

## Wiltshire Pension Fund Committee

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### MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 16 JULY 2020 AT ONLINE MEETING.

#### **Present:**

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Fletcher, Cllr Robert Jandy (Substitute), Cllr Gordon King, Cllr Christopher Newbury and Mike Pankiewicz

#### **Also Present:**

Andy Brown, Richard Bullen, Cllr Pauline Church, Andy Cunningham, Jennifer Devine, Cllr Gavin Grant and Mark Spilsbury

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#### 148 **Membership**

The following changes in membership were noted:

- Diane Hall had stepped down as a member of the WPFC and officers were in the process of seeking a replacement.
- Cllr Pauline Church, at the Full Council meeting on the 21 July, was due to be appointed as the Cabinet Member for Finance & Procurement Commercial investment, and replace Cllr Simon Jacob as Vice Chairman of the WPFC.
- Cllr Robert Jandy, Swindon, had been appointed to the WPFC as a full committee member, replacing Cllr Brian Ford.

#### 149 **Apologies for Absence**

Apologies were received from:

Cllr Simon Jacob

Stuart Dark

#### 150 **Minutes**

##### **RESOLVED**

**The part 1 Minutes of the meeting held on the 26 March 2020 were approved as a true record.**

151 **Review of Actions Log**

Richard Bullen, Fund Governance & Performance Manager, introduced the item noting that all actions that were due to be reviewed were include in the agenda.

**RESOLVED**

**The actions log and forward plan for 20/21 were noted.**

152 **Minutes and Key Decisions of the Local Pensions Board**

The Chairman introduced Mark Spilsbury as the new Chairman for the Local Pensions Board for Wiltshire Pension Fund.

Mark drew attention to the minutes of the last Board meeting commenting that:

- Minute 36 – the Board was pleased that despite the impacts of Covid-19, it was largely business as usual for the Pensions teams as a result of good technology available to officers.
- Minute 38 – It was accepted that some of the audits would slip due to Covid-19 although the Board was keen for the 3 outstanding audits to be prioritised and completed.
- Minute 42 – the Board had previously agreed to remove PEN011 – lack of expertise of pension fund officers and service director, following the appointment of the new Finance Director & S151 officer, Andy Brown. Although now they believed that the risk should remain due to the restructure within the pension investment team.

**RESOLVED**

**The part 1 minutes of the Local Pension Board meeting held on the 21 May 2020 were approved.**

153 **Chairman's Announcements**

The Chairman noted that he was pleased with how the Pension Team had responded to the impacts of Covid-19 and was keen to get back to face to face meetings.

154 **Declarations of Interest**

There were no declarations of interest

155 **Public Participation**

One public statement had been received which was included in the agenda and read out by Ellen Ghey, Democratic Services Officer.

Jenny Devine, Head of Pension Fund Investment, gave a verbal response which outlined the following points:

- The Pension Fund assessed all risks, including climate change risk, and believed that investing sustainably was essential for delivering positive investment returns in the future, which was something the WPFC needed to consider as a long term investor.
- The investment strategy statement would be communicated to all managers, and they would be expected to invest in line with that.
- The WPF would naturally expect exposure to fossil fuel companies to come down over time and the carbon footprint to improve. If this did not happen, the managers and Brunel would be questioned to understand why. This is explained in more detail in the Investment Strategy Statement.
- This was a developing area and the Fund was refining its approach. Climate change modelling would take place later in the year which may lead to more specific targets.

The Chairman noted that the Fund had been reducing its exposure to fossil fuels since 2015.

#### 156 **Minutes and Key Decisions of the Investment Sub-Committee**

This item was addresses in part 2.

#### 157 **Training Item on Investment Risk**

The Chairman introduced Stephen Lee, Ninety-One (formerly Investec), to give a training presentation on investment risk. Key topics of the training included:

- Regulations & key documents – funding strategy statement, investment strategy statement;
- Key risks – Equity, liability, active manager, exchange rates and climate;
- Climate Risk – accelerated investment needed to get to 2 degrees, carbon footprinting and scope 1,2 & 3

Member questions focused on: the intention of including security lending in the portfolio and how that fitted within the risk profile; Where the fund was regarding liabilities and funding levels; How long before good scope 3 data was available; How would covid-19 impact transition and transport going forward;

In response it was noted that: the fund had stopped investing in security lending due to moving to a portfolio which did not offer security lending, although the fund was looking to re-start investing in that area later in the year; Unaudited information as at the end of June 2020 noted that the value of the assets dipped down to £2.5billion as at the 31 March 2020, that was now back up to £2.8 billion and the funding level was 96% funded which was positive; The disclosure of scope 3 data was improving although it was a complicated process that needed investment such as partnerships/ contracts that enabled access to carbon footprinting data; Transport and transition has been impacted with more people using their cars, although companies were also enabling employees to work from home and holding virtual meetings which had reduced travel.

Members commented to say that it was a very good presentation although in the future members would like more information on investment risk.

The Chairman thanked the members of Ninety-One for their presentation.

