

AGENDA

Meeting: Local Pension Board
Place: The Kennet Room - County Hall, Trowbridge BA14 8JN
Date: Thursday 6 April 2017
Time: 11AM– PLEASE NOTE THE CHANGE OF START TIME FROM 10:30AM

Please direct any enquiries on this Agenda to Libby Beale, 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.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Chairman's Briefing:

Date	Time	Location
6 April 2017	10am	Kennet Room, County Hall

Membership:

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

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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 - 26*)

To confirm as a true and correct record the minutes of the previous meeting held on 25 January 2017.

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

5 **Declarations of Interest**

To receive any declarations of disclosable interest.

Board Members' Registers of Interest are available [here](#), members are reminded to review their RoI on a regular basis and report any changes to Democratic Services.

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation and Councillors Questions**

The Board 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

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 30th April 2017** in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than 5pm two clear working days before the meeting, may only receive a verbal response at the meeting.

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 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee** *(Pages 27 - 42)*

To consider the Part 1 (public) minutes of the Wiltshire Pension Fund Committee held on 23 March 2017 and Investment Sub Committee held on 1 March 2017.

9 **Scheme Legal, Regulatory and Fund update** *(Pages 43 - 48)*

A report highlights the latest updates including the Pension Regulator's data toolkit.

10 **Data Protection and Quality Standards**

Hymans Robertson present a training session on the Fund's requirements for data protection and quality standards in line with the Pension's Regulator Code of Practice and latest guidance.

11 **Wiltshire Pension Fund Administration Key Performance Indicators** *(Pages 49 - 54)*

A report updates the Board on the implementation of KPIs for the Fund in respect of its administration service

12 **Risk Register update** *(Pages 55 - 62)*

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

13 **Internal Audit Key Controls report and update on actions from previous audits** *(Pages 63 - 80)*

A report from both the Head of Pensions and the South West Audit Partnership presents the Key Controls report for the Wiltshire Pension Fund and provides an update of the actions from the previous reports

14 **Review of Investment Strategy Statement** *(Pages 81 - 124)*

A report updates the Board on the Investment Strategy Statement approved by the Committee on 23 March 2017.

15 **Business Plan update** *(Pages 125 - 134)*

A report updates the Board on the actions completed and those due in 2017 outlined in the current Pension Fund Business Plan.

16 **Review of Fund Communication**

A verbal report from the Communications Manager on the current communications and latest developments

17 **How did the Board do?**

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

18 **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.

19 **Date of next meeting and Forward Plan** *(Pages 135 - 138)*

The next meeting of the Board will be held on 13 July 2017, other future dates can be found [here](#).

The Board's Forward Work Plan is attached for members' consideration.

20 **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 Numbers 21-25 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.

21 **Review of Internal Dispute Procedures** *(Pages 139 - 168)*

A report outlines the process for Internal Disputes for the Board to review.

22 **Brunel Pension Partnership update** *(Pages 169 - 174)*

A report provides an update on the latest position with regards the implementation of the Brunel Pension Partnership.

23 **Local Pension Board Indemnity Insurance Update** *(Pages 175 - 196)*

A confidential report presents the options available to the Local Pension Board in respect of indemnity insurance for its members.

24 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee** *(Pages 197 - 212)*

To consider the Part 2 (private) minutes of the meetings of the Wiltshire Pension Fund Committee held on 23 March 2017 and the Investment Sub-Committee held on 1 March 2017.

25 **Minutes** *(Pages 213 - 222)*

To confirm as a true and correct record the Part 2 minutes of the meeting held on 25 January 2017.

Close

LOCAL PENSION BOARD

DRAFT MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 25 JANUARY 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Lynda Croft, Sarah Holbrook, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

Kerry Chisholm and Ian Withers

1 Membership

There were no changes to the membership of the Board.

2 Attendance of non-members of the Board

Kerry Chisholm and Ian Withers from South West Audit Partnership were in attendance.

3 Apologies

Apologies for absence were received from Cllr Christopher Newbury.

4 Minutes

The Board considered the minutes of the previous meeting held on 20 October 2016. The Chairman advised that Cllr Newbury had contacted the Board Secretary and copied him in respect of changes needed to the minuting of item 78 on the subject of the Code of Conduct. After discussion the Board was happy to make the suggested changes.

The Head of Pensions provided a verbal update on items which remained outstanding on the Board's action log. Item 2.8 on the process for appointing auditors would be picked up at the April Board meeting, the Fund was still awaiting guidance on the implications of the Public Sector Exit Cap (Item 3.5), and on item 3.10 it was noted that only one Board members had not yet completed the tPR online toolkit. In respect of item 3.12, it was noted that

charge-out rates would be reviewed at the time the Fund was to review its administration strategy. It was explained that in reference to item 4.3, the Fund was still awaiting guidance from the Scheme Advisory Board (SAB) on the issue of indemnity insurance from the Board. The Head of Pensions advised, that if he had not heard from the SAB by April 2017, he would bring a commercial policy forward for the Board to consider, members asked that research be undertaken as to the approaches other Funds were taking.

The officer also explained that a full update would be provided on actions 4.5, 4.6 and 4.7 at the next meeting, and the completion of 5.8 in relation to the Statement of Investment Principles would also be checked. The internal audit would pick up Item 6.1 from the action log in relation to the assurance the Board could receive that the Fund was audited against the appropriate LGPS regulations. The Head of Pensions also advised that the Pensions Regulator (tPR) checklist on publishing scheme information would be included in the next Annual Report. Finally, the Board was reminded to contact the Pensions team if they were interested in attending the LGPS 'Trustees' Training Fundamentals three-day course.

Resolved:

To confirm the minutes of the meeting held on 20 October, subject to amendments to item 78 to now read:

Cllr Newbury expressed concern that the Code of Conduct and Conflict of Interest Policy went beyond the statutory requirements, another key concern included that it was not clear what constituted a conflict of interest. It was also questioned whether it was expected that in meetings members should declare interests already on the Register of Interests when they were relevant to an item on an agenda. 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 partner.

To request that a proposal for a commercial indemnity insurance be presented to the next meeting in the event that the Fund has not heard back from the Scheme Advisory Board. To request that this report also incorporates research from other Funds as to whether they have, or are purchasing, a commercial policy

To note the update on other items detailed in the Board's action log.

5 Declarations of Interest

There were no declarations of interest.

6 **Chairman's Announcements**

The Chairman updated that he had corresponded further with members of the public who had spoken at the last meeting in relation to fossil fuel divestment. The response that had been provided would be circulated to members of this Board and publicly available as a supplement to this meeting's papers. This supplement is now available [here](#).

Resolved:

To note the update and request that the response to public statements on fossil fuel divestments be published.

7 **Public Participation and Councillors Questions**

There were no members of the public present.

