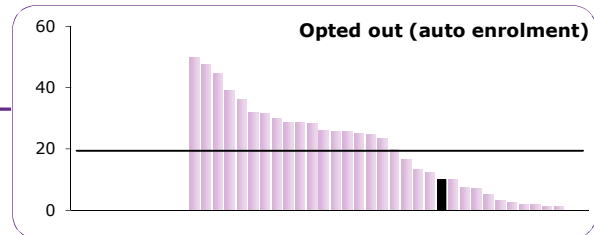
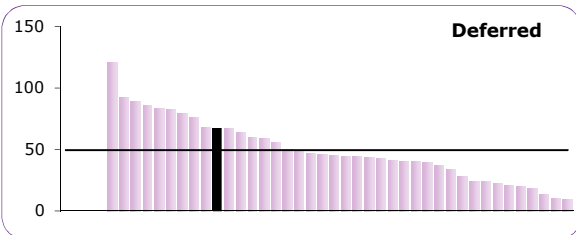
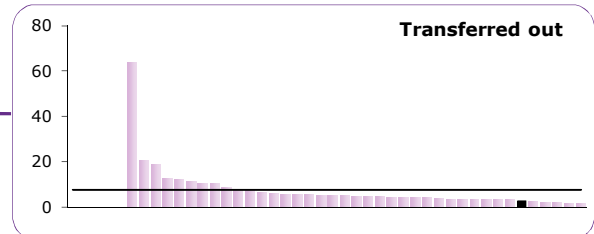
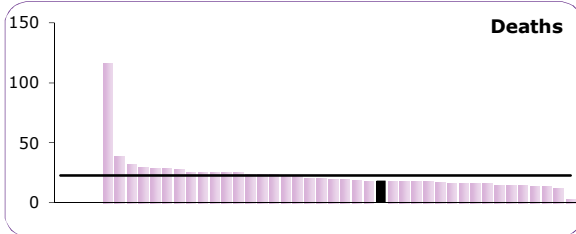
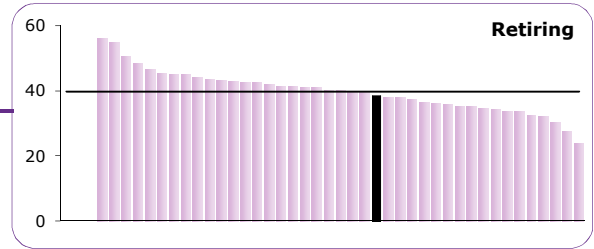
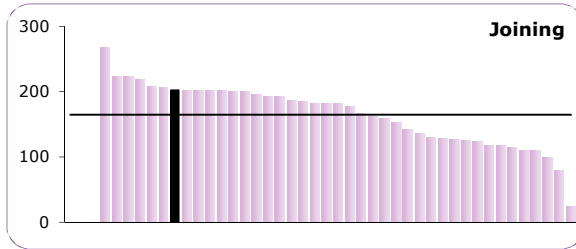
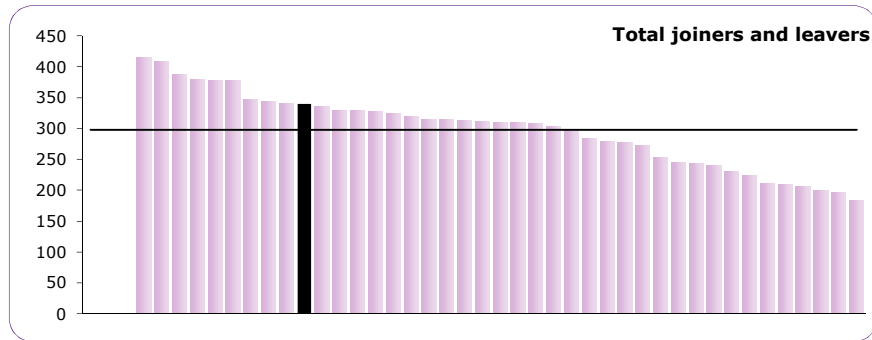
NUMBER OF LGPS EMPLOYERS AS AT 31/03/2015



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				

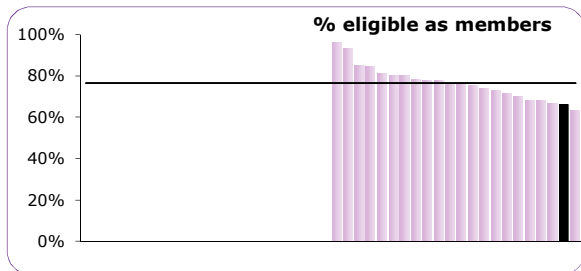
Employer changes 2014/15						
	Applied		Admitted		Leaving	
	No.	Avg	No.	Avg	No.	Avg
Scheduled	9	17	9	20	1	3
Admitted	6	9	6	9	-	4

JOINERS & LEAVERS (per '000 active members)

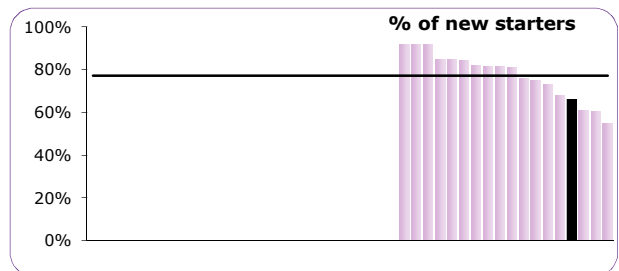


Joiners & leavers (per '000 active members)			
	No.	'000	Avg
Joining	4,423	203	164
Retiring	842	39	40
Deaths	395	18	23
Transferred out	61	3	8
Deferred	1,467	67	50
Opted out	219	10	19
Total	7,407	339	298

LGPS members as % eligible employees

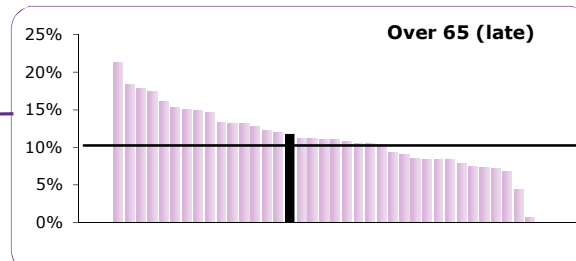
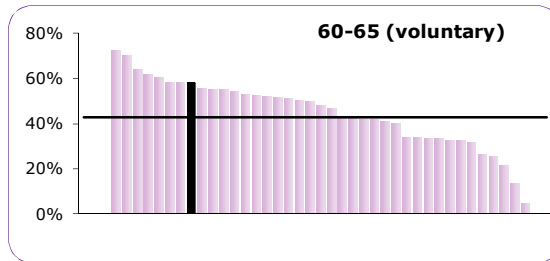
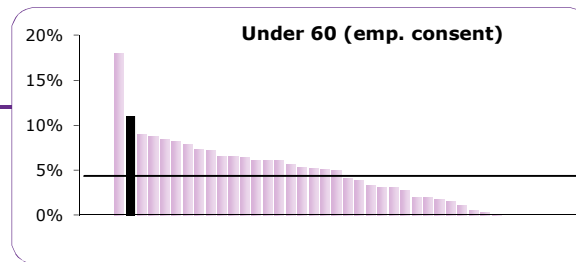
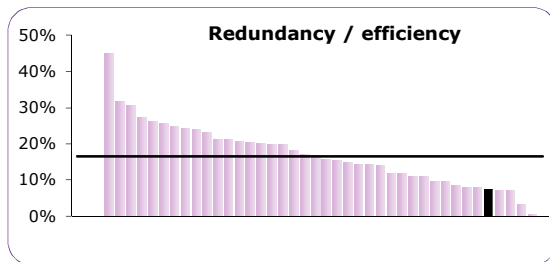
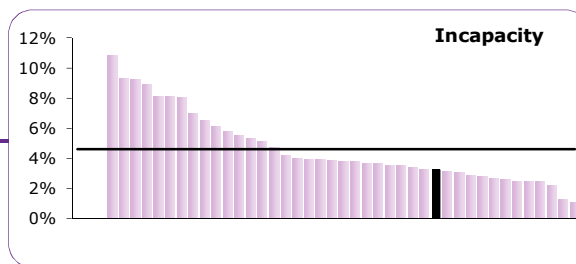
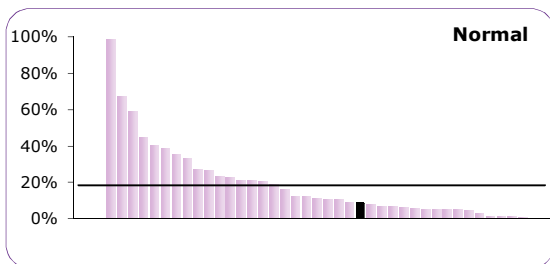
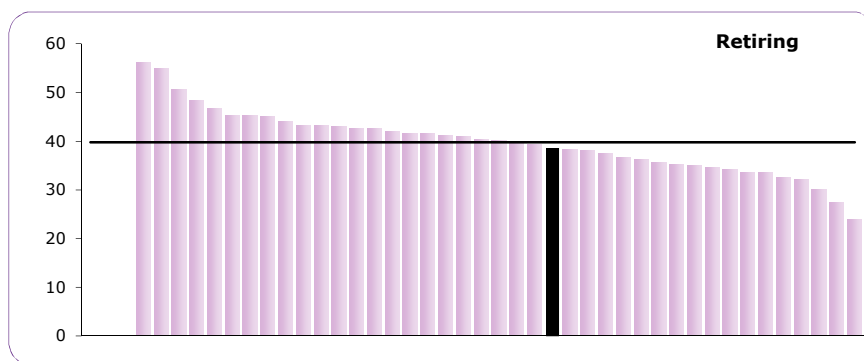


