

## Local Pension Board

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### MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 6 AUGUST 2020 AT ONLINE MEETING.

#### **Present:**

Cllr Richard Britton, Mike Pankiewicz, Barry Reed and Mark Spilsbury

#### **Also Present:**

Andy Brown, Richard Bullen, Cllr Pauline Church, Andy Cunningham, Cllr Tony Deane, Jennifer Devine and Ellen Ghey

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#### 53 **Membership**

The following changes in membership were noted:

- Barry Reed had stepped down as a member of the Local Pension Board;
- Officers were in the process of seeking a replacement and had contacted the Unions to put forward a recommendation for another representative, it was hoped the new Member would attend the next LPB meeting in October 2020.

The Chairman thanked Barry for his contribution to the Board and wished him well.

#### 54 **Attendance of non-members of the Board**

It was noted that there were two non-members of the Board in attendance:

Cllr Tony Deane

Cllr Pauline Church

#### 55 **Apologies**

Apologies were received from:

Rod Lauder

Ian Jones

Paul Smith

56 **Minutes**

**Resolved**

**The Part 1 (public) minutes of the previous meeting held on 21 May 2020 were approved as a true and correct record and the Board's action log was noted.**

57 **Declarations of Interest**

There were no declarations of interest.

58 **Chairman's Announcements**

The Chairman reiterated the role of the Board as a non-decision-making body that seeks to support the Pension Fund in being compliant with legislation and regulations.

59 **Public Participation and Councillors Questions**

There were no statements or questions from the public or Councillors.

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

**Resolved**

**To note the Part 1 (public) minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee held on 16 July 2020 and 2 July 2020.**

61 **Scheme legal, regulatory and Fund update**

Andy Cunningham, Head of Pension Administration and Relations, presented a report on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

The three main areas of focus were; reforms to public sector exit payments, cost cap mechanism and the McCloud case, and the Good Governance Project.

Following a consultation on reforms to public sector exit payments in 2019, HM Treasury recently responded confirming that they were going ahead as originally planned. The Scheme Advisory Board had been involved with the working group and were starting to get some insight on the reforms. As this was a change to primary legislation, there would be a need to change the secondary legislation such as the LGPS regulations. No action would be taken until further details were available.

The changes to the Scheme relating to McCloud and the cost cap mechanism were discussed. The McCloud consultation, specifically related to the LGPS, was live and due to close in October. The details of the consultation were in line

with officer expectations and officers have put in place an internal project team to analyse the likely resourcing needs and administrative impact of the final legislation, looking at what actions could be taken now and later.

From the cost perspective and based on estimates from the actuary at a national level, it was commented that there were not any significant changes or concerns. Contribution rates would be looked at during the next valuation as there would not be any material financial impact on the funding level at present. The cost cap mechanism had previously been postponed due to the McCloud case, now that the McCloud case has progressed, the cost cap would be looked at again. Officers would monitor the review as it could result in Scheme changes.

There were no specific updates regarding the Fund's COVID-19 response and it was noted that it was continuing for the most part as business as usual.

The Local Pension Board (LPB) and Wiltshire Pension Fund Committee (WPFC) Terms of Reference (ToR) were approved at the Full Council meeting on 21 July 2020. The ToR and Governance Compliance Statement for the Investment Sub-Committee (ISC) were in the process of being reviewed.

Officers had set themselves a target to issue 99% of benefit statements by the end of year (from 95% last year). This was unlikely to be achieved and instead a figure of 96-98% was expected.

A review of the employer ill health insurance policy would be taking place, 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.

In response to a question from the Board regarding McCloud and refining the numbers to downgrade the risk in the register, it was noted that the administrative impacts were more significant than the financial. However, the financial impact was dependant on a lot of future unknowns such as salary increases which was based on actuary assumptions and therefore uncertain. It was stated that once the administrative impacts had been fully analysed and further information available then the risk could be reviewed again.

## **Resolved**

**To note the scheme, legal, regulatory and Fund update.**

## 62 **Training item**

Richard Bullen, Fund Governance and Performance Manager presented the training item on the National Fraud Initiative and Certificate of Existence Exercise.

Within the training item, the mortality screening process, the services provided by Target Professional Services, existence exercise for the overseas pensioners, and the LGPS National Insurance Database were discussed.

The differences between the mortality register and access to records between the UK and overseas, alongside the methods of determining the death of a member were discussed.

The Chair questioned how the Fund used the database to prevent duplicate grant payments in the case of a member's death. In response, officers discussed the communication and escalation processes between themselves and other Funds, as well as record checking to ensure that correct amounts are paid out.

### **Resolved**

**To note the training item as detailed above.**

### **63 Fund Annual Report and Accounts and Audit Update**

Jennifer Devine, the Head of Pension Fund Investments, gave an update on the Fund's annual report and accounts.

It was noted that there was a more detailed version of the report currently being produced which would be ready in September.