8 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Head of Pensions presented the minutes and key decisions of the Pensions Committee held on 15 December 2016, key updates included that the Fund's Stewardship Code had been revised to bring it up to the 'Tier 1' classification, the Statement of Investment Principles had therefore also been updated accordingly.

Resolved:

To note the minutes of the Wiltshire Pension Fund Committee held on 15 December 2016.

9 **Scheme, Legal, Regulatory and Fund update**

The Board heard that HM Treasury indexation and equalisation of GMP in public service pension schemes was being consulted on, this change would likely impact on the administration of the Fund. Head of Pensions also updated that the Financial Conduct Authority was currently consulting on the Markets in Financial Instruments Directive which would change the products on offer to the Fund as an investor, as such Brunel Pension Partnership had drafted a response. A further update included the release of example accounts and disclosure checklist (on which the Fund's accounts should be based) from CIPFA, as a consequence, the hierarchy of classifying investments for Wiltshire had been adjusted and the remuneration of senior officers would be included in the Fund's accounts. Members questioned the impact of the public sector exit cap and it was explained this would impact upon higher-earning, or long-serving, members and would cause more administration for the Fund.

The Chairman suggested that the consultation update report be colour-coded to reflect the level of risk the developments posed to the Fund and that this update

should also be shared with the Wiltshire Pension Fund Committee. It was also recommended that the Pensions Regulator toolkit on data management be added to the update, the Head of Pensions advised that training would be available for members at the next meeting on data management. It was discussed that the FCA position on cost transparency was in contrast to direction from CIPFA. It was confirmed to employer member representatives on the Board that employers were required to complete the Pensions Regulator employers returns where applicable.

Resolved:

To note the recent scheme and regulatory changes highlighted within the report and to recommend that items on the consultation update are colour-categorised to correspond with the Wiltshire Pension Fund Risk Register.

To recommend that the Pensions Regulator toolkit on data management be added to the consultation update.

To recommend that the update on Scheme, Regulatory, Legal and Fund matters is also presented to meetings of the Wiltshire Pension Fund Committee.

10 Code of Conduct and Conflict of Interest Policy Update

The Head of Pensions presented a report on the Board's Code of Conduct and Conflict of Interest Policy which had been adopted by the Wiltshire Pension Fund at its meeting on 15 December 2016. The Guidelines had been updated to reflect the new status of the Scheme Advisory Board however the Committee had not considered that any further updates were required. It was highlighted that following questions raised by a Board member on the Guidelines at the last meeting, legal advice on the policy had been sought and the policy had been compared to those of six other funds. The report concluded that the Guidelines were reasonable and comparable to those of other funds.

The Chairman updated that the Board Secretary had received further questions from Cllr Newbury on the Guidelines, which he had been copied. The questions were described and noted by the Board. Members were advised that a written response would be provided to the Councillor from the Committee Officer. The Board noted that the Guidelines had been finalised and agreed by the Administering Authority and therefore must now be implemented. Members were reminded to review their Register of Interest online and notify Democratic Services if any changes need to be made.

Resolved:

To note the updated Code of Conduct and Conflict of Interest Policy Guidelines and the request for members to review their Register of Interest and notify the Board Secretary of any changes.

11 Triennial Valuation 2016

The Head of Pensions advised that following the Triennial Valuation, officers were working to sign-off contribution rates with employers and expected to achieve this by the end of March deadline. The final results of the rate setting would be presented to the Wiltshire Pension Fund Committee in March. Following questions from the Board, it was confirmed that officers were not concerned that any employer issues could not be resolved, some employers had requested reprofiling of increases however this was considered manageable.

Resolved:

To note the verbal update provided on the position of the 2016 Triennial Valuation.

12 Risk Register update

The Head of Pensions explained the latest updates to the Wiltshire Pension Fund Risk Register: PEN006b 'Significant rises in employer contributions for non-secure employers due to increases in liabilities' had been reclassified from amber to green following the results of the 2016 triennial valuation. PEN011 'Lack of expertise of Pension Fund Officers' had been reduced from amber to green following the appointment of the Technical & Compliance Manager to cover the Benefits Manager maternity leave, with Hymans Robertson providing additional technical support. It was also noted that PEN020 'Pooling of LGPS assets' remained a red risk due to the significant resource required by officers to progress the project.

Members noted that the Fund's Accounting and Investment Manager was due to go on maternity leave in March and this could impact upon the ability to produce the accounts by June 2017, as such it was recommended that this be added to the Risk Register.

Resolved:

To note the attached Risk Register and measures being taken to mitigate risks and to recommend that the risk of reduced resource in the Accountancy team be added to the register, due to the potential impact on the production of the accounts by June 2017.

13 **Internal Audit report on the Fund's compliance with tPR Code of Practice Code 14, progress of actions from 2016 Key Controls report and audit plan for 2017**

Representatives from South West Audit Partnership outlined that the Fund had been audited for compliance with the Pension Regulators Code of Practice No 14 and a 'Reasonable Assurance' opinion had been given. There were no significant findings arising from the reports; two medium risks had been identified, with the agreed action plan included with the report. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now up to date which had resulted from the change in staff within the accounting team. The reconciliation between Altair and the Pension Payroll records remained on-going and would be picked up as part of the GMP reconciliation project.

Following questions from the Board it was confirmed that the officer's assessment of the Fund's compliance with the tPR Code of Practice report had produced similar findings to SWAP's assessment. The Audit Plan for 2016/17 was noted and it was explained that the scope of the audit could possibly be expanded to include auditing against LGPS Regulations and other relevant best practice guidance. Members discussed the 'Priority 3' recommendations highlighted in the report and the need to implement a framework to pursue late and overdue contributions. The Internal Dispute Resolution Process was considered by the Fund to be an important priority and officers were also considering self-service for Annual Benefit Statements which had been delayed for different reasons the last two years. On discussion of the level of knowledge and understanding required of Board members, it was noted that Board member training was mandatory, the Committee by contrast did not have mandatory training, however a training plan was in place (based on the CIPFA framework) which members were encouraged to follow.

It was requested that an update on the actions arising from the audit be made to the next meeting and that an example process of how late contributions could be monitored be brought to the meeting in October. Members also requested that the auditors compare the Fund to other comparable funds in a future report.

Resolved:

To note the update and attached Internal Audit Report and updated Action Plan.

To request that an update on actions arising from the Audit be provided to the next meeting and an example of tracking late contributions be brought to the October meeting.

To request that SWAP benchmark the fund against other similar funds in a future audit report.

14 **Update on Training Plans**

The Head of Pensions advised that all Board members had now received a training handbook, and drew attention to the report which detailed the training undertaken by each member. It was noted that the training log would be published as part of the Fund's Annual Report. Members were encouraged to attend the LGPS fundamentals course and would receive further details about the course when they became available. It was highlighted that Investec had offered to provide some training to the Board and Committee members, Members were in favour of this as it would be tailored to the Fund and provided locally.

