

## **WILTSHIRE COUNCIL**

### **WILTSHIRE PENSION FUND COMMITTEE**

25 June 2015

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## **WILTSHIRE PENSION FUND BUSINESS PLAN 2015-18**

### **Purpose of the Report**

1. The purpose of this report is to bring Members the draft Wiltshire Pension Fund Business Plan 2015-18 for comment and approval.

### **Background**

2. The Myners Review of Institutional Investment in the UK (published in 2001 and revised in 2008) resulted in the publication of 6 investment principles. Principle 1 (Effective Decision Making) recommended that Pension Funds produce a Business Plan.
3. The last Business Plan was approved by this Committee on 22 July 2011 which set out a Forward Plan for the next three years (2011-14). From this plan only 8 of the 33 actions remain as on-going / to be completed. These has been incorporated into the 2015-18 action plan.
4. The purpose of the Business Plan is to set out the key developments and major tasks for the plan period. The plan attempts to outline the the actions the Wiltshire Pension Fund will need to implement to meet its key objectives over the next three years.

### **Considerations for the Committee**

5. The draft Wiltshire Pension Fund Business Plan 2015-18 is attached. Due to the current uncertainty surrounding the future administration of the LGPS, this plan has been restricted to three financial years and may need to be reviewed by officers' annually and amended to account for any changes imposed by the Government.
6. Members are invited to review, suggest amendments and approve it.

### **Environmental Impact of the Proposal**

7. There is no environmental impact of this proposal.

### **Financial Considerations & Risk Assessment**

8. Adoption of the Business Plan does not in itself commit any expenditure or increase risk. The financial implications of the proposed actions have either been or will be brought forward to the Committee in the usual way when the Fund Administration Budget is agreed. The risks of each development will be analysed in detail at the time, with the Committee approval sought if appropriate.

**Legal Implications**

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

**Safeguarding Considerations/Public Health Implications/Equalities Impact**

10. There are no known implications at this time.

**Reasons for Proposals**

11. It's best practice to develop a Business Plan for Local Government Pension Funds.

**Proposals**

12. The Committee is asked to approve the draft Wiltshire Pension Fund Business Plan 2015-18.

MICHAEL HUDSON  
Treasurer to the Pension Fund

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

# **WILTSHIRE PENSION FUND BUSINESS PLAN 2015-18**



## **INTRODUCTION**

The purpose of this Wiltshire Pension Fund Business Plan 2015-18 is to outline the Wiltshire Pension Fund's (WPF) strategic direction, goals and objectives, as well as providing an Action Plan of the key priorities over the next three years in order to further these objectives.

The Local Government Pension Scheme (LGPS) has been and remains in a period of uncertainty over further potential nationally imposed changes. A new scheme was implemented in 2015, but concerns remain over the long term cost and sustainability of the LGPS while the Government remain focussed on addressing pension fund deficits and reducing the costs of running the scheme.

The Fund continues to face increasing complexities in both the governance and administration of the scheme, which will increase pressure on resources and workloads. These include the implementation of Local Pension Boards, responsibility to the national Scheme Advisory Board, the Pension Regulator new jurisdiction, changes to the requirements for Record Keeping and data cleansing, changes to the tax relief allowances, provision of data from HMRC, increasing numbers of employer organisation (from out-sourcing and academies conversions) and associated risks, maturing Cashflow profile, continued low bond yields putting further pressure on contribution rates, and increasing expectations from stakeholders (e.g. scheme member access to information).

All this means the Fund continues to face challenging times and will need to be flexible and responsive enough to adapt to all these changes.

## **PURPOSE & SCOPE OF THE FUND**

The WPF is one of 81 funds administering the LGPS nationally. Wiltshire Council is the statutorily appointed Administering Authority for the WPF. The LGPS is a final salary / Career Average Revaluated Earnings (CARE) scheme, funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets / instruments and aimed to be fully funded over the long-term.

The Wiltshire Pension Fund has 59,500 members from 157 constituent employer bodies. The value of the investment assets currently under management at 31 March 2015 was £1.852bn. The cost of administering the Wiltshire Pension Fund in 2014-15 was £1.471m (0.08% of total assets), with costs of fund investment adding a further £5.518m (0.29%).