Wiltshire 66% Avg 76%

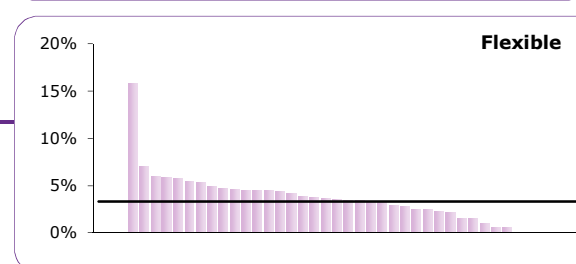


Wiltshire 66% Avg 77%

RETIRING (per '000 active members)



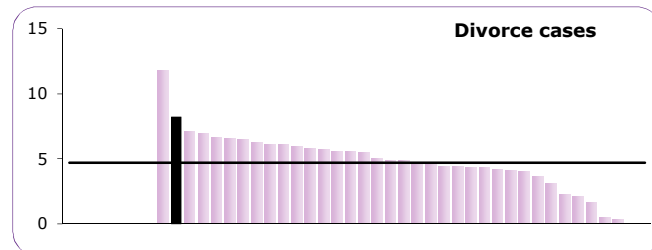
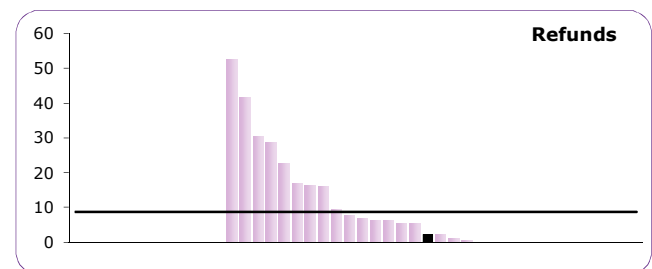
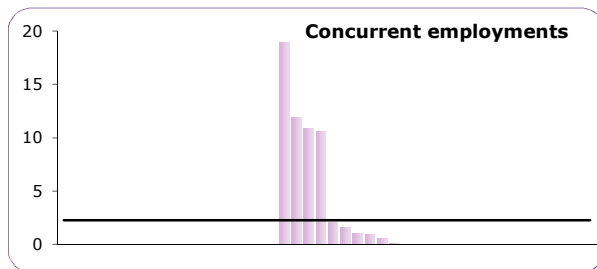
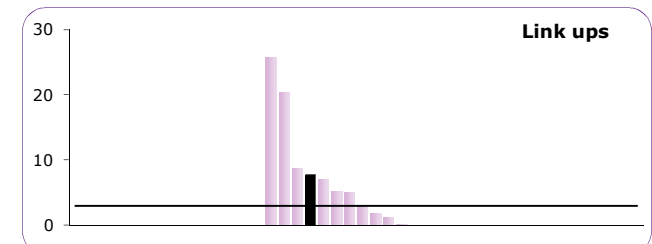
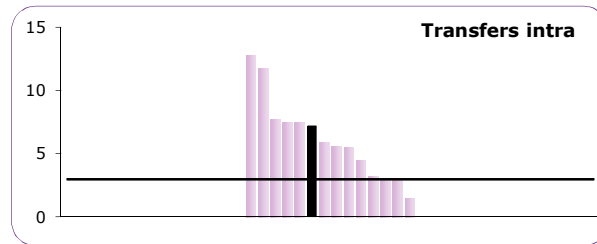
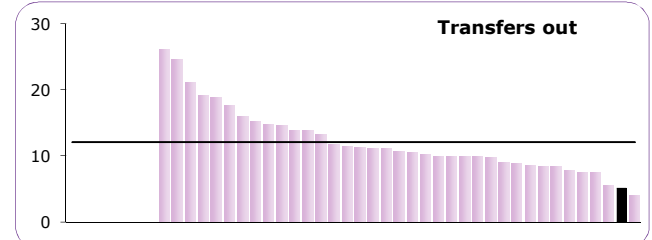
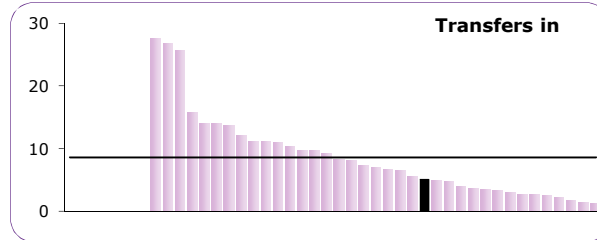
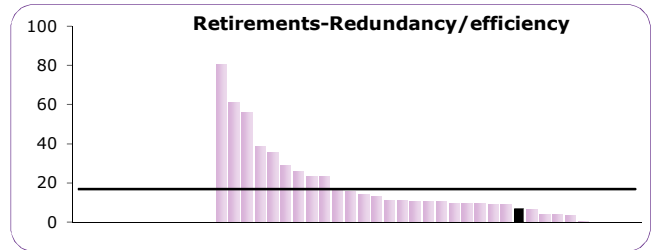
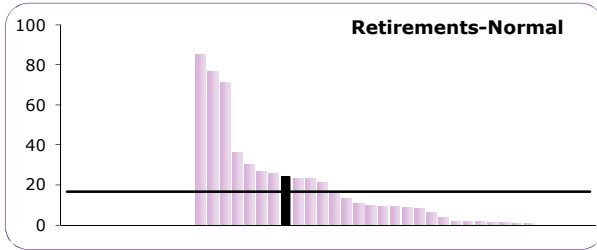
Retirements	No.	%	Avg
Normal	72	9%	18%
Incapacity/ill-health	27	3%	5%
Redundancy/efficiency	62	7%	17%
Under 60 (emp. consent)	92	11%	4.4%
60-65 (voluntary)	487	58%	43%
Over 65 (late)	99	12%	10%
Flexible	-	0.0%	3.3%
Total	839		



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

Active members
21,826

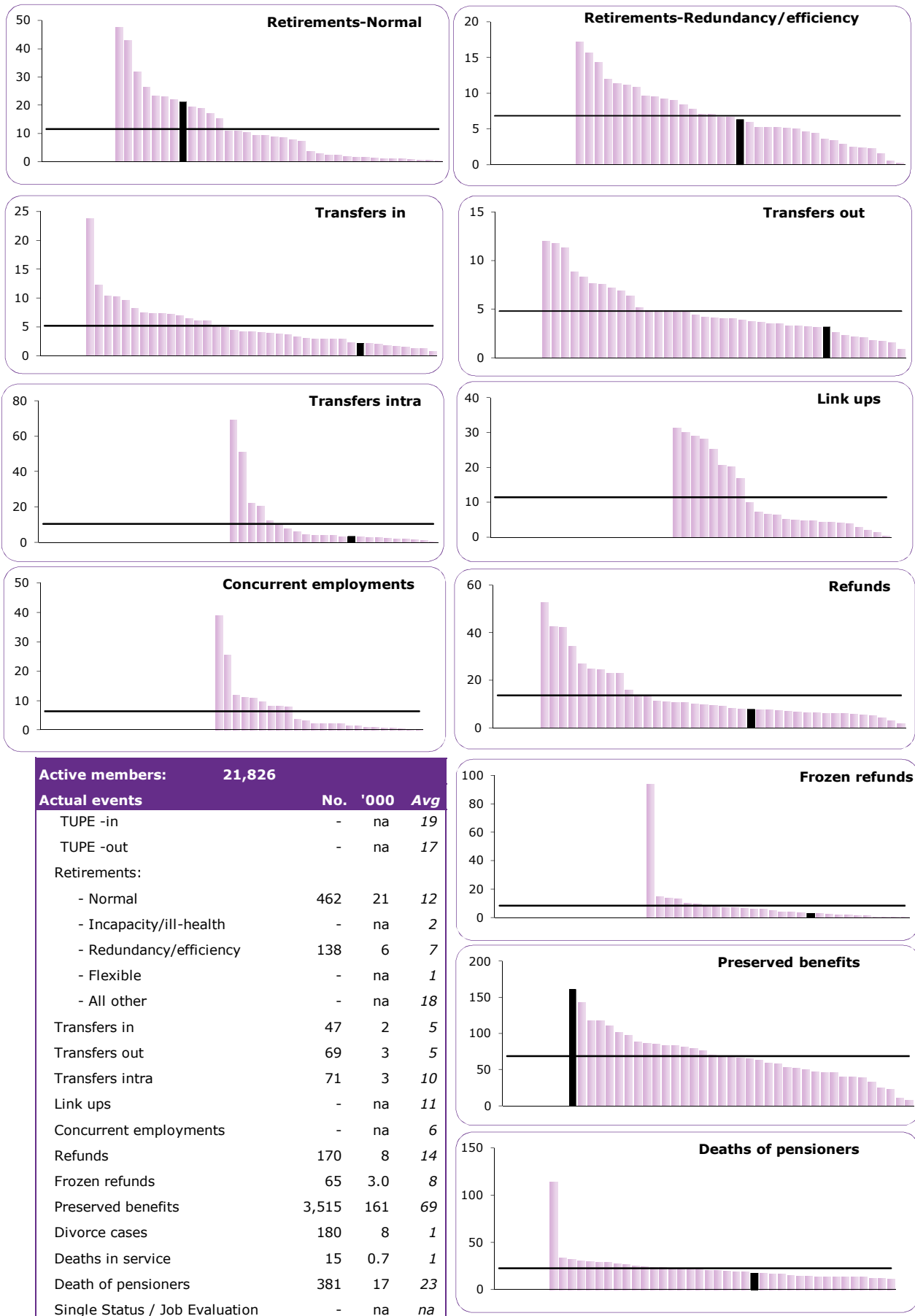
NUMBER OF QUOTATIONS PROVIDED (per '000 active members)