Members discussed the depth of knowledge required to fulfil their role and it was agreed that thorough knowledge of governance arrangements was needed although such detailed understanding of investment management was not required since it was beyond the remit of the Board. It was suggested that, to prioritise the many training events available to members, officer could highlight the courses they considered would be the most beneficial for members to attend. It was noted that Board members who had received employer member training should have this included in the training log. Board members commented they would like more information on investment pooling and suggested that, members could be invited to the Brunel engagement event and sessions run for employers within the Fund. It was also recommended that Brunel Pension Partnership invite the Board members from other Funds so that Board members would be able to discuss best practice. Similarly, it was recommended that a benchmarking exercise be undertaken, comparing the Board's training with those of other funds.

Resolved:

To note the current progress of the Members training plan and to request that training undertaken by members in their capacity as employer members also be included.

To recommend that officers investigate potential training to be provided by Investec.

To request that when training events are offered to members, these are accompanied with a priority recommendation by officers.

To request that Local Pension Board members be invited to the Brunel Pension Partnership engagement event, employer member events, and recommend that if feasible a networking session for Local Pension Boards within Brunel be organised.

To request that a benchmarking exercise be carried out against the training undertaken by Board members of other Funds.

15 **Investment Strategy Statement update**

The Head of Pensions advised that the Fund was working to develop and implement a new Investment Strategy Statement (ISS) by 1 April 2017. The ISS was required by the new investment regulations and would replace the Statement of Investment Principles. The Board heard that a draft Statement would be presented to the Investment Sub-Committee in March 2017, following which it would be circulated for consultation, including to Board members. The Chairman encouraged members to respond to the consultation.

It was confirmed that the Investment Strategy Statement would outline how the Fund would make investments, considering risk management, asset pooling, voting rights and environmental, social and governance ratings.

Resolved:

To note the progress of consulting on and developing an Investment Strategy Statement.

16 **Local Pension Board Proposed Budget**

The Fund's Investment and Accountancy Manager presented a proposed LPB budget for 2017/18 to be recommended to the Wiltshire Pension Fund Committee. It was explained that the budget had been reduced from the previous year and a breakdown of budget headings was provided. It was highlighted that the need for the Fund to purchase an indemnity policy for members was not accounted for in the budget and would need to be allocated funding if this matter arose.

It was discussed that the Board would hope to absorb any insurance costs within the proposed budget, and recommended that the Committee delegate authority to the Treasurer to move funds between budget headings and allocate further funding as required, subject to ratification at the subsequent Committee meeting.

Resolved:

To recommend the draft budget for the Board to the Wiltshire Pension Board and recommend that the Committee delegate authority to the Treasurer of the Fund to authorise expenditure in addition to the agreed budget and between budget headings if required between meetings of the Committee, subject to ratification at the next available meeting.

17 **Business Plan update**

The Head of Pensions presented a report on the progress of items from the Business Plan. It was acknowledged that officers were working to support high priority actions, such as collaboration with other Funds in asset pooling. The

Chairman recommended that officers review numerous actions which were categorised as low priority to evaluate if they should be either de-prioritised or upgraded to a higher priority level, and establish a process whereby the Committee could reconsider deadlines for actions where they had not been addressed within 12 months.

Resolved:

To note the updated position from the Business Plan to date and to recommend that officers review 'low priority' actions to evaluate if they should be either de-prioritise or upgraded to a higher priority level, and establish a process by which the Committee reconsiders deadlines for actions where they are not addressed within 12 months.

18 CIPFA Pension Administration Benchmarking Report

A report presented Wiltshire Pension Fund in comparison to 37 other LGPS schemes and demonstrated that the Fund was in a strong position in relation to its peers. Questions were raised over the staff turnover figures for Wiltshire Pension Fund which appeared high, the Board was reassured that officers were not overly concerned by this since the team was small and so any turnover had a large impact on the figures. A question was raised as to the 'other work; which contributed to the total figure for the administration costs of the LGPS, officers advised they would confirm this at the next meeting.

Resolved:

To note the report on the CIPFA benchmarking club results for 2016.

To request that officers confirm details of the 'other work' that contributed to the total figure for the administration cost of the LGPS in the CIPFA benchmarking report at the next meeting.

19 How did the Board do?

The Board considered that items tabled for discussion were relevant to the remit of the Board.

20 Urgent items

There were no urgent items.

21 Date of next meeting and Forward Plan

The next meeting of the Board was to be held on 6 April 2017.

Resolved:

To note the updated Forward Work Plan for the Board.

22 **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 Item Numbers 23-25 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.

23 **Brunel Pension Partnership update**

The Head of Pensions provided an update on the progress of the Brunel Pension Partnership.

Resolved:

To note the update provided by the Head of Pensions on the progression of the Brunel Pension Partnership.

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

Resolved:

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

25 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 20 October, subject to the amendment to the Part 1 section of the minutes, as detailed under item 4 above.

(Duration of meeting: 10.30 am - 12.50 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

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Local Pension Board Action log

A full action-tracker showing complete and pending items is included to monitor progress from the last 3 Board meetings. Actions identified prior to this are include only where they remain outstanding. Actions in bold denote where the action is a formal recommendation of the Board.

	Action	Who	Deadline	Completed
	October 2015			
2.2	Register of Interest to be circulated to members for completion, and then published online	LB	January 2016	
2.8	Officers to confirm the process for appointing auditors/reviewing arrangements	DA	January 2016	
	January 2016			
3.5	To recommend that officers communicate the implications of the public sector exit cap to the Fund's members once known	DA	ASAP	
3.10	Board members to complete the tPR on-line toolkit within 12 months of appointment	DA	July 2016	
3.12	To recommend that officers review the charge-out rate for the calculation of costs from persistent failure to meet targets or resolve cases to ensure it is in line with other Funds.	DA	September 2018	
	April 2016			
4.5	To note the outcome from the review of the tPRs Code of Practice No. 14 and recommend the implementation of the actions outlined in the report to the Pension Fund Committee to ensure the Fund secures full compliance	DA	December 2016	

	with this guidance.			
4.6	Review the progress of actions to address partial compliance with the tPR.	DA	January 2017	
4.7	To endorse the Governance Compliance statement and recommend that lay membership and voting rights be reviewed following the proposed asset pooling as part of the compliance process and pooling arrangements.	DA	April 2017	
	July 2016			
5.1	To request that outstanding and pending actions be colour coded accordingly on the LPB actions log.	DA	October 2016	
5.2	To add a review of the Board members handbook to the October meeting agenda/work plan.	DA	October 2016	
5.3	Members' handbook to be available on the website if content not confidential	DA	December 2016	
5.4	To update on the issue of insurance indemnity (and its application to observer members of the Committee) at the October meeting.	DA	October 2016	
5.5	To note the current Risk Register and recommend that PEN020 'Pooling of LGPS assets' be coded red to reflect a high risk of resource pressures arising from asset pooling.	DA	July 2016	
5.6	To request that an update is provided at the January meeting on the actions taken following the outcome of the internal audit and that external auditors also report to this meeting in the instance of material recommendations arising from that audit.	DA	January 2017	
5.7	To request that redundancy costs be considered at the October meeting in the instance of such issues arising from the audit.	DA	October 2016	