#### 158 **Local Pension Board Annual Report 2019-20**

Richard Bullen introduced the item and drew attention to a recommendation from the Local Pension Board that substitute committee members should seek to maintain a sufficient level of knowledge & understanding in order for the Fund to comply with its MiFID II status as a professional investor. Discussion took place on whether substitute members, as well as all Committee members should annually self-certify their maintenance of the knowledge & understanding required in relation to investment matters.

#### **RESOLVED**

**The Local Pension Board Annual Report 2019-20 was noted and it was agreed for the report to be published.**

**Members agreed with the Local Pension Board's recommendation that Substitute Committee Members should self-certify annually that they remain MiFID II competent.**

#### 159 **Scheme, Legal, Regulatory and Fund Update**

Andy Cunningham, Head of Pension Administration & Relations, introduced the item and noted the key points as:

- There had been many delays at the national level in areas such as legislation developments due to Brexit and Covid-19.
- The McCloud case was still progressing and a consultation was due to be released this month on the proposal for the LGPS. Officers hoped that once the consultation was released, they would have a better understanding of what it will be about and how they can respond to it.

- From an operational view the fund was well placed and had largely been able to continue with business as usual.
- The terms of reference review for the LPB and the committee had passed the first two stages of the review and were now due to go to full council for approval.
- On-boarding employers to i-Connect was on-going with around 40% of the active employers completed. It was hoped that close to 100% would be on-boarded by the end of the financial year.
- Last year 95% of the benefit statements, this year there was a target of 99% although the Fund may fall short of this target.
- A review of the ill health insurance policy, looking at an alternative way to provide similar cover, which is more cost effective for employers. Work was being done with the actuary and a proposal would be brought back to committee.

## **RESOLVED**

**The report was noted.**

### 160 **2019-20 Budget Outturn**

Jenny Devine, briefly introduced the report and invited questions.

Members noted that it was a fair representation.

## **RESOLVED**

**The report was noted.**

### 161 **Fund Annual Report and Accounts**

Jenny Devine introduced the report noting that the annual report would be published online with unaudited accounts. The pension accounts were complete and satisfactory, although because they are audited as part of the Council's accounts, there were delays in finalising the audit due to issues with the Council's accounts.

Due to COVID-19, auditors made a special requirement that the annual report included a Going Concern Statement which the trustees of the fund were required to sign. There being no official trustees, the WPFC, who acted in a trustee capacity, were asked to approve the Going Concern Statement.

It was also noted that the annual report would include a statement on climate change risk to make this information more accessible for users.

Andy Brown assured members that the delay in signing off the accounts related to issues with the council's accounts and not the pension accounts.

## **RESOLVED**

**Members noted the status of the audit of the 2019/20 accounts;**

**Members approved the going concern statement in Appendix 1, and authorised officers to make minor amendments to the statement if deemed necessary by the auditors;**

**Members approved the climate change statement and report in Appendix 2;**

**Members approved the process for publication of the 2019/20 annual report.**

### 162 **Key Performance Indicators (KPIs)**

Andy Cunningham informed members that the focus of officers was on making long term improvements to processes, particularly i-Connect, which would benefit the annual benefit statement statistics in 2021 and onwards.

Within disclosure regulations the deferreds disclosure level had increased significantly due to a change in process. Some other KPI areas had temporarily dropped due to staff focusing on i-connect and those KPI's were expected to increase again.

The Pension Regulator (tPR) focused on active member benefit statement percentages which was also a focus for the team. The fund was in a good place in terms of scrutiny at a national level.

It was noted that the team had set themselves aspirational targets, which were set out in appendix 3, they were set by the team and not the regulators. Part of the issue was the lack of staff resources, although additional resources were approved as part of the budget and two new recruits had recently been appointed and would start in the next couple of months. It was key for officers to stream line the processes and implement policy changes in order to be more effective.

The Local Pension Board Chairman, Mark Spilsbury, noted that the local targets for Wiltshire were very tight compared to other authorities and was convinced that nationally Wiltshire was above average. I-connect was critical to improving the administration of the fund and it was key for the team to be well resourced.

Comments were made on whether the targets set were too aspirational and officers agreed to review them and bring back revised ones to a later meeting.

## **RESOLVED**

**The report was noted**

## 163 **Investment Strategy Statement (ISS)**

Jenny Devine gave a brief introduction and invited questions.

A question was asked on whether there was a action plan for investment in China;

In response it was noted that there were no specific action plans on investments in China within the ISS, due to the broad strategic nature of the document, it would be left with the relevant managers to manage.

A recommendation on future training in impact investing was made and officers noted that they would take it into consideration. Mercer were also conducting a study to look at sustainability options.

A question was asked in relation to COVID-19 and potential impact of the long term exposure to commercial property, in that technology may change behaviour in the long term such as investors moving away from offices and large scale retail.

In response it was noted that those potential issues were already being looked at and frequent conversations were taking place with managers and how they were managing those risks in their portfolios. Officers agreed to bring more information back to committee.