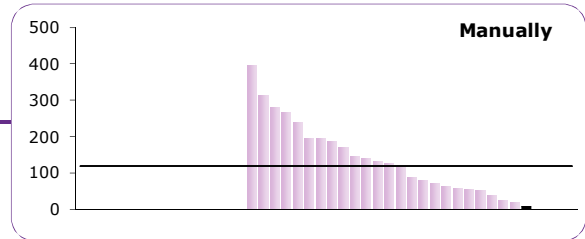
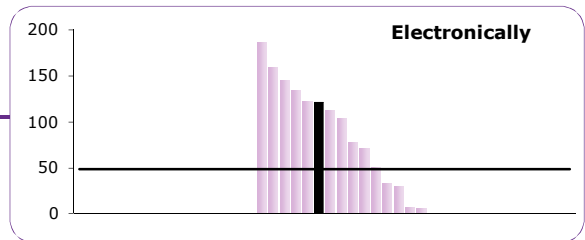
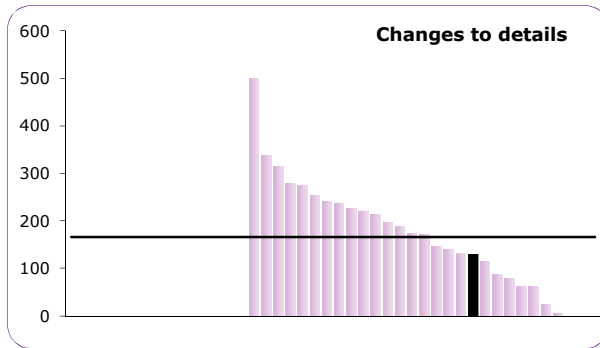
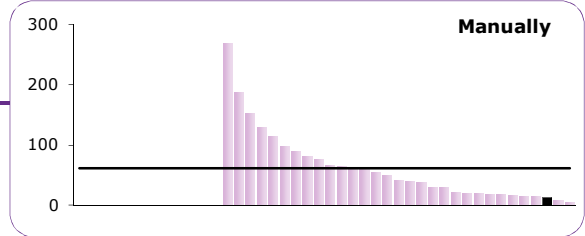
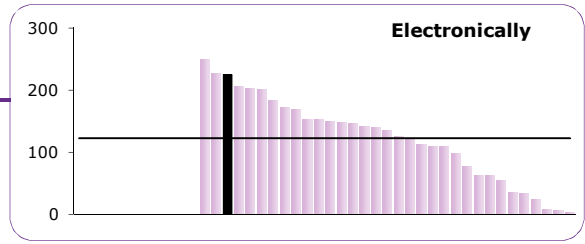
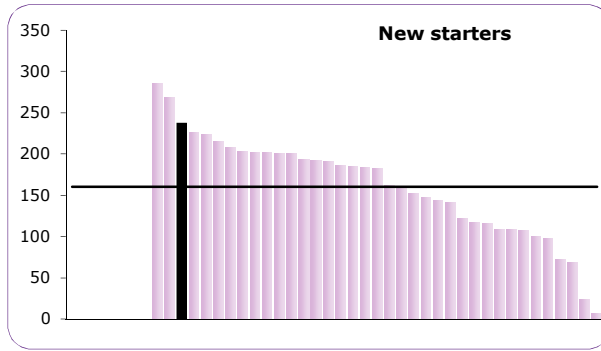
Active members: 21,826		No. '000	Avg
Quotations provided			
TUPE -in	-	-	0
TUPE -out	-	-	0
Retirements:			
- Normal	529	24	17
- Incapacity/ill-health	-	-	2
- Redundancy/efficiency	151	7	17
- Flexible	-	-	1
- All other	-	-	22
Transfers in	110	5	9
Transfers out	111	5	12
Transfers intra	157	7	3
Link ups	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)



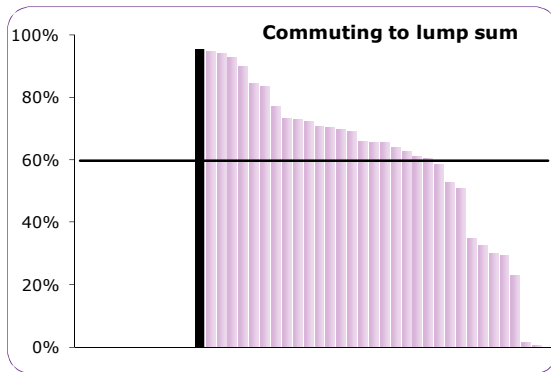
ACTUAL CALCULATIONS (per '000 active members)



RETIREMENTS

Active members
21,826

Retirements commuting to lump sum

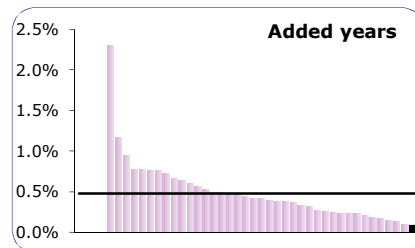
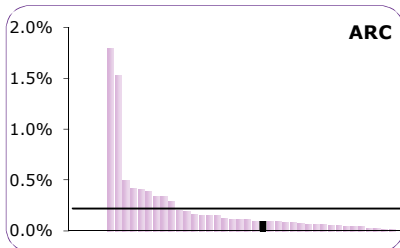
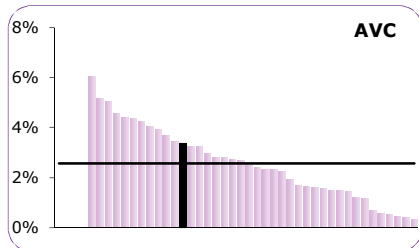


Actual calculations	No.	'000	Avg
New starters	5,184	238	160
- electronically	4,904	225	122
- manually	280	13	61
Changes to details	2,837	130	166
- electronically	2,639	121	48
- manually	198	9	119

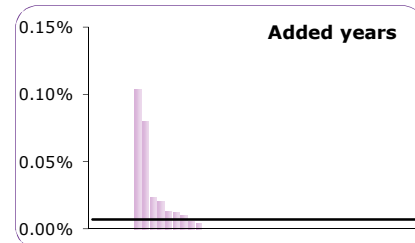
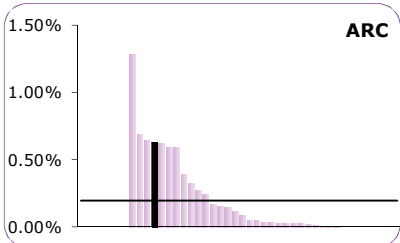
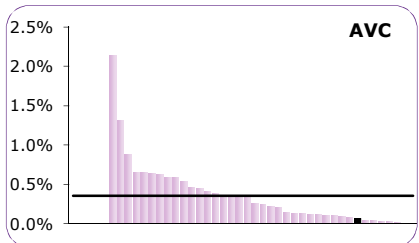
Retirements commuting lump sum		
Number	% total	Avg
801	95%	60%

AVCs, ARCs and Added years

% Currently contributing



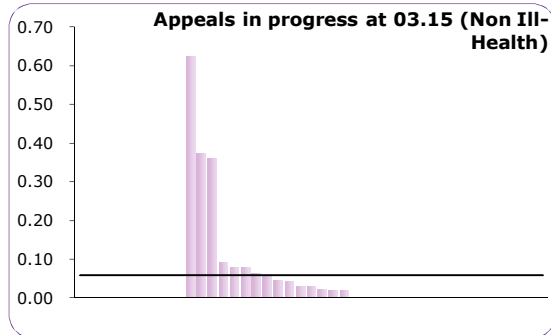
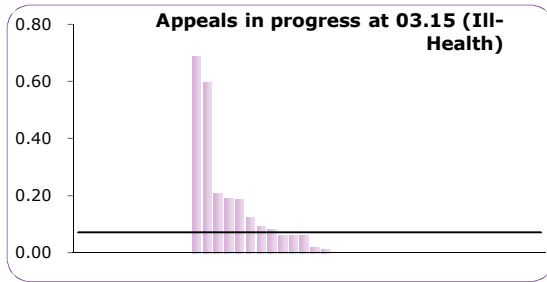
% New contributors this year