5.8	To amend references to the Myners Principles in the Statement of Investment Principles to the 'Principles of Investment Governance'	DA	July 2016	
5.9	To obtain recent publications of the Law Commission on fiduciary duty and the United Principles of Responsible global report on Fiduciary duty to assist with the drafting of an Investment Strategy Statement.	DA	December 2016	
5.10	To note the update on the Business Plan and to recommend to the Wiltshire Pension Fund Committee that it reviews the priorities or supports the recruitment of additional resource if necessary to achieve the priorities.	DA	September 2016	
5.11	To agree the proposed Key Performance indicators and request they be included in the Board's Annual report.	DA	July 2016	
5.12	To request that a benchmarking exercise of LPB annual reports be undertaken in comparison with other Boards in early 2017.	DA	January-April 2017	
5.13	To endorse the need for an independent review of the Brunel Pension Partnership Business Case and recommend that overall risks of the new manager are reviewed.	DA	September 2016	
5.14	To recommend that further detail is provided in the Business Case on the member and employer representation in the governance arrangements of the new pool.	DA	September 2016	
5.15	To recommend that a low-cost exit strategy for the Fund is negotiated and that detail be provided on the process of transferring to a new pool.	DA	September 2016	
5.16	To recommend that external resource is recruited to support asset pooling as necessary.	DA	September 2016	
5.17	To seek guidance on the tax implications of the Brunel Pension Partnership as manager and/or operator.	DA	September 2016	

	October 2016			
6.1	To request that the Section 151 officers considers how assurances are provided in future that the fund is audited against 2014 LGPS regulations, Pensions Statement of Recommended Practice (SORP 2014 edition), CIPFA 2014 guidance on LGPS funds annual reports, and LGPS funds 2015/16 accounting disclosures	DA/MH	March 2017	
6.2	To make amendments to the minutes of the previous meeting.	LB	October 2016	
6.3	To request that pending items on the Action Log be coded amber.	DA	January 2017	
6.4	To request that items coded 'Red' on the Action Log, where no update is available for this meeting, be considered at the next meeting.	DA	January 2017	
6.5	To investigate points raised by statements from the public in respect of the Risk Register.	DA/LB	January 2017	
6.6	To request that the Fund's Position Statement on Fossil Fuel Divestment is published on the website.	DA	ASAP	
6.7	To request that officers circulate the CIPFA guidance notes on investment pooling to members.	DA	ASAP	
6.8	To request that the tPR checklist on publishing scheme information is used for the next Annual Report.	DA	September 2017	
6.9	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.	CN/LB	October 2016	

6.10	To request that references to the Scheme Advisory Board in the Code of Conduct and Conflict of Interest Policy are updated.	LB	December 2016	
6.11	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.	DR	ASAP	
6.12	To request that an update be provided to the next meeting on late employer contributions and measures that could be taken to manage this.	DA	January 2017	
6.13	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.	DA	ASAP	
6.14	To recommend that the Fund's Annual Report and Local Pension Fund Annual Report be separate documents on the website.	DA	ASAP	
6.15	To note the progress of the implementation of the current Board Training Plans and to revisit training plans (including the progress of each member) at the January meeting	DA	January 2017	
6.16	To request that the Training Handbook is published online.	DA	ASAP	
6.17	To request that members notify the Head of Pensions of training sessions they have attended.	Board	Ongoing	
6.18	That Board members complete the Pensions Regulator toolkit before the end of 2016 and update the Head of Pensions accordingly.	Board	December 2016	
6.19	To seek expressions of interest from at least one member of the Board	DA/LB	ASAP	

	attend the LGE LGPS 'Trustees' Training Fundamentals three-day course.			
6.20	To request that meeting dates for 2017/18 be included on the Forward Plan.	DA	January 2017	
6.21	To request that members feedback further comments following the publication of CIPFA guidance.	Board	ASAP	
6.22	To request that the legal assurances on Brunel are released with the Business Case.	DA	December 2016	
6.23	To request the consequence of asset pooling on staffing and the auditing arrangements within the Fund be considered with the Business Case.	DA	December 2016	
6.24	To encourage the Fund to engage in dialogue with the Scheme Advisory Board in respect of funding metrics.	DA	December 2016	
	January 2017			
7.1	Cut down action-tracker to include complete and pending items for the last 3 Board meetings only. Actions identified prior to this to be included only where they remain outstanding.	LB	April 2017	
7.2	Officers to re-grade an assessment of Wiltshire Pension Fund Committee performance to medium priority on the Business Plan.	DA	March 2017	
7.3	To make agreed amendments to the minutes of the meeting held on 20 October 2016.	LB	ASAP	
7.4	To request that a proposal for a commercial indemnity insurance be presented to the next meeting in the event that the Fund has not heard back from the Scheme Advisory Board. To request that this report also incorporates research from other Funds as to whether they have, or are	DA	April 2017	

	purchasing, a commercial policy.			
7.5	To note the update and request that the statement in response to public statements on fossil fuel divestments be published.	LB	ASAP	
7.6	To circulate the response to public questions on fossil fuels to members.	LB	ASAP	
7.7	To recommend that items on the consultation update are colour-categorised to correspond with the Wiltshire Pension Fund Risk Register.	DA	April 2017	
7.8	To recommend that the Pensions Regulator toolkit on data management be added to the regulatory update.	DA	April 2017	
7.9	To recommend to officers that the update on Scheme, Regulatory, Legal and Fund matters is also presented to meetings of the Wiltshire Pension Fund Committee.	DA	Ongoing	
7.10	Members to review their Register of Interest and notify the Board Secretary of any changes required.	Board	April 2017	
7.11	To circulate the tPR data management toolkit and organise training on data management.	DA	April 2017	
7.12	To recommend that the risk of reduced resource in the Accountancy team be added to the Risk Register, due to the potential impact on the production of the accounts by June 2017.	CD	April 2017	
7.13	To request that an update on actions arising from the Audit be provided to the next meeting.	DA/SWAP	April 2017	
7.14	To request that an example of tracking late contributions be brought to the October meeting.	DA	October 2017	
7.15	To request that SWAP benchmark the fund against other similar funds in a future audit report.	DA/SWAP	January 2018	
7.16	To request that training attended by members in their capacity as employer members also be included in the training log.	DA	ASAP	
7.17	To recommend that officers investigate potential training to be provided by Investec.	DA	ASAP	