Andy Brown, Director of Finance and Procurement, provided reassurance to the Board that the delays in signing off the 2018/19 accounts related to the Council's accounts and not the Board's.

### **Resolved**

**To note the update on the 2018/19 and 2019/20 audits, and to approve the process for the approval and publication of the annual report.**

### **64 Internal Audit Update**

Jennifer Devine, the Head of Pension Fund Investments gave an update on the Internal Audit into Pension Fund investment transfers.

It was noted that this was the same audit as conducted the previous year, and was specifically looking at Wiltshire Council's processes to ensure they were appropriate and adequate, but did not extend to Brunel's processes. It was commented that the auditors (SWAP) were requested to come back due to the continual development of the area. SWAP made a recommendation that officers ensured that Brunel shared their cost transparency information with them in a timely manner, which was welcomed by officers.

The Board sought clarification on the transfer 1 and transfer 2 figures outlined in the report. It was clarified that the transfer 1 figures included contributions from

several Fund's for the launch of a new portfolio and was therefore a larger total transfer with different assurance processes and reporting. Comparatively, transfer 2 only involved the WPF transitioning into an existing portfolio; so although larger for Wiltshire, was much smaller overall.

Further questions were asked as to comments within the appendix, which states that SWAP's internal audit was asked to look at the savings arising from the pooling with Brunel and to see whether these are being realised. It was noted that as it was still an evolving area, the long-term savings position was unclear. SWAP had looked at the calculations in use by officers and were satisfied that officers were on top of the situation.

Members of the Board recognised that it was still too early to understand the exact savings, although they agreed that SWAP should undertake a more focussed look at the issue in the next financial year.

Richard Bullen informed the Board that SWAP had appointed a new auditor and hoped to have the current audits completed by the 30 September which would be reported by the start of the new year.

## **Resolved**

**To note the pensions transfers audit report and to recommend to the Wiltshire Pension Fund Committee that an audit into the Brunel cost savings should be included next financial year, 2020/21.**

## 65 **Employer Training Policy**

Richard Bullen, Fund Governance and Performance Manager, presented the Fund's new Scheme Employer training policy.

It was noted that emphasis was given to ensuring the process was efficient. The Board was given four key areas for consideration and the creation of a new categorisation and monitoring system for employers was discussed; namely a Gold, Silver and Bronze classification in regard to report quality and training development areas.

It was highlighted that there would be a focus on developments to web-based training in order to ease flexibility and accessibility for information and training materials. Officers stated that the principal aim was to build and improve communication and relationships between themselves and employers, and to understand and identify if errors or poor data quality was a result of training issues or lack of engagement.

Once officers had a better understanding of these issues, they would be able to make more informed decisions of when or how to approach an employer and if it was appropriate to begin an escalation process.

A question was asked if the annual report would go to both the WPFC and the LPB, and if there could be updates in the administrative report showing the number of employers in each category and their movements since the previous report. Officer agreed that once the strategy had been implemented officers would provide the relevant information and confirmed that the annual report would go to the WPFC and the LPB.

**Resolved**

**To endorse the employer training policy.**

66 **Fraud Risk Prevention & Mitigation Measures**

Andy Cunningham, Head of Pension Administration and Relations, presented a report which detailed the current safeguards that were in place and available to officers, the WPFC and the LPB to identify and manage fraud in the Wiltshire Pension Fund.

It was noted that this was a wide-ranging topic and its general principles were split into a number of different areas.

The internal Council financial risk controls such as the different Committees and Boards, alongside the different levels of authorisation and approval were discussed; specifically, around the different layers of checking dependant on the level and amount of payments.

A question was raised from a member of the Board as to the possibility of an increase in the risk of fraud as an impact of COVID-19. Officers were not aware of any evidence that COVID-19 increased the risk of fraud but stated there was an increase in cases of fraud linked to transfers out.

**Resolved**

**To note the contents of the paper.**

67 **Risk Register update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the Wiltshire Pension Fund Risk Register and highlighted the key points.

It was noted that most of the changes had moved risks from an Amber to Green categorisation. Councillor Pauline Church, Vice-Chair of the WPFC, had commented in the previous Committee meeting on 16 July 2020 that she felt PEN018 relating to cyber security measures, should be re-categorised from Green to Amber. The feedback was taken on board and as such the risk was re-categorised as Amber, to which the Board agreed.

In response to a question from the Board around the details of the process of updating the risk register, officers reiterated that an evidential approach was taken when identifying risks and through these pieces of evidence the register

was altered and categorised accordingly. Risks usually began as Red or Amber once recognised, then mitigations were put in place to better manage and reduce the risk; to lower its categorisation. It was emphasised that alongside the risks mentioned and discussed within the Board and Committee meetings, there were also dormant risks in which the statuses had not changed for some time. These dormant risks together with the risk register were monitored by officers each quarter, and in the event that they needed to be reviewed, they would be brought back to the LPB and WPFC meetings.