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

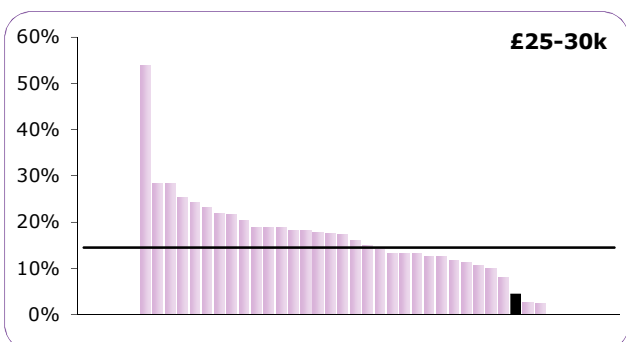
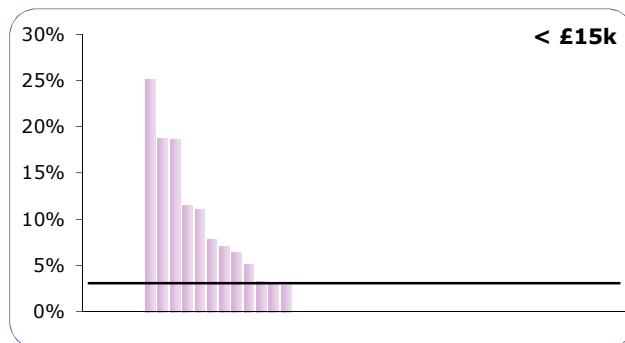
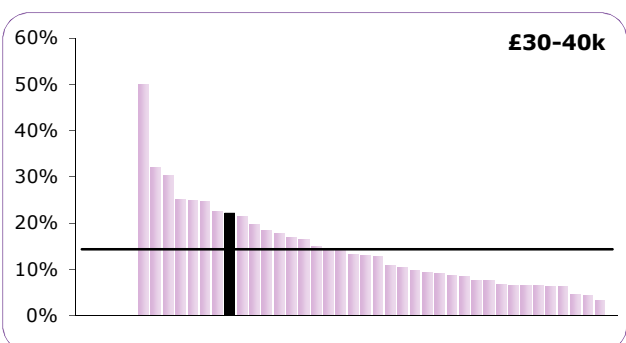
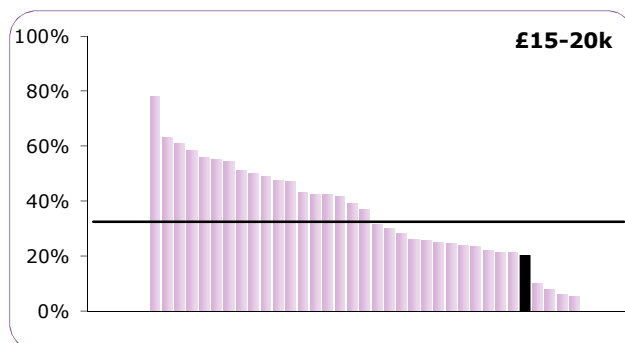
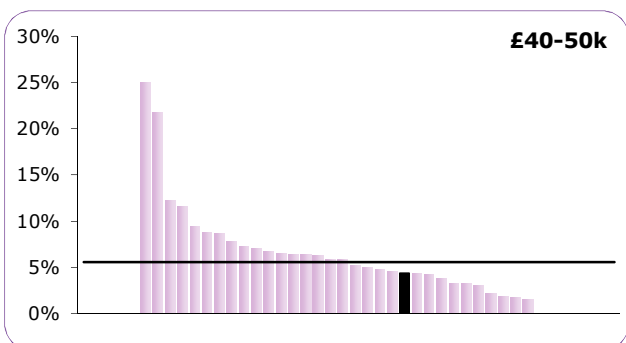
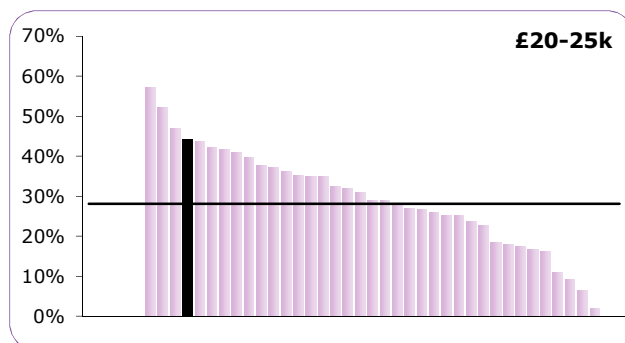
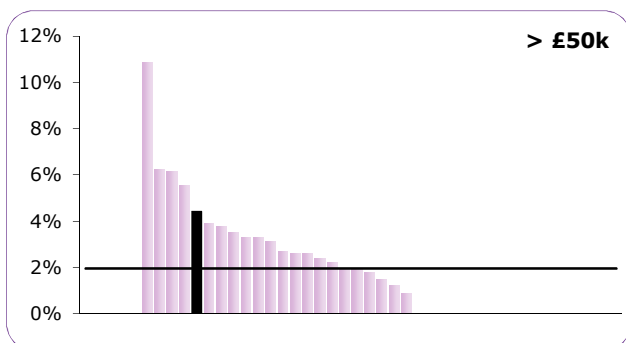


*Club total: This shows the total for all the Benchmarking Club members 2015

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

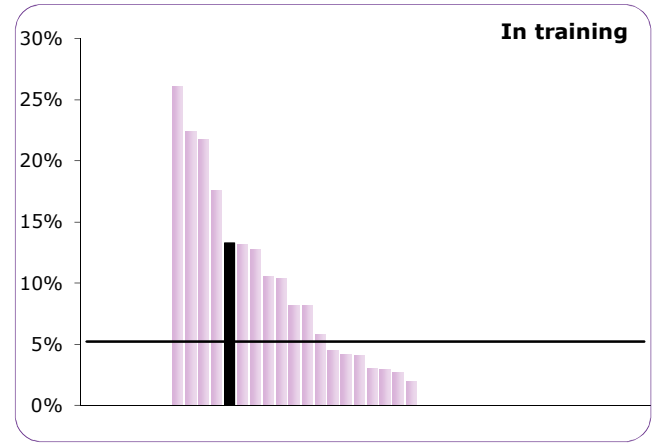
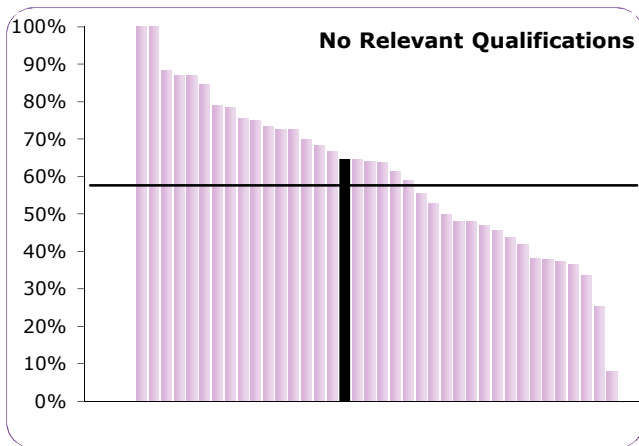
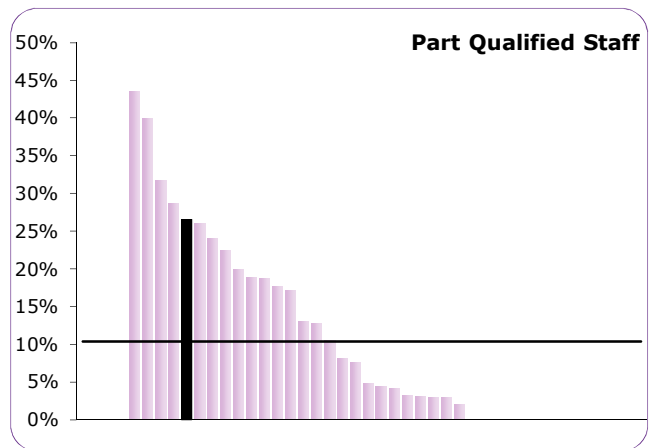
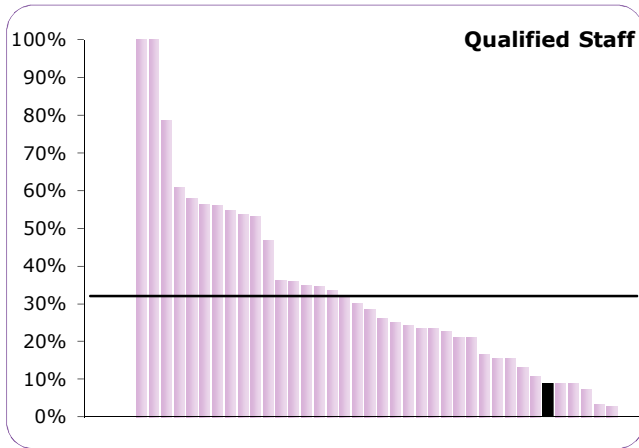
SECTION 4 - STAFF RELATED MEASURES