7.18	To request that when training events are offered to members, these are accompanied with a priority recommendation by officers.	EK	ASAP	
7.19	To request that Local Pension Board members be invited to the Brunel Pension Partnership engagement event, employer member events, and recommend that if feasible a networking session for Local Pension Boards within Brunel be organised	DA	ASAP	
7.20	To request that a benchmarking exercise is undertaken against the training undertaken by Board members of other Funds.	LB	ASAP	
7.21	Investment Strategy Statement to be circulated to Board members for their input over email.	DA	March 2017	
7.22	To recommend the draft budget for the Board to the Wiltshire Pension Board and recommend that the Committee delegate authority to the Treasurer of the Fund to authorise expenditure in addition to the agreed budget and between budget headings if required between meetings of the Committee, subject to ratification at the next available meeting.	DA	March 2017	
7.23	To note the updated position from the Business Plan to date and to recommend that officers review 'low priority' actions to evaluate if they should be either de-prioritise or upgraded to a higher priority level, and establish a process by which the Committee reconsiders deadlines for actions where they are not addressed within 12 months.	DA	ASAP	
7.24	Officers to confirm details of the 'other work' that contributed to the total figure for the administration cost of the LGPS in the CIPFA benchmarking report.	RV	April 2017	
7.25	Officers to circulate the PowerPoint presentation on Brunel.	DA	ASAP	

WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 23 MARCH 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Charles Howard (Vice Chairman),
Cllr Gordon King, Mike Pankiewicz, Linda Stuart, Cllr Steve Weisinger and Cllr Roy While

Also Present:

Mr Jim Edney, Joanne Holden and Michael Hudson

112 Membership

There were no changes to the membership of the Committee.

113 Attendance of non-members of the Committee

There were no non-members of the Committee present.

114 Apologies for Absence

Apologies for absence were received from Cllr Sheila Parker, Sue Eley and
Kerry Chisholm (South West Audit Partnership).

115 Minutes

Resolved:

To confirm the Part 1 minutes of the meeting held on 15 December 2016.

116 Declarations of Interest

Jim Edney, Independent Advisor to the Fund, advised that the contract for the
Independent Advisor role was highlighted in the Business Plan as due for
review in July 2018. There was no decision to be made at this meeting, the
timeframe was just for note, therefore Mr Edney declared this only for
transparency purposes.

Cllr Charles Howard later made a declaration under item 134 below.

117 **Chairman's Announcements**

There were no Chairman's Announcements.

118 **Public Participation**

There were no members of the public present.

119 **Local Pension Board Update**

The Head of Pensions introduced the minutes and recommendations arising from the Local Pension Board meeting held on 25 January 2017. It was noted that members had discussed their Code of Conduct and the issue of indemnity insurance which was still being investigated by officers. The Board members had reviewed their training plans and Committee members were also encouraged to use the Pensions Regulator toolkit for training. It was highlighted that the Board had reviewed the risk register, regulatory update and internal audit report which were also presented before the Committee. The Committee discussed the remit of the Board as a 'critical friend' and understood the Scheme Advisory Board would soon issue a survey on how the new governance arrangements were working. The Board's recommendation on its budget was noted along with a proposed £6,000 reduction in training budget.

Resolved:

To note the minutes and recommendations of the Local Pension Board meeting held on 25 January 2017.

120 **SWAP Audit Report**

The Committee was presented with reports updating on the latest two audits from SWAP on TPR compliance and key controls, along with an update on the implementation of recommendations from the previous audits. The Committee heard that SWAP had given the Fund a 'Reasonable Assurance' opinion, there were no significant findings in the report with only two medium risks identified. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now back up to date, the reconciliation between Altair and Pension Payroll remained and was being addressed as part of the GMP reconciliation project. In respect of compliance with the Pension Regulator's Code of Practice No.14 there were no significant findings and the Fund was found to be fully compliant in publishing information about the scheme and managing risk, with only a few low priority recommendations.

The Chairman congratulated officers on a good audit report however expressed concern over overdue payments owed to the Fund. The Head of Pensions reassured members that this was a materially small figure, details of which

would be broken down in the Annual Report which would be presented to the next meeting. Members discussed the potential benefits or complications of schools joining Multi Academy Trusts (MATs) on the administration of the Fund, this could mean the fund would have fewer individual employers to manage however it could also complication valuations. The Chairman requested that officers and members consider the potential risks associated with MATs and update at the next meeting, it was noted that the situation was currently fluid and so a full paper on this would not be brought until later in the year.

Resolved:

To note the update and attached SWAP Internal Audit Reports and updated Action Plan.

To request that an initial update on the potential impact on the Fund of Multi Academy Trusts is reported to the next meeting in advance of a full report at a later meeting.

121 **Regulatory Update**

A report updated on the latest developments in respect of the LGPS scheme. In particular members discussed the Markets in Financial Instruments Directive II (MiFID II) which would take effect on 3 January 2018. The main concern for the Fund was that it would be treated as a 'retail' investor instead of 'professional' client, with implications for investment opportunities available to the Fund and on investment pooling. Members were updated that a response to the consultation had been sent on behalf of Brunel Pension Partnership.

Resolved:

To note the recent scheme and regulatory changes.

122 **Treasury Management Strategy**

A report on Treasury Management was presented to the Committee, the report identified that the Fund was in a cash neutral position, with any surplus cash being deployed into investments. Members understood there had been no changes to the Annual Treasury Management Strategy from the previous year.

Resolved:

To approve the Treasury Management Strategy for the Wiltshire Pension Fund.

123 **Investment Strategy Statement**

The Committee was presented with the draft Investment Strategy Statement for the Fund, and attention was drawn to the Agenda Supplement which contained

an amended version in response to consultation feedback which was also included. The Head of Pensions advised that the Investment Sub Committee, Local Pension Board and employer members had been consulted with, the draft Statement had also been available on the Fund's website for public comment. The Fund's Independent Advisor highlighted he had input into the statement following consideration at the Investment Sub Committee meeting.

The officer advised that the Investment Strategy Statement would replace the Statement of Investment Principles and include the financial and non-financial issues of investing. It was expected that the statement would be updated in the next 12-18 months as a result of asset pooling since this triggered a significant material change in the governance of the Fund. In response to questions, it was confirmed that most other Funds hadn't had a consultation on their respective statements and that Wiltshire welcomed feedback to allow a more robust Statement to be developed.

Resolved:

To note the consultation feedback and to approve the 2017 Investment Strategy Statement for final publication.

124 **Pension Fund Risk Register**

A report presented the latest Risk Register for review which highlighted two risks increasing from green to amber since the last report: PEN011: Lack of expertise of Pension Fund Officers and PEN012: Over-reliance on key officers. The Fund had been unable to recruit to the Pension Fund Accountant post to cover maternity leave, the Investment Officer had recently left the Fund and the Systems Manager and Senior Systems Officer had both resigned to take up other roles externally. It was also explained that the Strategic Pension Manager was committed to the Brunel Pension Partnership for 3 days a week.