The Chair highlighted PEN048 concerning the transition of the pooling of LGPS assets with BPP and its failure to deliver the projected savings, and when it would be brought to the Board following its approval by Committee. Officers stated that timescales would need to be reviewed but confirmed that a report would be brought forward to the Board.

### **Resolved**

**To note the attached Risk Register and recommend the changes/actions made by officers in points 5 to 8 to the Committee.**

The Board took a comfort break from 11.57am to 12.10pm.

## **68 Quarterly Update on Key Performance Indicators**

Andy Cunningham, Head of Pension Administration and Relations, updated the Board on the Administration Key Performance Indicators.

It was noted that following feedback from the Committee regarding the aspirational targets, an additional column was added to Appendix 3 alongside the CIPFA targets to show measures on both bases. A new appendix was also added which illustrated the progress of onboarding employers onto i-Connect and members onto My Wiltshire Pension, as these figures and pieces of software were vital to the administration strategy and central to performance improvement. Therefore, it was noted that these were useful to monitor as they were also interlinked to an extent with the other KPI's.

The issue of backlogs was commented upon, noting that a new Appendix 5 had been added with an aim to more effectively split out backlog cases. Officers intended to ring fence the backlog work to deal with them separately as the processes changed. Future reports would not show the backlog work which would give a better illustration of the impacts of the changes that were being made.

Regarding the figures themselves, the disclosure targets are predominantly high bar a few; in particular refunds. This was stated to be due to the knock-on effect with the system change, however officers are actioning a revised refund process, alongside a different calculation methodology to improve the figures.

Officers noted that as the onboarding of employers onto i-Connect progresses, the joiners figures would improve concurrently and bring them closer to 100% from the current state of around 72.2%. Officers clarified that although some of the timeframes on Appendix 6 were at present, fairly low, once the employers were onboarded to i-Connect, the figures would improve.

It was noted that the transfers out had also dropped, this was due to a reprioritisation of work, specifically focussing on retirements ahead of transfers out. However, due to the drop it was noted that officers would look back and review the transfers out and ensure that they worked to find the correct balance.

The Chair noted that the changes to the monitoring against the CIPFA targets were appropriate and gave further clarity to the financial position and performance improvement. The Chair raised a question in respect to Appendix 3 and the reasoning behind approximately 50% of refund contributions being actioned within 0-5 days and the other approximate 50% being actioned within 40+ days. Officers stated that this was due to the difference in calculations, hence why there would be a review to the methodology as aforementioned. However, it was noted that the figures were expected to be unusual due to the process change which was being actioned within the team.

### **Resolved**

**To note the current situation and the Fund's plans for improvement.**

#### 69 **Member Effectiveness Review**

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the changes to the ToR for both the WPFC and the LPB as part of the Member Effectiveness Review.

It was noted that since the start of the project there had been a lot of changes to the membership of the Board, therefore the report gave a summary of the past 18 to 24 months for the benefit of newer Board members. The changes to the WPFC and LPB terms of reference were approved at the last Full Council meeting on 21 July 2020 and a review of the ISC ToR and Governance Compliance Statement would be undertaken to ensure consistency.

In response to a question from the Board, it was agreed that copies of the full ToR documents would be circulated to Board and Committee members in due course.

### **Resolved**

**To note the changes to the Pension Fund Committee and Board's terms of reference and the next steps outlined under point 7.**

#### 70 **Urgent items**

There were no urgent items.



71 **Date of next meeting and Forward Plan**

The next meeting of the Board will be held on 15 October 2020.

Officers referred to an action in the actions log (17 – 13/02/2020) requesting it be removed. It concerned an item regarding MiFID II and gaining approval from Brunel for the acceptance of the Fund's compliance arrangements. Officers felt that they did not need Brunel's approval. The Board members agreed and endorsed the removal of the item.

**Resolved**

**It was agreed to remove the item “*To raise the Fund’s MiFID II arrangements with BPP for their acceptance*”, from the actions log.**

72 **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 20 - 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.**

73 **Fund Data Security, Cyber Resilience & Business Continuity Planning**

Richard Bullen, Fund Governance and Performance Manager, presented the report and updated the Board on the approach taken by the Fund in managing its cyber resilience, data security and business continuity planning (BCP).

**RESOLVED**

**To endorse the Fund’s existing cyber resilience, data security and business continuity planning strategy and the various actions outlined within the report.**

74 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee**

**Resolved**

**The Part 2 (private) minutes of the Wiltshire Pension Fund Committee and Investment Sub Committee held on 16 July 2020 and 2 July 2020 were noted.**

75 **Brunel Pension Partnership update**

Jennifer Devine, the Head of Pension Fund Investments, gave an update on the Brunel Pension partnership.

**Resolved**

**The report was noted.**

76 **Brunel Pension Partnership Cost Transparency**

Jennifer Devine, the Head of Pension Fund Investments, updated the Board on the Brunel business plan and budget, and cost transparency reporting.

**Resolved**

**The report was noted.**

(Duration of meeting: 10.30 am - 1.00 pm)

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