

LOCAL PENSION BOARD

PART 1 MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 20 OCTOBER 2016 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Lynda Croft, Sarah Holbrook, Cllr Christopher Newbury, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

70 Membership

There had been no changes to the membership of the Board.

71 Attendance of non-members of the Board

Members of the public and officers of the Pension Fund were in attendance.

72 Apologies

There were no apologies for absence.

73 Minutes

Stylistic corrections to the minutes of the meeting held on 20 July 2016 were discussed. Members also considered the attached action log.

Resolved:

To confirm the minutes of the meeting held on 20 July 2016, subject to the following amendments:

- **Minute 59- 'straining costs' to be 'strain costs'**
- **Minute 60 – deletion of 'and the' and the correction of the 'United Nations Principles of Responsible Investment'**

To request that pending items on the Action Log be coded amber.

To request that items coded 'Red' on the Action Log, where no update is available for this meeting, be considered at the next meeting .

74 Declarations of Interest

There were no declarations of interest.

75 Chairman's Announcements

The Chairman reminded the meeting that the role of the Board was to ensure compliance with LGPS regulations and the Pensions Regulator (tPR). It was noted that tPR was currently very active in sending out communications and it was suggested that members should forward correspondence to the Head of Pensions so that he may circulate it to the wider membership of the Board or Committee.

76 Public Participation and Councillors Questions

The Chairman invited Alison Craig and Theresa Fallon to speak to the meeting in respect of item 11 on the agenda relating to the Fund's Risk Register.

Alison Craig requested that climate change risk be added to the Risk Register and that the public be given a channel to express concerns about fossil fuel investment to the Fund. Ms Craig also noted that the Fund's Position Statement on Fossil Fuel Divestment had not been published on its website and expressed concern with the Fund's investment in the oil and gas sector by way of its mandate with Legal and General.

Theresa Fallon expressed concern that she had not received a response to a letter sent to the Pension Fund Committee in July and had not yet met with the Chairman of the Committee to discuss its role in managing the Fund's investments.

The Chairman apologised that the fossil fuel Position Statement was not available on the Fund's website and advised that officers would look into this.

The Head of Pensions reassured the meeting that the Fund was always keen to receive input from members and that it considered fossil fuel investment as part of its Statement of Investment Principles. It was confirmed that the AGM date for the Fund was in the Business Plan for 2016, and although the intention was to hold this by the end of the year, it depended on available resources.

The Chairman explained that the Wiltshire Pension Fund Committee was responsible for the Fund's investments, however new investment regulations would come into effect in November and a new Investment Strategy Statement would need to be published by the Fund by April 2017. At that point the Board would be able to review whether the Fund was compliant with the regulations.

Resolved:

To thank the members of the public for attending and to investigate points raised in their statements.

To request that the Fund's Position Statement on Fossil Fuel Divestment be published on the website.

77 Minutes and Key Decisions of the Wiltshire Pension Fund Committee

The Board considered the minutes of the Wiltshire Pension Fund meeting held on 29 September 2016 and noted that the Committee had considered recommendations proposed by the Board.

Resolved:

To note the minutes and key decisions of the Wiltshire Pension Fund Committee held on 29 September 2016.

78 Scheme Legal, Regulatory and Fund update

The Head of Pensions updated that the Fund was still waiting for guidance on the public sector exit cap from HM Treasury. Other updates included that changes to reclamation of VAT on fund management costs would come into effect in 2018 and new DCLG investment regulations would facilitate asset pooling. Other updates included that the Fund had received its valuation results and early indications were that the Fund was well-positioned in line with the average in comparison to others. PricewaterhouseCoopers (PwC) was undertaking a piece of work and would report back to the Scheme Advisory Board with its views on the impact of academisation of schools on LGPS Funds. The Fund was still awaiting guidance from the Scheme Advisory Board on

insurance indemnity for the Local Pension Board, the Head of Pensions also advised that the Fund had met the Pensions Regulator (tPR) requirements on publishing scheme information. Members discussed the tPR checklist and considered it a useful tool to use in future annual reports.