Contribution inflows into the Fund were £85.529m in 2014-15 and benefits outflows were £74.067m.

## **GOVERNANCE & MANAGEMENT OF THE FUND**

The Wiltshire Pension Fund consists of:

- Wiltshire Pension Fund Committee
- Investment Sub-Committee
- Wiltshire Local Pension Board

### Wiltshire Pension Fund Committee

The Wiltshire Pension Fund Committee is responsible for the proper administration of the Fund in all its aspects. The Committee has its delegation direct from the full Council, rather than the Cabinet (ie. the Executive), to avoid potential conflicts of interest. Under the Council's constitution, the Committee has the power to "...*make decisions on matters of significant policy...*".

The Committee is made up of 5 Wiltshire Council members, 2 members from Swindon Borough Council, 2 representatives from admitted bodies, as well as 2 non-voting scheme member representatives which are provided by UNISON. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

### Investment Sub-Committee

The investment sub-committee (ISC) key focus is the detailed monitoring of investments within the agreed investment strategy, in particularly asset allocation and the monitoring of investment managers. The ISC also has responsibility to invest up to 5% of the Fund's assets on an "opportunistic" basis to take advantage of market opportunities that may present themselves at relatively short notice.

The Committee is made up of the Chairman, Vice Chairman, 1 other Wiltshire Councillor and 1 member from the Fund's employer bodies co-opted from the main committee. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

### Local Pension Board

The Local Pension Board (LPB) was established on 1 April 2015, and its role is to provide an oversight of the Committee to ensure compliance with all the regulations pertinent to the WPF and to provide assistance to the Fund in the efficient and effective administration of the scheme. This is not a decision making body and will instead make recommendations to Committee.

The LPB is made up of a non-voting Independent Chairman, 3 voting employer representatives and 3 voting scheme member representatives, two of which are provided by UNISON.

The Treasurer to the Pension Fund has "...*express authority to take all necessary actions to implement ... Committee decisions...*" and is "... *empowered to take operational decisions, within agreed policies...*". This responsibility is achieved with the assistance of the Head of Pensions, who has a team of 23 people solely dedicated to working on the Fund. This includes investments management and associated services, governance, accounting, benefits administration, systems, Fund development, communications, and employer relations.

## **CUSTOMERS OF THE FUND**

The Fund's main customers fall into three categories.

a) Scheme Members (ie. our "Purpose of Existence"):

- Contributors/Actives (c21,600)
- Deferred Pensioners (c23,800)
- Pensioners (c14,100)

b) Employers of the Scheme Members (c157):

- At present the employee contributions are fixed according to salary level, so the effect of variations in costs and investment returns are felt by the employers. Coupled with this, the Fund is also very dependant on information from the employers in order to provide an effective service to members, so they are also a very important customer group.

c) Regulatory Bodies & Stakeholders, principally:

- The (Department for) Communities and Local Government – the regulatory body responsible for the LGPS
- HM Revenues & Customs
- The Department for Work & Pensions
- The Pension Regulator
- National Scheme Advisory Board
- Partners including Investment Managers & Advisers
- Council Tax payers

## **THE GOALS AND VISION OF THE FUND**

The WPF is very conscious that it acts as the "custodian" of the scheme for future generations and the long term aspiration is to ensure it's in the best shape as possible.

The WPF recognise the importance of the LGPS to its Scheme Members as an excellent scheme providing significant benefits to members and its contribution to the wider economy by potentially keeping people out of means tested support in their retirement. It's also a valuable recruitment tool for employers which assists in attracting and retaining staff but with the appreciation of the significant liabilities it can generate for them.

### **Mission Statement**

The mission statement below outlines the approach the WPF takes to the administration of the Fund:

***"Custodian of the Wiltshire Pension Fund keeping accurate data to pay and invest wisely, ensuring a low cost, sustainable funded and attractive Pension Fund for current and future members."***

## Goals

The Fund has two over arching specific goals as set out in its Funding Strategy Statement:

- 1) To achieve a funding level of 100%, both at the whole fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable;
- 2) To ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment.