The Head of Pensions advised that the Strategic Pension Manager would be available to the Fund for two weeks in April for the close of the accounts and the Fund Development Manager was covering the Systems roles. The Systems team would be reviewed with a view to developing a better staff structure. The Committee discussed that there was a general shortage in the industry of Systems and Software staff and expressed concern that the Fund was not able to pay the market rate to attract candidates due to being constrained by the Wiltshire Council salary bands. Concerns were raised over the potential impact of Financial Instruments Directive II (MiFid II) on the Fund from January 2018 and it was agreed this should be a specific risk on the register.

Resolved:

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

To add Financial Instruments Directive II (MiFid II) regulation as a specific risk to the Risk Register.

125 **Business Plan Update**

A report updated on the implementation of actions in the Business Plan and suggested amendments to the plan. It was explained that the Business Plan was coded to reflect the risk associated with items and priority. The Triennial Valuation, performance reporting and GMP reconciliations were identified as high priority with medium resource risk. It was proposed that some items on the Business Plan be deferred to allow the focus of work to be on more critical areas. In response to a question on asset pooling, it was confirmed that the Finance and Legal Advisory Group in Brunel Pension Partnership would look at staffing for the company, recommendations would go to the Oversight Board and then to the Committee.

Resolved:

To note the updated position from the Business Plan and agree the revised target dates and priority order.

126 **Wiltshire Pension Fund Administration 2016-17 Budget Monitoring**

Members received the projected outturn of the Wiltshire Pension Fund Administration Budget for 2016/17. The Strategic Pension Manager highlighted that although the Fund was £581,000 overspent, this was mostly due to a high performance fee from Baillie Gifford, thus was not of concern. On discussion of manager fees it was understood these were difficult to estimate, they usually came in under budget, and often an overspend was positive as it represented increased asset values from good performance. The benefit of separating the investment budget from the administration budget was discussed and it was agreed a separation would be useful for future reports to show the differentiation between more 'controllable' operational costs and those related to financial markets.

Resolved:

To note the projected outturn of the Wiltshire Pension Fund Administration Budget 2016/17.

To recommend that future reports separate the budget for investment manager fees, investment and administration costs.

127 **Wiltshire Pension Fund Administration Budget 2017 -2020**

A report outlined the proposed Administration budget for 2017-18 and planned expenditure in 2018-19 and 2019-20 which was broadly the same as in previous years. The Treasurer to the Fund explained that the budget contained

controllable costs and non-controllable costs, such as fore investment manager fees. It was noted that budget increases were proposed in some areas due to joining Brunel Pension Partnership and increased use of consultants. It was proposed that a delegation be made to allow the Treasurer to approve variations to the budget between meetings of the Committee to ensure time critical decisions could be made, subject to ratification at the next meeting of the Committee, it was explained that in particular working capital may be needed to support the progression of Project Brunel.

The Committee discussed the Fund's administration cost per member which appeared high in comparison to the figures CIPFA produced for other Funds, in response to this it was explained that Funds measured the costs in different ways and the key fact to consider was that Wiltshire's costs had not changed materially year on year.

Resolved:

To:

- a) **Approve the Pension Fund Administration Budget for 2017/18 shown in the Appendix totalling £10.169m.**
- b) **Note the indicative budget allocations for 2018-19 and 2019-20.**
- c) **Approve that variations against the budget will be monitored and that authority is delegated to the Treasurer to the Pension Fund Committee to approve variations to the budget where these are urgent or very significant, and that this be reported to the Committee retrospectively for ratification. That no more than £100,000 additional capital be deployed to progress Brunel Pension Partnership under this delegation.**

128 **CIPFA Benchmarking Report**

The Committee was presented with the annual CIPFA Pension Administration Benchmarking results. In response to discussion over the benefit of comparison to other Funds it was considered that although Pension Funds had different structures and therefore different measures, the comparison was useful to spot anomalies and general trends. The Fund's Independent Advisor also highlighted that Section 5 of the report related to performance of the Fund which was a useful and positive measure. In response to questions it was confirmed that Wiltshire included recharges and overheads in the figures submitted to CIPFA however other Funds may submit different figures.

Resolved:

To note the annual CIPFA benchmarking results.

129 **Pension Fund Administration Key Performance Indicators (KPIs)**

The Head of Pensions introduced Key Performance Indicators officers would use to monitor the Fund's performance of its administration of pension benefits. The officer explained that it had been challenging to develop these indicators since it was difficult to distinguish whether delays in processes were due to the Fund or a hold up due to the employer or scheme member. Officers were pleased to introduce the indicators to identify where bottlenecks in processes occurred, where efficiencies could be made, or where more resource was needed. The KPIs were the first step to monitor performance and a further report would be brought to the Committee later in the year.

The Committee questioned what consultation had been undertaken on the Fund's performance from an employer or member perspective and was advised that feedback was sought on individual Fund responsibilities such as those outlined in the Administration Strategy, rather than on performance as a whole. There was also a facility on the website where members could submit general comments to the Fund; officers also confirmed that feedback was sought when issuing documents like the Annual Benefits Statements.

Resolved:

To note the proposed KPIs for measuring the summary of the Fund's performance against its key performance indicators.

130 **Date of Next Meeting**

The next meeting of the Committee was to be held on 28 June 2017.

131 **Urgent Items**

The Chairman advised that Cllr Charles Howard was to stand down as a councillor at the May 2017 election. The Committee and officers expressed their thanks to the Vice Chairman, for his dedication and contribution over the years to the Wiltshire Pension Fund.

132 **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 133-138 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.

133 **Triennial Valuation Update**

The Head of Pensions updated on the Fund's Triennial Valuation and the agreement of contribution rates with employers.

Resolved:

To note the Valuation update provided, the 2016 Valuation report and the proposed finalised employer contribution rates for 2017-2020 as shown in the Appendix that will form the Rates and Adjustment certificate for the 2016 Triennial Valuation.

To provide the Scheme Advisory Board with the Fund's valuation funding level based on their bespoke assumptions.

134 **Brunel Pension Partnership Update**

Cllr Charles Howard declared a non-pecuniary interest due to potential future involvement in Brunel Pension Partnership. It was noted that the councillor was standing down in the forthcoming election, therefore would have no further involvement as a member of the Wiltshire Pension Fund Committee from May 2017.

The Treasurer to the Pension Fund updated on the progress of Brunel Pension Partnership.

Resolved:

To confirm a delegation to the Chief Legal Officer and Chief Finance Manager (Treasurer to the Fund) to take such actions necessary to progress Brunel Pension Partnership between meetings of the Committee. For the avoidance of doubt, this delegation includes the ability to inject up to £100,000 of additional capital into Brunel Pension Partnership as detailed under Minute 127 above.

To note the potential need to call an additional meeting of the Wiltshire Pension Committee in May or June.

135 **Liability Driven Investments Update**

A report from Mercers presented a high level review on the options for LDI and proposed an amendment to the current passive gilts allocation for Committee approval.