The Board was asked to review its Code of Conduct and Conflict of Interest Policy which was due for review by the Wiltshire Pension Fund Committee on a yearly basis. It was considered that most members were comfortable with the policy document however it was noted that reference to the Scheme Advisory Board as a 'shadow' body was out of date. Cllr Newbury expressed concern that the Code of Conduct and Conflict of Interest Policy went beyond the statutory requirements, other key concerns included that it was not clear what constituted a conflict of interest and why the interests of a spouse of a Board member where relevant, the requirement to report declaration to the Board during a meeting was also questioned. The councillor also did not agree with the format of the Register of Interest form in that it required a date, signature and separated the interests of the member and their spouse.

The Chairman advised that he would review how the Conflict of Interest Policy and Code of Conduct compared to those for other Boards and would seek advice from the Council's legal team about points raised.

Resolved:

To note the update on scheme, legal, regulatory and fund matters in the report.

To request that officers circulate the CIPFA guidance notes on investment pooling to members.

To request that the tPR checklist on publishing scheme information is used for the next Annual Report.

To request that Cllr Newbury submit his concerns with the Code of Conduct and Conflict of Interest Policy in writing to the Chairman of Board so that a comparison with the policies of other Local Pension Boards may be undertaken and that legal advice on the policy document may be sought in respect of these concerns prior to review by the Committee.

To request that references to the Scheme Advisory Board in the Code of Conduct and Conflict of Interest Policy are updated.

79 Annual Benefit Statement Update

The Head of Pensions advised that the majority of the Annual Benefit Statements to employee members of the Fund had been circulated later than the 31 August statutory deadline. The delay was not considered to be a material concern however officers were required to report this to the Board and had also reported it to Committee. The Board was satisfied that the lateness of the statements was not a material issue, however considered that since the same problem had happened in 2015, if the same or another systemic problem occurred in 2017, leading to the Statements being issued late again for the third year in a row, this must prompt further investigation and potential reporting to the Pensions Regulator.

Resolved:

To note the update on the Annual Benefit Statement exercise and strategy agreed for 2017.

80 Risk Register

The Head of Pensions advised on updates and additions to the Risk Register. Five key changes had been made since the last report in July. The main change was the grading of 'PEN020: Pooling of LGPS assets' which had been upgraded from medium to high as Brunel Pension Partnership project presented a risk to the Fund through increased workload and officers having less time to devote to other administrative activities. Similarly, Brunel presented the potential for the movement of staff out of the Fund to become involved in the future pooling arrangements, impacting upon 'PEN012: Over-reliance on key officers' and 'PEN011: Lack of expertise of Pension Fund Officers'; consequently these two risks had been raised to medium.

'PEN002: Failure to collect and account for contributions from employers and employees on time' had been increased from low to medium risk as a result of increased pressure of monitoring contribution due to a greater number of employers in the fund. 'PEN017: Lack of expertise on the Pension Fund Committee' had recently been graded medium following the resignation of one long standing member and advice that the Vice Chairman would not seek re-election in 2017.

Following questions from the Board it was explained that the academisation of schools would mean they become a separate employer within the fund, thus increasing administrative and governance pressures on the Fund. The Chairman was concerned by the resource-intensity of pooling on the Fund and noted the Board had recommended to the Committee that it keep this under review.

Resolved:

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

To note the comments from the public in respect of the Risk Register as detailed above.

81 2016 Valuation Update

The Head of Pensions gave a presentation on the 2016 valuation for the Fund which had indicated that the funding level had increased 11% from the last valuation to 82% funded. It was explained that the funding level would be used to set contribution rates for employers and that each employer would have a different rate. Initial meetings had already been held with employers and they would be asked to sign off their rates by March 2017, it would be explained to employers that it would benefit them in the long term if they increased contribution rates as soon as possible rather than phasing them in.

It was noted that some members of the Board had been in attendance at the employer meeting and it was requested that the presentation delivered by officers at that meeting be circulated to attendees.

Resolved:

To note the update on the valuation process provided by the Head of Pensions.

To request that the presentation delivered to employers at the meeting on 13 October be circulated to attendees at that event to assist them in relaying the information to colleagues.

82 Review of the Pension Fund Annual Report and Financial Statements

The Board considered the Annual Report of the Wiltshire Pension Fund which had been agreed by the Committee on 29 September 2016. Fund membership levels were discussed and it was noted that the Annual Report was primarily aimed at employer members within the Fund. Members commented that the Observer members on the Wiltshire Pension Fund Committee were non-voting members and it was discussed that this governance arrangement should be reviewed in light of the new CARE scheme and national cost cap mechanism.