The WPF is also committed to:

- 3) To provide a high quality, low cost customer focused service
- 4) To be open and honest in all our decision making.

The most important long term aim is to reduce the pension deficit and maintain stabilised employer contribution rates. The WPF have put in place strategies and frameworks to achieve this which will be carefully monitored and reviewed.

However, the WPF will also continue to develop its administration service. The Fund aims to continue to work on its strengths and look for opportunities to develop the service while responding to the challenges imposed on it within the resources available. The aim is to achieve as a minimum 'best practice' and to strive to be viewed as an example of excellence.

The bringing together of the pension administration and pension finance functions into a separate team in 2007, was innovative at the time but now deemed 'best practice'. The recent restructuring of the team has ensured it's set up to deal with the increasing communication, technical complexity, employer liaison and fund developments now required by an administration authority.

The WPF was also the first and only (until last year) LGPS fund to be "unitised" in terms of its assets tracking for employers which increased the transparency for employers. It was also one of the first administration teams to move to Altair's hosted pension system and imaging system which enabled the implementation of a paperless environment and more flexible working practices for staff.

Since the last Business Plan was set, the WPF has also implemented task management practices to enable the tracking of customer cases, has been recognised for its excellent communications strategy and successfully implemented the new 2014 LGPS scheme, as well as more recently the Fire Officers 2015 scheme. Considerable time has also been invested in reviewing the investment strategy leading to significant improvements in performance.

The strategy is built around the team's key strengths which includes its flexibility, openness to share ideas and improve, positive attitude, governance and accounting arrangements and the key focus of excellent customer service. Communications, stakeholder engagement, and improving the customer experience will become more and more important moving forward with the better use of new technology to further develop the website and on-line members self-service, while providing better access for members through more presentations, pension clinics, employer training, and AGMs. Improving data quality in line with the Pension Regulator requirements will also be another key driver.

There will be the normal routine pieces of work such as the actuarial triennial valuations, investment strategy reviews, committee member and officers training, key policies refresh

and contract reviews along with greater emphasis in performance targets for both the Fund and employers to adhere to. The WPF will continually review processes to remove unnecessary costs and refocus resources on more technical and complex issues facing the Fund.

The Fund will also continue to seek more feedback from its stakeholders to assist this development of services focussing on those that add the greatest value to the customer.

To exceed customer expectations, it's vital that the WPF operates as a single, motivated and empowered team, recognised for its professionalism, high performance and "can do" approach. Therefore, investment will continue in the team as they remain a vital cog in the provision of an efficient pension service.

## **BUSINESS OBJECTIVES OF THE FUND**

The WPF intends to achieve its vision and goals by focussing on the following key areas:

### **Governance & Staffing**

1. To ensure the ***effective management and governance of the Fund*** in a way that strives for continuous improvement through improved value for money, the promotion of excellent customer service and compliance with all regulatory and best practice requirements.
2. To ***recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills***. This includes ensuring the team have the correct skills and competences to deliver the ever increasing complexities of LGPS and Fire Schemes.
3. To ***continually review the effectiveness of the committees and advisers*** and the decision making process.

### **Funding & Actuarial Matters**

4. To ***achieve a relatively stable "real" investment return above the rate of inflation*** over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities and ***to achieve a 100% funding level over a suitable timescale***. This include setting of appropriate investment strategies; the appointment of capable investment managers; and the monitoring and reporting of investment managers' performance, with appropriate action being taken in the event of underperformance.

### **Investments and Accounting**

5. To ***ensure the proper administration, accounting and reporting of all the Fund's financial affairs***.

### **Communications / Customer & Employer Relations**

6. The ***communication of the key benefits of the LGPS and ensuring increased awareness amongst the eligible membership of their benefits***. This includes effective communication, to both the Fund's scheme members and employer bodies.

7. To have in ***place effective documented business relationships with all the Fund's employer bodies***, and to ensure regular reviews are carried out to assess the risk and strength of covenant to the WPF.