Resolved:

To approve the restructuring of its passive over 5 years Index linked gilts to two longer dated index linked gilt holdings to provide more hedging as outlined in the report from Mercer.

136 **Investment Quarterly Progress Report**

An update on the performance of the Fund's investments was circulated for members to note.

Resolved:

To note the performance of the Fund's investments as to the end of December 2016

137 **Investment Sub-Committee Update**

The Part 2 minutes and recommendations of the Investment Sub Committee meeting held on 1 March were available to the Committee.

Resolved:

To note the minutes and recommendations arising from the Investment Sub-Committee meeting held on 1 March 2017.

138 **Minutes**

Resolved:

To confirm the Part 2 minutes of the meeting held on 15 December 2016.

(Duration of meeting: 10.30 am - 1.00 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

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

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INVESTMENT SUB-COMMITTEE

PART 1 MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 1 MARCH 2017 AT THE LACOCK ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Tony Deane, Jim Edney, Joanne Holden, Cllr Charles Howard, Cllr Gordon King and Cllr Steve Weisinger

Also Present:

Mike Pankiewicz

34 Membership

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

35 Attendance of non-members of the Committee

Members of the public were in attendance.

36 Apologies

There were no apologies for absence.

37 Minutes

Resolved:

To confirm the Part 1 (public) minutes of the meeting held on 24 November 2016.

38 Declarations of Interest

There were no declarations of interests.

39 Chairman's Announcements

There were no Chairman's Announcements.

40 **Public Participation and Councillors Questions**

The Chairman welcomed members of the public to the meeting.

41 **Investment Strategy Statement**

Teresa Fallon, a scheme member, made a statement in respect of the Investment Strategy Statement (ISS), suggesting further ways it could be extended to secure 'greener' investing and further management of the risks posed by climate change. Ms Fallon also encouraged that scheme members be involved in discussions on the ISS.

The Chairman thanked Ms Fallon for her statement and invited the Head of Pensions to introduce the Investment Strategy Statement. The officer explained that the ISS would replace the Statement of Investment Principles as a result of the Government's new investment regulations which were amended to allow investment pooling. It was proposed that the draft ISS presented before the Sub-Committee would go out to consultation prior to approval by the Wiltshire Pension Fund Committee on 23 March. It was explained that the Statement considered financial and non-financial issues (such as climate change) to investing and noted that it would be reviewed in 12-18 months time as a result of the Fund's investment in Brunel Pension Partnership, since this presented a material change to the governance of the Fund.

The Head of Pensions advised that stakeholders (employers within the funds, the Pension Fund Committee, Pension Board and member representatives on these bodies) would be invited to feedback on the draft ISS, which would also be available to scheme members and the public to view on the Fund's website. It was noted that the Statement incorrectly referenced the approval of the full business case for Brunel Pension Partnership by Wiltshire Council as taking place on 21 March, it was confirmed this had in fact been agreed on 21 February and officers advised the draft Statement would be amended to reflect this.

Resolved:

To approve the draft 2017 Investment Strategy Statement for consultation and submission to the Pension Fund Committee on 23 March 2017.

To note the requirement to review the Investment Strategy Statement as and when material changes occur, such as the progression of Brunel Pension Partnership.

42 **Investment Themes and Opportunities 2017**

Jo Holden, Mercer, presented on the investment themes and opportunities the firm expected for Wiltshire Pension Fund and the wider markets for the next 12

months. It was noted that macroeconomic events would affect the market and it was expected that economic policy would become more protectionist in some countries. It was expected that globally, inflation would increase and interest rates would rise. The advisor highlighted that the Fund should use its assets for various reasons, such as diversification, rather than just to generate returns. In terms of structural change for the future, the Fund needed to consider an ageing population, new technological advances and the risks and opportunities posed by climate change.

Members discussed the significance of the Fund's level of maturity, it was explained that this would impact upon cashflow, as benefits would increasingly need to be paid and the cost of this would increase with inflation. Following questions on index-link gilts it was explained that these were used to value liabilities and, although gilts were expensive, they had the benefit of providing cash flow.

Resolved:

To note the report from Mercer on the latest developments and thoughts on investments for the Sub-Committee.

43 Date of next meeting

The Chairman highlighted that the next meeting was to be held on 6th July, correcting an error in the published agenda.

44 Urgent items

There were no urgent items.

45 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 items 46-51 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.

46 Minutes

Resolved:

To confirm the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 24 November 2016.

47 **Update on the Government's proposals on pooling of investments and Brunel Pension Partnership**

The Head of Pensions provided an update on the progress of Brunel Pension Partnership.

Resolved:

To note the update provided by the Head of Pensions.

48 **Investment Quarterly Progress Report**

Catherine Dix, Strategic Pension Manager, presented an Investment Quarterly Progress Report for the Fund.

Resolved:

To note the report and update provided at the meeting.

49 **Introduction to Liability Driven Investing and Structure Equity**

Officers and advisors explained the benefits of Liability Driven Investing and Structure Equity to protect the fund against its liabilities which would increase with inflation, interest rate changes and increasing life expectancy of pensioners

Resolved:

To request that officers undertake further development and detailed consideration of these products to enable a recommendation for future implementation if they are deemed to be beneficial to the Fund.

To recommend to the Wiltshire Pension Fund Committee that the Fund take its first step towards Liability Driven Investing by the restructuring of its passive over 5 year index linked gilts to two longer dated index linked gilt holdings to provide more hedging from interest and inflation risk and this costed option be presented to the next meeting.

50 **L&G Liability Driven Investing**

Chris Lyons and Anna-Marie Cunnold from Legal and General presented on the benefits of Liability Driven Investing.

Resolved:

To note the presentation provided by Legal and General and to request that a worked example of the leverage option be provided to the Committee.

51 **Schroders- Equity Protection**

Representatives from Schroders presented on the benefits of an equity protection strategy for the Fund.

Resolved:

To note the presentation from Schroders and to request that officers look into equity protection options to present to a future Sub-Committee meeting for further consideration

(Duration of meeting: 10.30 am - 1.45 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

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
6 April 2017

Scheme, Fund, Regulatory & Fund Update

Purpose of the Report

1. The purpose of this report is to highlight the latest legal, regulatory and Fund updates.

Background

2. The attached appendix outlined the current and recent scheme and regulatory changes. The purpose is to keep the Board and Committee abreast at a high level of the latest changes and developments involving the Local Government Pension Scheme.
3. The Head of Pensions will provide a verbal update on these changes at this meeting for discussion with the Committee.

Considerations for the Board

4. To note the discussions in relation to the latest scheme and regulatory updates as listed in the table in the appendix. This table has now been updated to reflect the associated risk from these changes. Those changes shaded grey have been previously presented to this Board.