Questions were raised over the Statement of Accounts and action that could be taken against £1.85m in late contributions over the year. The Head of Pensions

advised that this was not a particular concern to the Fund as contributions were usually a couple of days late and there was not one regular offender, however the issue was picked up in the Risk Register. Member's considered that the situation should be reviewed and requested it be looked into for the next meeting. Members considered 'Local Pension Board' section of the Annual report could be brought forward to earlier in the report to highlight the governance change. Following questions, the officer explained that Wiltshire and Dorset Fire Service pension schemes were separate schemes.

Resolved:

To request that an update be provided to the next meeting on late employer contributions and measures that could be taken to manage this.

To note the Annual Report and Financial Statements and to recommend the following stylistic changes:

- **References to 'Wiltshire County Council' be amended to 'Wiltshire Council'.**
- **Paragraphs in the 'Local Pension Board' sections be brought forward to page 6 of the report.**

To recommend that the Fund's Annual Report and Local Pension Fund Annual Report be separate documents on the website.

83 Review of External Audit Report

The Board was presented with the External Audit Report for 2015/16, there were no issues or recommendations arising from the Audit.

The Chairman expressed concern that the Fund was only audited against accounting standards and guidance for local authority audits and not against 2014 LGPS regulations, Pensions Statement of Recommended Practice, CIPFA 2014 guidance on LGPS funds annual report, and LGPS funds 2015/16 accounting disclosures.

Resolved:

To note the Fund is audited against accounting standards and guidance for local authority audits, and on this basis, to note the External Audit Report 2015-16.

84 Training Plans Update

Members considered the training plan for the Board and it was noted that the Pensions Regulator toolkit had not yet been completed by all members, it was possible that this would be picked up by the internal auditors of the Fund. A draft members Training Handbook was discussed and the Chairman encouraged members to access this document. Members were also encouraged to inform the Head of Pensions if they had attended training events, and to pass on details of events they were invited on, to the Head of Pensions, so that details may be circulated to all members. It was agreed that if possible at least one member of the Board should attend the LGE LGPS 'Trustees' Training Fundamentals 3 day course.

Resolved:

To note the progress of the implementation of the current Board Training Plans and to revisit training plans at the January meeting

To request that the Training Handbook be published online and that members are encouraged to make use of this resource.

That members notify the Head of Pensions of training sessions they have attended and events they are invited to in the future.

That Board members complete the Pensions Regulator toolkit before the end of 2016 and update the Head of Pensions accordingly.

That at least one member of the Board attend the LGE LGPS 'Trustees' Training Fundamentals three-day course and to ask members to express their interest to the Head of Pensions.

85 How did the Board do?

The Board considered its progress and was satisfied that items considered at meetings were appropriate to its remit.

86 Urgent items

There were no urgent items.

87 Date of next meeting and Forward Plan

The next meeting of the Board was to be held on 25 January 2017. The Board considered its Forward Work Plan and it was noted that pooling arrangements would feature as a standing item on agendas.

Resolved:

To request that meeting dates for 2017/18 be included on the Forward Plan.

88 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 89-92 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.

89 Minutes

Resolved:

To confirm the minutes of the meeting held on 20 July 2016, subject to amendments to Part 1 minutes as detailed above.

90 Review of Funding Strategy Statement

The Board considered the Wiltshire Pension Fund Funding Strategy Statement.

Resolved:

To note the Funding Strategy Statement and confirm that the approval of the Statement complies with the Scheme's requirements.

To request that members feedback further comments following the publication of CIPFA guidance.

91 Brunel Pension Partnership Update

The Head of Pensions gave a high-level summary of progress with the Brunel Pension Partnership.

Resolved:

To note the update provided by the Head of Pensions.

To request that the legal assurances on Brunel are released with the Business Case.

To request that the consequence of asset pooling proposals on staffing and the auditing arrangements within the Fund be considered with the Business Case.

92 Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee

The Board considered the minutes and key decisions from the last meetings of the Wiltshire Pension Fund Committee and Investment Sub-Committee.

Resolved:

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

To encourage the Fund to engage in dialogue with the Scheme Advisory Board in respect of funding metrics.

(Duration of meeting: 10.35 am - 1.20 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