STAFF PAY



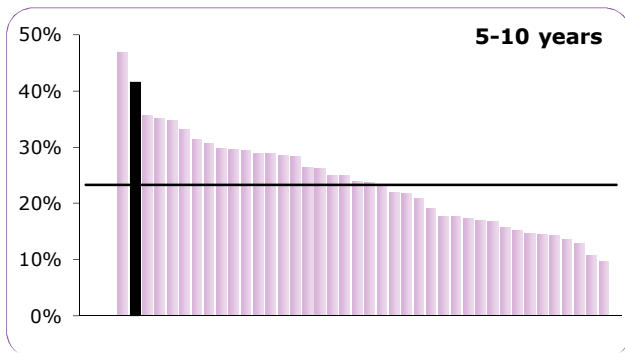
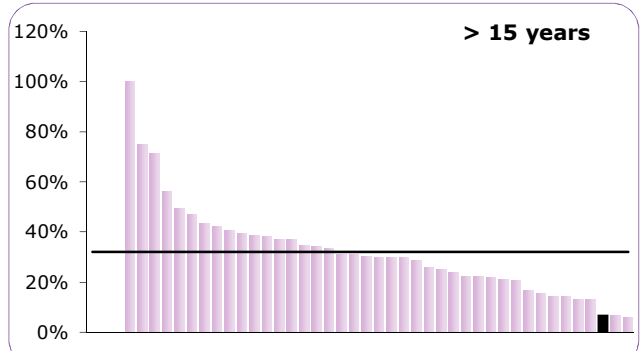
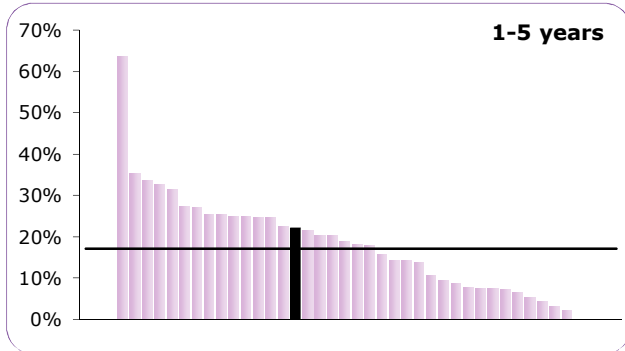
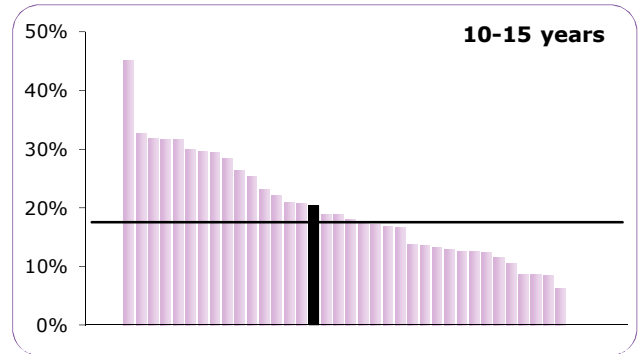
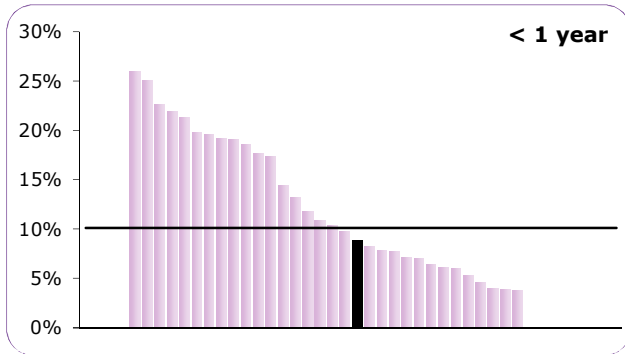
Staff pay			
	FTE	%	Avg
> £50k	1.0	4%	2%
£40-50k	1.0	4%	6%
£30-40k	5.0	22%	14%
£25-30k	1.0	4%	14%
£20-25k	10.0	44%	28%
£15-20k	4.6	20%	33%
< £15k	0.0	0%	3%
Total	22.6		

STAFF QUALIFICATIONS



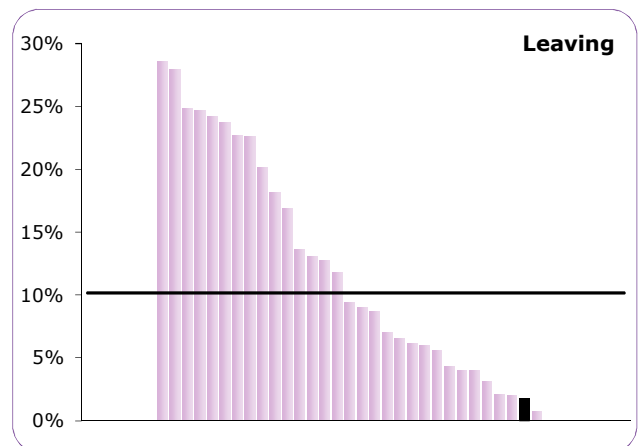
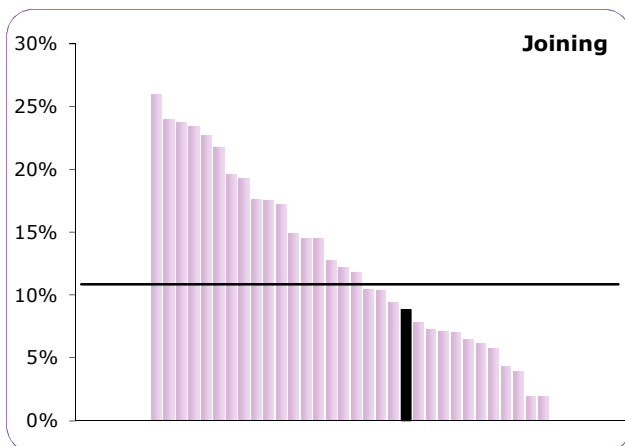
Staff qualifications			
	FTE	%	Avg
Qualified Staff	2.0	9%	32%
Part Qualified Staff	6.0	27%	10%
No Relevant Qualifications	14.6	65%	58%
Total	22.6		
Number in Training	3.0	13%	5%

STAFF PENSIONS EXPERIENCE



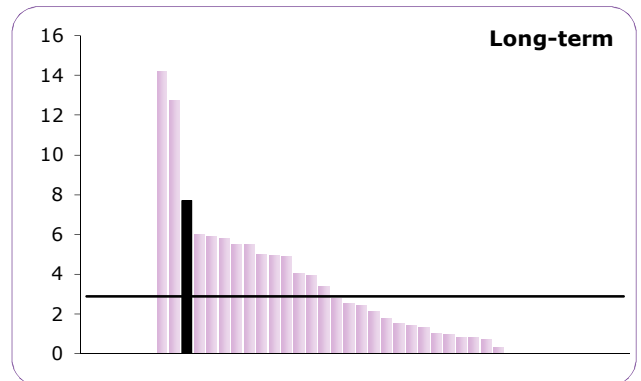
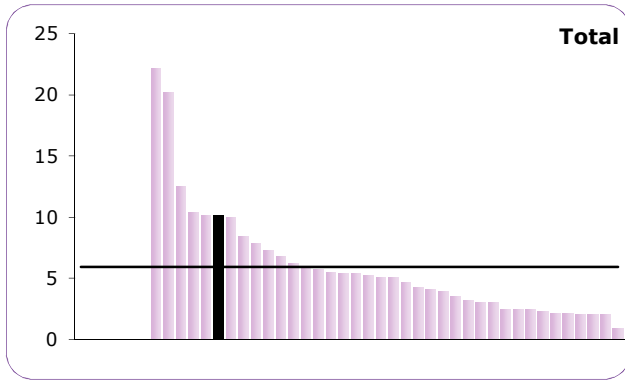
Staff experience			
	FTE	%	Avg
< 1 year	2.0	9%	10%
1-5 years	5.0	22%	17%
5-10 years	9.4	42%	23%
10-15 years	4.6	20%	18%
> 15 years	1.6	7%	32%
Total	22.6		

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%

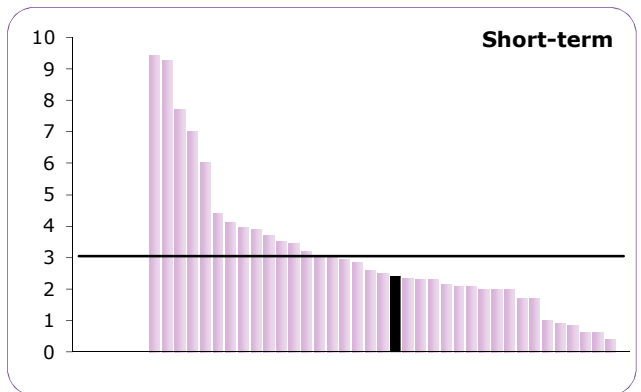
SICKNESS ABSENCE



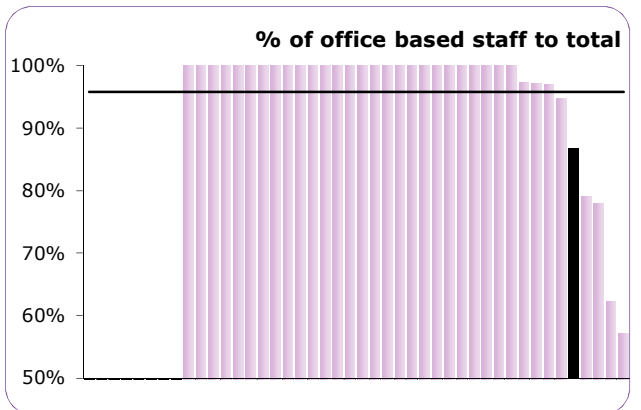
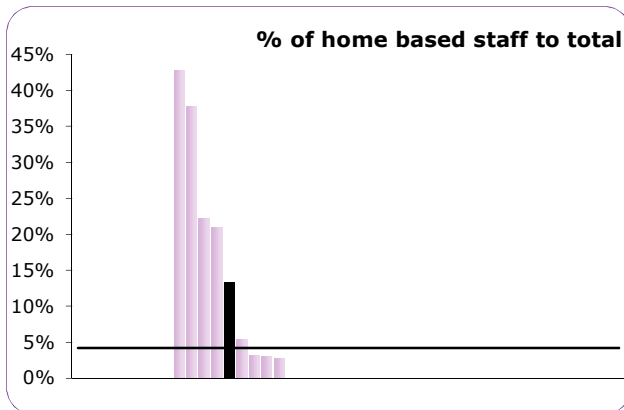
Sickness absence	Days/FTE	Avg
Long-term sickness	7.7	2.9
Short-term sickness	2.4	3.1
Total	10.1	5.9