### **Pensions Administration**

8. To ***provide a lean, effective, customer friendly benefits administration service***, through the calculation and payment of scheme benefits accurately and promptly in line with the published pension administration strategy.
9. The ***accurate maintenance of the records of all members of the Fund***; and to continually review and cleanse this data ensuring it meets the Pension Regulators requirements, and supporting employers to ensure they provide the correct information on submission
10. To ***optimise the use of technology to make processes more efficient and effective***, and continually looking at developing services in the most cost effective manner following careful consideration of business cases.
11. To ***become a role model of best practice amongst LGPS Funds*** and to be recognised by our customers as providing an excellent service.
12. To work ***collaboratively and in partnership with both internal and external organisations*** to provide higher quality services at a lower cost.

### **KEY POLICY DOCUMENTS**

Key policy documents which the reader may wish to refer to are available on the Wiltshire Pension Fund website ([www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk)):

- Funding Strategy Statement
- Statement of Investment Principles
- Communications Strategy
- Governance Compliance Statement
- Administration Strategy
- Cessation Policy
- Administration Authority Discretions

### **ACTION PLAN FOR THE FUND 2015-18**

The Action Plan for the period 2015-18, which seeks to drive forward on the business objectives laid out above is given in the following pages.



## **WILTSHIRE PENSION FUND ACTION PLAN 2015-18**

These objectives are reflected in the following key principles that are planned for the next three years:

<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>	
<b><u>GOVERNANCE / STAFFING</u></b>				
1	Refresh key policy documents: -Statement of Investment Pripls. - Communication Strategy - Administration Strategy - Admin Authority Directions Policy - Cessation Policy - Funding Strategy Statement - Governance Comp. Statement	Annually 2015 June 2015 Sept 2015 Dec 2015 Dec 2016 Jan 2017 Mar 2017	1	To seek Member approval and formally publish.
2	Establish, train & agree work plan for the Local Pension Board	On-going from June 2015	3	To ensure the Local Pension Board becomes operational from 31 July 2015 in line with legislation.
3	Rolling annual schedule of Pension Clinics	June 2015 onwards	6	To ensure a regular schedule of pension clinics take place every year.
4	Review contract for Independent Governance Adviser	July 2015	3	In line with good governance contracts should be reviewed on a periodic basis and this contract has been in place for 5 years.

	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
5	Members' training: a) Specific issues b) Implement Plan c) Refresh Training Plan	As required, July 2015 Nov 2017	1 & 3	To provide training on specific issues ahead of relevant decisions by the Committee. To provide training for all Members of the Committee in line with the CIPFA Knowledge & Skills Framework as outlined in the current training plans.
6	Gather external customers feedback on pension services & effectiveness	July 2015 onwards	8 & 6	To measure the quality and experience of the pension services being provided to see what developments are needed.
7	Consider the Government's response to future of the LGPS consultation	Autumn 2015 onwards	10	To ensure the Fund is involved in trying to shape the future of the scheme and its implementation.
8	Procurement & Implementation of new investment mandates resulting from Investment Review	Sept 2015 onwards	4	A number of new mandates could be required from the annual asset allocation review.
9	Undertake overseas members existence exercise	Sept 2015	1 & 8	An audit requirement is that existence testing is carried out periodically on the membership to avoid overpayments. Separate exercise required for overseas pensioners.
10	Run Annual Employer / Pensioner Meetings and other more regular road shows/seminars	Sept 2015 onwards	8 & 6	To improve communications with the Fund's members and employers organisations in line with best practice.

Activity		Deadline	Links to Objective No.	Purpose
11	Implementation of regular covenant & risk review of employer bodies, including regular monitoring against the performance requirements within the Pension Administration Strategy	Sept 2015 onwards	7	To ensure regular engagement takes place with all employers and that risks to the Fund are periodically assessed.
12	Set up a formal process for monitoring the performance of the Fund's advisors	Oct 2015	3	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
13	Review Pension Fund Website	Dec 2015	1, 6, 8	To ensure that the Fund's website provision has been reviewed, up-to-date, in line with best practice and serving the needs of our customers as well as possible.
14	Implement Bi-annual Performance Reporting	Dec 2015	1 & 8	To improve management information to assist with performance monitoring and increase transparency.
15	Review / Retender Custody Contract	Dec 2015	1 & 5	To ensure that the Fund achieves best value for money in relation to its investment custody arrangements.
16	Develop use of social media in development of communications strategy	March 2016	6	To consider all forms of digital communications / social media that may assist in communicating with the membership.