It was recognised that China and the Eastern economies had and continued to grow substantially with increased tensions with the US. Shifts in behaviour had been accelerated by COVID-19 such as fewer people returning to the office, changes in transport and retail behaviour, which would impact the portfolios, although managers were aware and already considering the changes.

### **RESOLVED**

**The draft ISS was approved and officers were authorised to update the ISS to reflect the decision made regarding the interim private debt portfolio.**

## 164 **Internal Audit Update**

It was noted that the internal audits commissioned by the Pension Fund Committee in December 2019 for the Scheme Year 2020/21 had been submitted to the Audit Committee, although no details of their timetable for completion had been outlined. Officers planned to liaise with SWAP to determine where in their timetable the pensions audits would take place and ensure that all commissioned audits would be included.

Andy Brown noted that the changes to the internal audit plan were primarily for the Council audits. Officers recognised that the relationship with SWAP was primarily with the council and that the pension fund required its own checks and

assurances. Officers would work with SWAP to examine how those arrangements would work going forward and would look at the best practice approach taken by other local authority funds concerning their MiFID II compliance.

There were no risks of missing deadlines as the commissioned audits related to process reviews.

## **RESOLVED**

**The Members noted the update and officers planned actions to liaise with SWAP to timetable commissioned audits, and to make enquiries with SWAP concerning the scope of any MiFID II audits they had been asked to undertake by other pension funds.**

### 165 **New Employer Policy**

Andy Cunningham introduced the policy noting that the new employer policy was created to bring all of the information relevant to employers together into one document to create greater transparency. There was a focus to have the appropriate securities in place such as scheme employer guarantees.

The policy had been taken to the Local Pension Board to provide transparency and best practice.

Cllr Steve Allsopp questioned whether the change to section 5.3b required members to declare an interest. For avoidance of doubt Cllr Allsopp declared a non-pecuniary interest as a member of the Central South Swindon Parish Council and referred to paragraph 5.3b.

In response it was noted that the change had been made due to town and parish councils having greater responsibilities and delegations, resulting in them having more employees and conducting more outsourcing, which created more risk within the pool. It was a new scenario that officers had identified growing over the last year.

## **RESOLVED**

**The new employer policy was approved.**

### 166 **Pension Fund Risk Register**

Richard Bullen gave a brief introduction to the report noting that the Local Pension Board had reviewed the changes made to the risk register. The Board had accepted all the changes except PEN011 - lack of expertise and recommended it remained amber. This was due to a restructure of the Fund's investment team, although it was noted that there was not a lack of expertise, the risk was related to key personnel which could lead to a vulnerability for the Fund.



A question was asked on whether the cyber security risk should be increased to amber. It was noted that a report on cyber security would be taken to the Local Pension Board on the 6 August, to consider whether the Fund was meeting their obligations in accordance with the Pension Regulators to ensure the Fund had the correct protocols and assurances in place. A recommendation on the appropriate level of the Fund's risk rating would then be brought to the next committee meeting.

## **RESOLVED**

**Changes/ actions to the risk register were approved.**

### 167 **tPR Code of Practice No. 14**

Richard Bullen introduced the item noting that each year officers assessed the Fund against its compliance with the Pension Regulator's code of practice 14. It was highlighted that for the third year in a row there was an improvement in the Fund's compliance with only eight areas now being identified as requiring improvement and noting that action plans were in place to address them.

As part of SWAP's internal audit for 2019 a recommendation was made that officers sample tested the code of practice responses provided by managers, to ensure that the responses were evidence based. In the absence of guidelines concerning the scope of the sample to be tested, officers selected a cross section of green responses & then sought evidence to support that response. In all but three of the samples selected, evidence to support the responses could be identified, however in the other three areas it was noted that additional measures would need to be introduced. These areas were;

- Evidence of Board members investing sufficient time in learning & development;
- Evidence of member data processes being compliant with GDPR (in relation to system access); &
- Evidence of the Fund's communications strategy ensuring delivery of its pension provision to its members.

It was noted that the Fund remained compliant, the activity aimed to create a more robust process to gather evidence to support compliance.

## **RESOLVED**

**The report was noted**

### 168 **Urgent Items**

There were no urgent items.

### 169 **Date of Next Meeting**

The next meeting of the WPFC would take place on the 24 September 2020.

170 **Exclusion of the Public**

**RESOLVED**

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 24-28 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.

171 **Brunel Oversight Board Meeting Minutes**

**RESOLVED**

The Members noted the minutes of the Brunel Oversight Board.

172 **Investment Quarterly Progress Report**

Jenny Devine gave an update on the performance of the fund's investments.

**RESOLVED**

Members noted the report

173 **Minutes and Key Decisions of the Investment Sub Committee**

**RESOLVED**

The restricted minutes of the Investment Sub Committee held on the 2 July 2020 were approved.

174 **Minutes**

**RESOLVED**

The restricted minutes of the Wiltshire Pension Fund Committee held on the 26 March 2020 were approved.

175 **Treasury Management Annual Report**

**RESOLVED**

Members noted the report.

(Duration of meeting: 10.30 am - 2.00 pm)

The Officer who has produced these minutes is Craig Player of Democratic Services,  
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