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

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



STAFF LOCATION

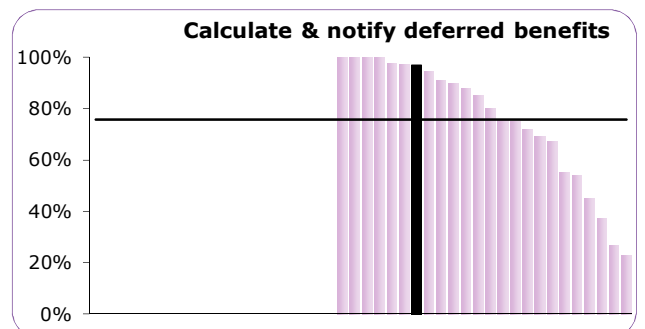
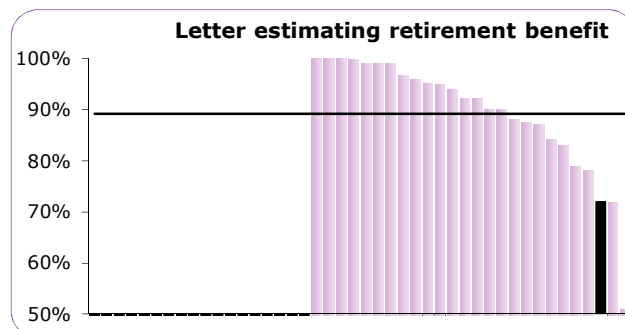
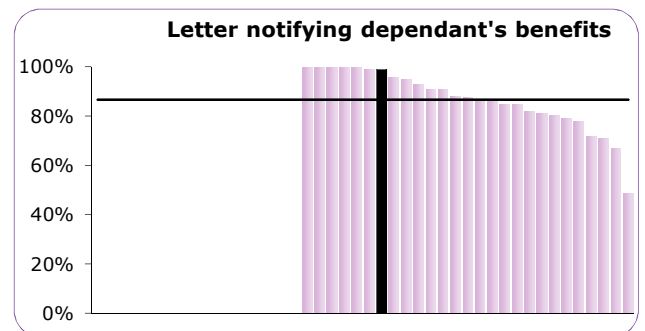
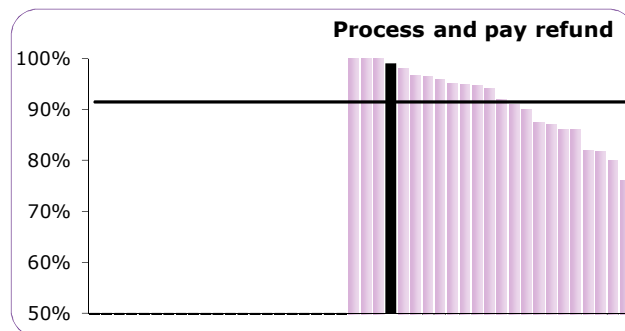
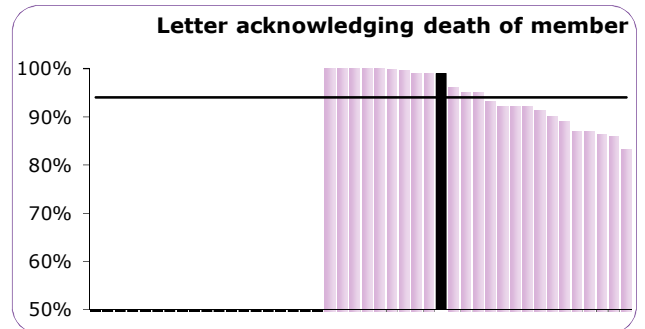
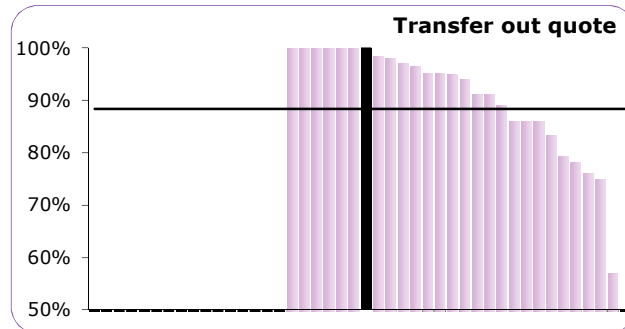
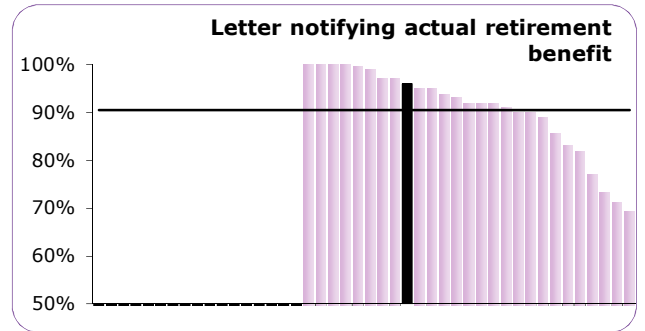
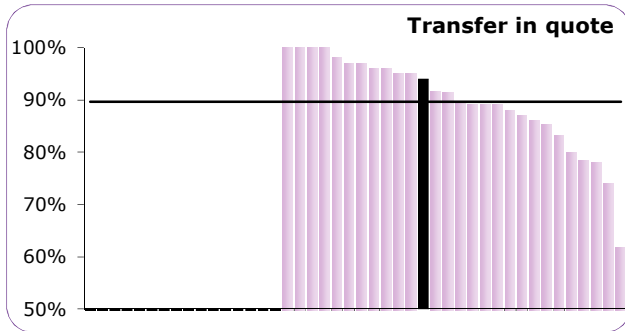


Staff location	FTE	Avg	% to total FTE	Avg
Home based	3.0	0.9	13%	4%
Office based	19.6	32.5	87%	96%
Total	22.6			

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



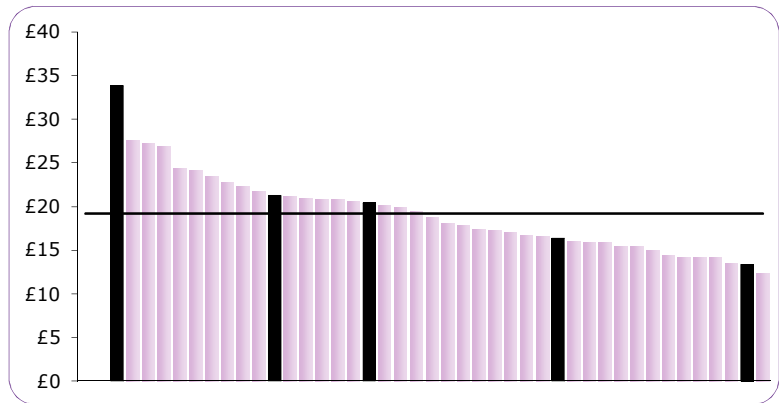
Industry Standard PI's	Target	Achieved	Avg
Letter detailing transfer in quote	10 days	94.0%	89.6%
Letter detailing transfer out quote	10 days	100.0%	88.3%
Process and pay refund	5 days	99.0%	91.5%
Letter notifying estimate of retirement benefit	10 days	72.0%	89.2%
Letter notifying actual retirement benefit	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

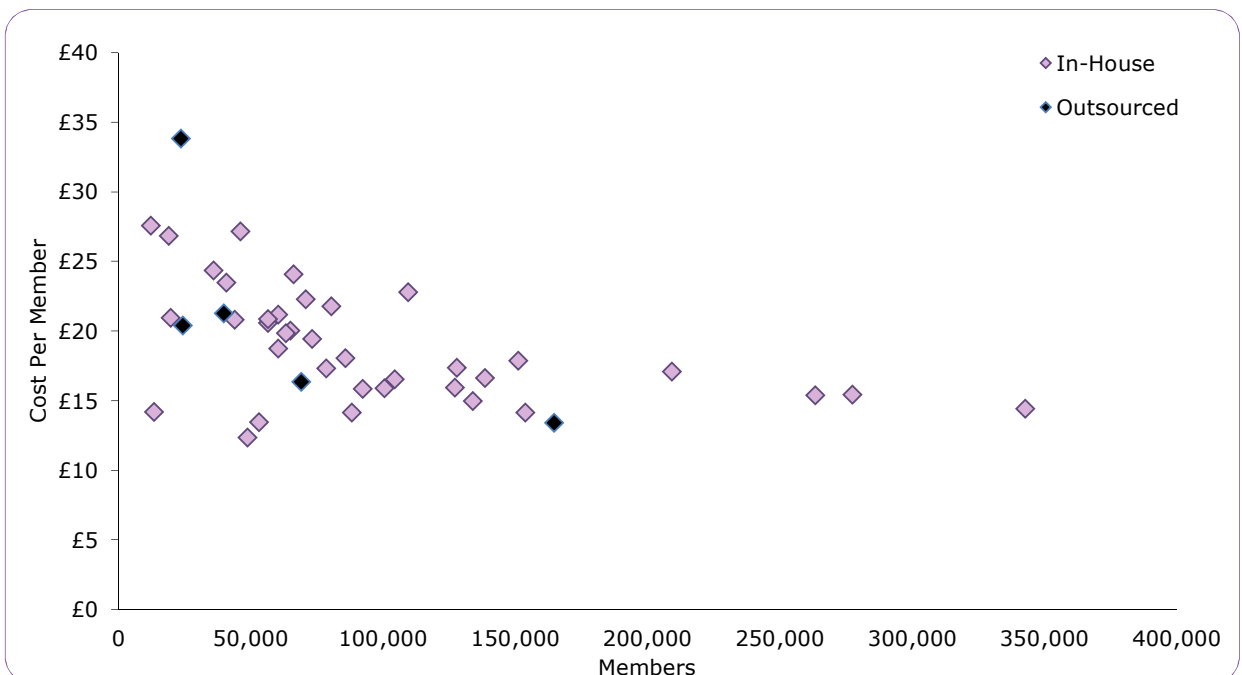
LGPS ADMIN COST PER MEMBER (INCLUDING PAYROLL)