	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
17	Set up a formal process for monitoring the performance of the Committee	March 2016	12	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
18	Retender print contract	March 2016	8 & 6	To ensure most cost-effective contract in place.
19	Consider implementation of "flight path" liability monitoring framework	March 2016	4	To have a framework / plan in place should funding levels (i.e. gilt yields revert) improve that could reduce the future funding risk.
20	Review potential to implement differing investment strategies for employers	March 2016	4 & 11	In light of the differing set of risks different employers in the Fund now face there is a potential need for different investment strategies when looking at ways for employers to address deficits.
21	Monitor the Fund's performance against the Pension Regulator's Record Keeping requirements and ensure plan in place to meet targets	March 2016	1 & 8	To ensure the Fund has liaised with its employers, checked and cleansed its own data and have processes in place to ensure compliance, while developing the Fund's own data cleansing practices using mortality screening against governmental databases.
22	Implement changes to tax liability information for members	April 2016	1 & 8	To provide the correct information to members for the changes in the tax relief allowances and ensure the systems are able to accommodate any additional procedures from a administration perspective.

Activity		Deadline	Links to Objective No.	Purpose
23	Full Actuarial Valuation (Actuary)	May - Oct 2016	1 & 8	To identify the Funding Level at a whole Fund and Employer level and the associated Employer Contribution Rates.
24	Members' Handbook	May 2016	1 & 12	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.
25	Review effectiveness and work plan of Investment Sub-Committee	June 2016	4	To consider the effectiveness of the recently established ISC and its contribution to overall governance.
26	Discuss & agree Actuarial Valuation results with Committee & employers	Oct - Dec 2016	1 & 8	To have the Actuarial Valuation formally signed off by 31 December 2016 (three months ahead of statutory deadline).
27	Draft separate Financial Standards for the Pension Fund	Oct 2016	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.
28	Implement scheme members self-service	Dec 2016	5, 6, 10	To improve the level of access for members for their benefits.
29	Complete GMP reconciliations project	Dec 2016	1 & 8	To reconcile all the GMP members data on the pension database to ensure it matches with HMRC as HMRC are removing this support facility in 2016.
30	Refresh Funding Strategy Statement	Jan 2017	1	To have an up-to-date Funding Strategy Statement, which is a statutory document required to set-out the longer-term view of how liabilities will be funded and the agreed level of compromise between stability and affordability of employer contributions.

<b>Activity</b>		<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
31	Review / Retender Altair Pension Software contract	Jan 2017	1 & 8	To ensure the Fund is achieving best value from its current contract.
32	Re-tender / drawdown from framework Actuarial Contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive actuarial contract in place.
33	Re-tender / drawdown from framework Investment Consultancy contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive investment consultancy contract in place.
34	Review pension payroll service	Jan 2018	1 & 8	To review the potential options for pension payroll.
35	Review, retendering and implementation of the Fund's ESG arrangements	Jan 2018	1 & 4	To ensure that the Fund is complying with best practice and is achieving best value in relation to environmental, social and governance issues.
36	Review employers method of data submission & potential for self-service	Mar 2018	6, 8, 10	To improve the quality of data submission and access to employer bodies.
37	Continue to develop a high performing team	On-going	2	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service, implement changes and have the technical detail to meet the ever increasing complexities of the scheme.

<b>Activity</b>		<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
38	Continually review opportunities for further collaboration with partners	On-going	12	To continue to be involved and utilise national frameworks to reduce the procurement costs of adviser services and to benefit from bulk discounts.
39	Review potential for “opportunistic” investments and ‘inward’ investments as they arise	On-going	4	To keep abreast of potential opportunities for the Fund.