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

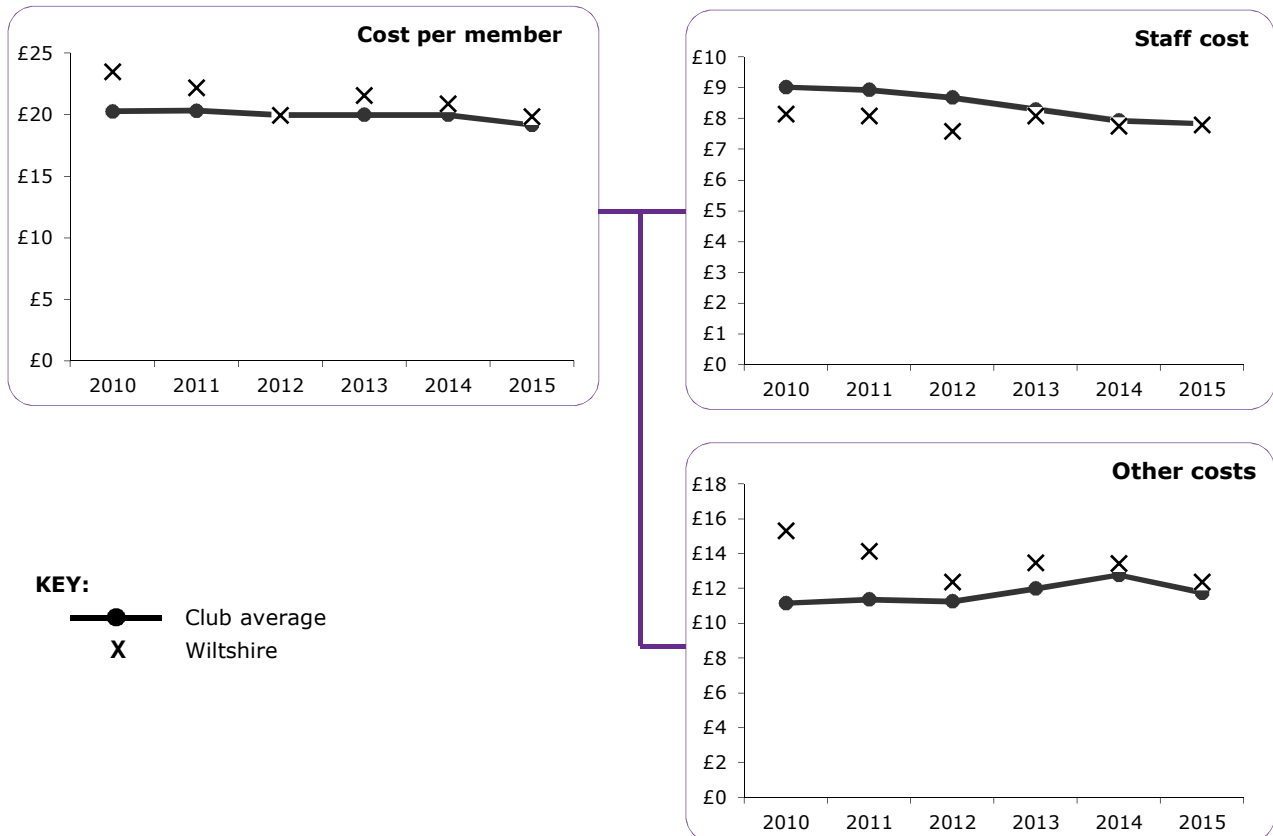
COST PER MEMBER COMPARED WITH NUMBER OF MEMBERS



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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We also do...

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To learn more about other benchmarking clubs in areas such as Adult Social Care, Children's Services and Customer Contact, or to see our Value for Money indicator stream, please see our website:

www.cipfa.org/services/benchmarking

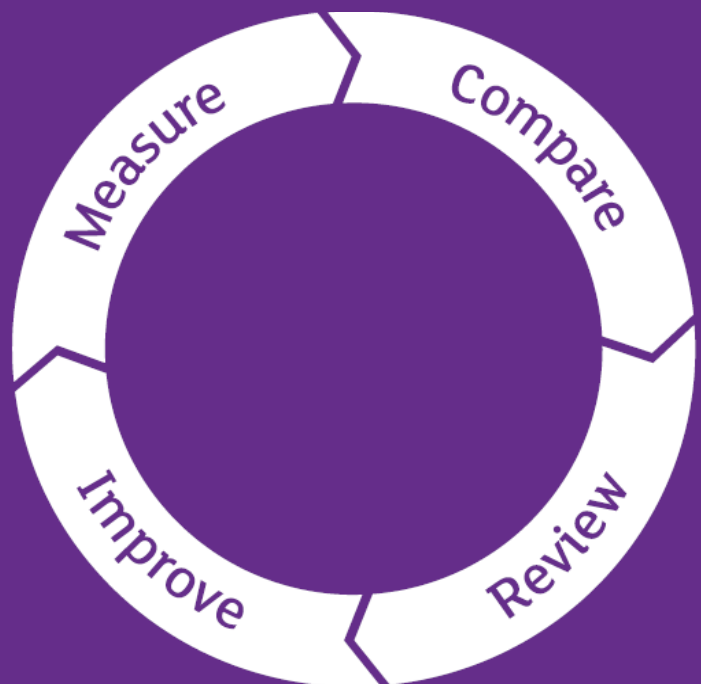
Contact us

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E: customerliaison@cipfa.org T: 020 7543 5600



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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
14 January 2016

Review of Pension Administration Strategy

Purpose of the Report

1. The purpose of this report is to review the updated Pension Administration Strategy approved by the Pension Fund Committee at its meeting on 10 December 2015.

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 Board

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. The updated Strategy was approved at the Pension Committee meeting and 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 Board is asked to note the Wiltshire Pension Fund Administration Strategy and its approval process.

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
Administration Strategy

10 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>

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

Description	Performance Targets
The accuracy requirements of all employer forms (see 6.4.1) are as stated in the performance target.	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)

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
Small discrepancies (10 or less): Typically a request for starter, leaver and changes information.	To fully answer, and provide all information required to WPF, within 10 working days
Larger number of discrepancies (More than 10): Typically a request for starter, leaver and changes information.	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.

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
Kingdown 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 LOCAL PENSION BOARD
14 JANUARY 2016

REVIEW OF UPDATED ADMINISTERING AUTHORITY DISCRETIONS POLICY

Purpose of the Report

1. The purpose of this report is review the updated Administering Authority (AA) Discretions Policy for the Wiltshire Pension Fund as approved by the Pension Fund Committee at its meeting on 10 December 2015.

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 focused 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 effectively updates the previous policy approved by the Pension 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 Board

6. The proposed updated Policy Statement is shown in the Appendix and is broadly the same as previously agreed by the Pension 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 was 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 was 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 Board is asked to note the updated Discretions Policy Statement (Appendix) as approved by the Pension Fund Committee on 10 December 2015.

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>

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

14 January 2016

Update on Wiltshire Pension Fund Business Plan 2015-18

Purpose of the Report

1. The purpose of this report is to review the update provided to the Pension Fund Committee at its meeting on 10 December 2015 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 Board

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.

6. At the Committee meeting, Officers had reassured them that the outstanding actions were not business critical. Progress had been hindered by the additional resource needed recently and lower staffing levels, however officers were confident that actions would be taken completed over the next few months.

Action 11, the implementation of regular covenants and risk reviews of employer bodies, was a priority and the Fund was working closely with the Actuary to develop this. Action 14, the implementation of Bi-annual Performance Reporting would be brought to a future meeting of the Committee and the Local Pension Board, the newly appointed Fund Development Manager would progress this.

Environmental Impact of the Proposal

7. Not applicable.

Financial Considerations & Risk Assessment

8. 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

9. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Reasons for Proposals

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

Proposals

12. The Board 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 LOCAL PENSION BOARD

14 January 2016

Proposed Local Pension Board Work Plan

Purpose of the Report

1. The purpose of this report is to present the work plan for the Local Pension Board for review and discuss any potential changes, additions or amendments.

Background

2. A draft work plan was proposed to this meeting on 22 October 2015 for approval, pending any amendments suggested at the meeting.
3. The proposed work plan for the Local Pension Board is designed around the Wiltshire Pension Fund's own work plan and the Boards requirements to secure compliance with LGPS regulations and Pension Regulator requirements. It was agreed that the work plan should be reported to the Pension Fund Committee to assist its understanding of the Board's contribution.
4. At the meeting it was acknowledged that the work plan was ambitious and that certain items would have to be deferred to allow the Board to be sufficiently trained to consider them. However, the work plan is positioned to allow both the review of the Fund's compliance with the regulations and governance arrangements while also being in a position to examine operational issues that would not normally go to the main Pension Committee.
5. It was also suggested at the last meeting that the work plan be categorised under topics and the July 2015 meeting be added to track the Board's progress from inception.
6. The Pension Board is reminded that its primary purpose is to help the Fund secure compliance with the LGPS regulations and the Pension Regulator requirements.
7. The Pension Committee is the decision making body and the Pension Board has no decision making powers. It can only advise or make recommendations to the Pension Committee
8. Therefore the Pension Board needs to be cognisant that:
 - a) Its work programme should be take account of the Fund's own work programme and seek to add value;
 - b) Servicing the Pension Board will consume Fund management resources and time;
 - c) The senior fund officers serving the Pension Board may on some fund performance issues be personally compromised and conflicted and we need to find ways to avoid this if at all possible; and
 - d) For some work items the Pension Board may need the Fund to budget for the costs of using specialist external consultancy resources to undertake and advise it

rather than using the senior officer servicing the fund.

Considerations for the Board

Revised Board Work Plan

9. The Appendix presents the revised Board Work Plan that is based on the one approved at the last meeting and updated to reflect the amendments agreed, namely the inclusion of the July 2015 meeting and the categorisation of the activities into the following areas:
 - Statutory
 - Board Governance
 - Policies & Strategies
 - Financials & Audit
 - Fund Administration
 - Fund Governance
10. The basis for this plan was drawn on the LGPS and the Pension Regulator's (TPR) guidance on the role of Pension Boards the Pension Board's business. It also takes account of the Pension Fund's cyclical annual and triennial business and actions within its Business Plan.
11. The aim is this work plan will inform the future agendas of the Pension Board's 4 meetings a year and outline its business objectives. The aim is that these meetings last no more than 4 hours each.
12. This forward look of Pension Board business will be a standing meeting item on each meeting agenda. This is to enable the Pension Board work programme to be dynamically managed to respond to new issues and developments at and between meetings and each year. It will also provide the basis for reporting on the Board's activities over the year within its Annual Report publication.
13. The Pension Board is invited to discuss and comment on this plan on the attached appendix, with a focus to priorities at least its near term training and main business items for the next 12 months.

Environmental Impact of the Proposal

14. There are no known implications at this time.

Financial Considerations & Risk Assessment

15. As outlined in paragraph 8, the proposed draft work plan will take up the Fund's management resource which has not been costed. There will also be a need to at times use an independent specialist adviser to undertake a review where either there is conflict of interest from the officers serving the Pension Board or specialist expertise is required.
16. The Pension Board may therefore, as per its Terms of Reference make requests to the Associate Director – Finance to approve any additional expenditure required to fulfil its obligations in line with any agreed work plan. These costs are charged to the Fund budget.
17. The purpose of the draft work plan is to mitigate the risk of the Fund not acting in compliance with the scheme and other relevant regulations.

Legal Implications

18. There are no material legal implications from this report. The purpose of the Local Pension Board is to ensure the Scheme Manager (Wiltshire Council) fulfils and is compliant with its statutory obligations under the relevant scheme rules and legislation.

Safeguarding Considerations/Public Health Implications/Equalities Impact

19. There are no known implications at this time.

Reasons for Proposals

20. To ensure the Local Pension Board maintains a clear and relevant forward work plan that is aligned to the business cycles of the Pension Fund Committee and enables it to fulfil its roles of helping secure compliance with the scheme regulations and assisting in the efficient and effective administration and governance of the Fund.

Proposals

21. The Pension Board is asked to approve the draft work plan as outlined in the appendix subject to amendments suggested at this meeting.

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

APPENDIX

LOCAL PENSION BOARD – Work Plan

Meeting:	16-Jul-15	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
Statutory Items:															
Membership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance of Non Members	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Apologies for absence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Minutes of last Board & matters arising not on agenda		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chairman's announcements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Declaration of Interest	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public Participation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Date of Next Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Main business items:															
Board Governance															
Election of Vice Chair	✓				✓				✓				✓		
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	✓	✓	✓			✓				✓				✓	
Training Item relevant to agenda		COI & Code of Conduct	tPR Code 14 and record keeping	2016 Triennial Valuation	Annual Reporting requirements	Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Code of Conduct & Conflicts of Interest Policy	✓	✓												✓	
Role & purpose of the LPB	✓														
Forward Work Plan Review	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review - how did the Board do?		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Meeting:	16-Jul-15	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
Fund Policies & Strategies															
Review Fund Annual Business Plan	✓		✓				✓				✓				✓
Review Admin Strategy			✓				✓				✓				✓
Review Admin Authority Discretions			✓								✓				
Review Governance Compliance Statement				✓				✓				✓			
Review Funding Strategy Statement								✓							
Review Statement of Investment Principles/compliance with FRC stewardship code					✓				✓				✓		
Financials & Audit															
Review Fund Annual Report		✓				✓				✓				✓	
Review Fund Annual Accounts		✓			✓				✓				✓		
Review Internal Audit Report	✓	✓			✓				✓				✓		
Review External Audit Report		✓				✓				✓				✓	
Input to Annual External Audit Plan				✓				✓				✓			
Input to Annual Internal Audit Plan						✓				✓				✓	
Administration															
Review employers compliance (data)						✓			✓				✓		
Review Fund fraud risk prevention and mitigation measures						✓								✓	
Review Fund website contents/resilience							✓								✓
Review of Fund IDRPs procedures & cases							✓								✓
Review Fund Communications (employers/members)				✓				✓				✓			
Review of Data Security & Business Recovery									✓				✓		
Review GMP reconciliation process										✓					

Meeting:	16-Jul-15	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
Fund Governance															
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review of Risk Register		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review Fund Training Programme			✓				✓				✓				✓
Review all Fund Declarations of Interest				✓				✓				✓			
tPR Code of Practice 14/record keeping compliance survey results				✓								✓			
Results of national LGPS KPI survey and Funds own KPIs					✓				✓				✓		
Review external advisor appointments process/controls and internal SLAs						✓								✓	
Review Triennial Valuation Process						✓									
Review fund delegations and internal controls							✓								✓
Review CIPFA Admin, WM investment and other Fund benchmarking results							✓				✓				✓

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
14 January 2016

Local Pension Board Budget

Purpose of the Report

1. The purpose of this report is to present a proposed Local Pension Board Budget for 2016-17 for the Board to consider and recommend to the Pension Fund Committee for inclusion in the Wiltshire Pension Fund Administration Budget 2016-17, as shown in the Appendix.
2. The Wiltshire Pension Fund Committee will consider the Fund's Administration budget at its meeting on 10th March 2016.

Background

3. To ensure good governance budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service. The Wiltshire Pension Fund Committee approves the Pension Fund Administration budget each year.
4. The scheme regulations state that the operational cost of the Local Pension Board must be borne as an expense to the administering Fund's budget.
5. Therefore, the Local Pension Board's budget is approved by the Pension Fund Committee when setting its budget for the year. Should any further expenditure be required beyond this, then approval must be obtained from the Wiltshire Council Associate Director, Finance.

Main Considerations for the Board

6. The overall proposed budget for 2016-17 is £33k, an increase of £6k from 2015-16.
7. As Local Pension Boards were only established from April 2015, it was difficult to anticipate at the outset the amount of operational budget required.
8. The phasing of training costs differ from those originally envisaged. A budget of £12k was allocated in 2014-15 with the intention of training Board Members ahead of them commencing their roles in April 2015, with a reduced budget of £6k in 2015-16. No training took place in 2014-15, while the £6k looks sufficient for the current financial year. However, with the current Training Plan proposed elsewhere on this agenda, to ensure that internal and external sessions can take place, including the attendance on the LGE Fundamentals workshops this budget needs to be increased to the level of the original allocation of £12k.
9. Currently there is £7k in the budget for an Independent Governance Advisor. The Terms of Reference entitles the Board to independent expert advice and this budget would allow the commissioning of an adviser for specific pieces of work. The budget has been held at the current level however; depending on the agreed Work Plan of this Board there might be an argument to request an increase in this allocation.

10. The type of work that might be commissioned is expert independent advice for reviewing areas of risk or ensuring compliance with the scheme regulations where a conflict may exist with officers. The current budget would probably allow for one review on a specific area.
11. Should further funding be required during the year for a piece of work, then approval for this spend can be sought from the Associate Director, Finance.

Environmental Impact of the Proposals

12. There are none.

Legal Implications

13. There are no known implications at this time.

Financial Considerations & Risk Assessment

14. In line with good governance practice, officers bring budget monitoring reports back to the Pension Fund Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Associate Director, Finance will approve variations to the budget and report these to Committee retrospectively for ratification.

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no known implications at this time.

Reason for Proposal

16. The recommendation of the Local Pension Board budget to the Pension Committee is in line with best practice and assists in mitigating a number of risks outlined in the Risk Register.

Proposal

17. The Board is asked to agree the draft Local Pension Budget and recommend to the Pension Fund Committee that this is included in the Fund's Administration budget for 2016-17.

MICHAEL HUDSON
Treasurer to Pension Fund

Report Author: Catherine Dix, Strategic Pension Manager

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

Wiltshire Local Pension Board Proposed Budget 2016-17

	<u>2015-16</u>		<u>2016-17</u>
	Budget	Changes	Budget
	£	£	£
Independent Chair Remuneration	9,214	0	9,214
Independent Advisor Fees	7,000	0	7,000
Training	6,000	6,000	12,000
Printing	1,000	0	1,000
Committee Services Recharge	3,000	0	3,000
Travel & Subsistence & costs	800	0	800
Catering	700	-300	400
	<u>27,714</u>	<u>5,700</u>	<u>33,414</u>

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