Environmental Impact of the Proposal

5. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

6. There are no known implications at this time.

Financial Considerations & Risk Assessment

7. There is no financial consideration resulting from this proposal.

Proposals

8. The Board is asked to note the changes highlighted within this report.

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 1

Organisation	Subject	Link	Comments	Risk
HM Treasury	Pensions scams: consultation	https://www.gov.uk/government/consultations/pension-scams/pensions-scams-consultation	Published 5 December and closing on 13 February 2017, This consultation sets out a package of measures aimed at tackling three different areas of pensions scams, a cold calling ban consulting on clarifying the law so that Funds can block pension transfers based if concerned it's a Scam, and looking at single-member occupation pension schemes only being registered by active companies.	
	Indexation and equalisation of GMP in public service pension schemes	https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes	Published on 28 November 2016, and closes on 20 February 2017, this consultation is seeking views on how to address the implications of State Pension reforms for Guaranteed Minimum Pensions (GMP) of public servants below State Pension age.	
	Reforms to public sector exit payments: response to the consultation	https://www.gov.uk/government/consultations/further-consultation-on-limiting-public-sector-exit-payments	Introduction of new regulations for exit payments appear to have been further delayed. It was originally anticipated that the £95k cap would be brought in from October 2016. It's expected to be introduced early next year. In addition, the recovery of exit payments for high earners who are re-employed was expected to be introduced from April 2016, but that was delayed and the final legislation is now expected later this year. The Government has also responded to the consultation on reforming exit payments across the public sector. This confirms that reforms will go ahead, including limits on employer funded early access to pension benefits (e.g. redundancy and business efficiency retirements in the LGPS). DCLG will now consider how the LGPS regulations need to be amended to deliver the policy intention.	
	Actual valuation and Cost cap mechanism	http://www.lgpsboard.org/images/Guidance/pspav.pdf	The review the cost cap mechanism that was implemented as part of the national reforms of Public Sector Pensions.	
HM Revenues & Customs	Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in	https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision/revenue-and-customs-brief-14-	Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice. Consultation closed	

Organisation	Subject	Link	Comments	Risk
	PPG	2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision	31 December 2017	
DCLG	Local government pension scheme statistics	https://www.gov.uk/government/collections/local-government-pension-scheme	This collection brings together all statistics on the local government pension scheme in England and Wales	
	LGPS Regulations: Best Value & Fair Deal consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations	This consultation reviews the approach for Best Value and Fair Deal for the transfer of staff. Closed 20 August 2016.	
	LGPS investment regulations	http://www.legislation.gov.uk/ukxi/2016/946/contents/made	These regulations were laid before parliament on 23rd September and come into force from 1st November 2016. They remove many of the investment restrictions imposed on LGPS funds, introduce a prudential framework for investment decision making, introduce a Power of Direction for the Secretary of State to intervene in the investment function of an Administering Authority if deemed necessary, and require all funds to publish a new Investment Strategy Statement by 1st April 2017.	
	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	<p>The ISS replaces the Statement of Investment Principles and DCLG has also published their 'Guidance on Preparing and Maintaining an Investment Strategy Statement' to assist funds. This was issued on the 15th of September. Many aspects of the new ISS are similar to the SIP, although there are a few notable additions:</p> <p>The need for Administering Authorities to take proper advice (in numerous areas, although 'proper advice' does not seem to be clearly defined anywhere)</p> <p>The need to state the Authority's approach to pooling investments, including the use of collective investment vehicles and shared services</p> <p>The submission of an annual report on the progress of asset transfers to the Scheme Advisory Board,</p>	

Organisation	Subject	Link	Comments	Risk
			and A strengthened section on the exercise of rights (including voting rights) attaching to investments. This latter part of the guidance states that Administering Authorities should become signatories to the Stewardship Code and state how they implement the seven principles and guidance of the Code on a “comply or explain” basis.	
	Response to Investment Regulations consultations	https://www.gov.uk/government/consultations/revoking-and-replacing-the-local-government-pension-scheme	Outlines the Government response to the investment regulations consultation.	
The Pension Regulator (TPR)	Public Sector pensions website update	http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx	The Regulator has recently made some updates to the public service toolkit. The toolkit which provides a foundation to effective scheme governance and administration has been updated and additional guides and checklist have been published.	
	Publishing Scheme Information	http://www.thepensionsregulator.gov.uk/public-service-schemes/publishing-scheme-information.aspx	TPR emailed around its public sector contacts on Wednesday this week, calling on public service schemes to check information about their pension board is published to avoid failing their governance duties. Under legislation, scheme managers are required to publish and keep up-to-date information about the board's members, its representation, and what matters it is responsible for. They should also publish details such as the board's terms of reference and appointment process. This rule is designed to help members easily identify which individuals are involved in their scheme's governance. The outcome of Wiltshire Pension's Fund review is shown in the appendix.	
	Record Keeping Guide	http://www.thepensionsregulator.gov.uk/docs/record-keeping-quick-guide.pdf	A quick guide designed to understand what record keeping is important and steps needed to take to ensure records are complete and accurate.	
	Self Assessment Tool for Public Service Pension Schemes	http://www.thepensionsregulator.gov.uk/docs/PS-assessment-tool.xls	The TPR have now issued its own toolkit for Funds to complete to check their own compliance with the Code of Practice.	

Organisation	Subject	Link	Comments	Risk
Government Actuaries Department (GAD)	Section 13 Dry Run Report	http://www.lgpsboard.org/images/Reports/Section13DryRun20160711.pdf	The Government Actuary's Department (GAD) have completed a "dry run" section 13 analysis based on the 2013 local valuations. This analysis assesses whether the four main aims; compliance, consistency, solvency and long term cost effectiveness; have been achieved.	
	Section 13 Report appendices showing WPF results	http://www.lgpsboard.org/images/Reports/Section13DryRunAppendices20160711.pdf		
	Managing risks in the public service pension schemes	https://www.gov.uk/government/publications/managing-risks-in-public-service-pension-schemes-thoughts-on-measures-and-control-mechanisms	GAD has published a document outlining its thoughts on a report published in June from the National Audit Office on the Government's public sector pension liability. The document sets out some ideas on appraising long-term risks for public sector pension schemes.	
Financial Conduct Authority (FCA)	CP16/29: Markets in Financial Instruments Directive II implementation – Consultation Paper III	https://www.fca.org.uk/publications/consultation-papers/cp16-29-mifid-ii-implementation	This consultation closed on 4 January 2017, and looked at the Markets in Financial Instruments Directive II (MiFID II) which takes effect on 3 January 2018. The main concern for the LGPS is all investors would be treated as "retail" investors as opposed to "professional" clients. This would have significant implications for the investments available to LGPS Funds and significantly impede the implication of investment pooling. A response was drafted by the Brunel Pension Partnership on behalf of the 10 Founder Funds and can be viewed at the following link: https://www.brunelpensionpartnership.org/en/news/2017/01/bpp-response-to-mifid-ii-consultation	
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	SAB in support of its work plan for 2016/17, invited proposals from interested parties to assist it in developing options with regard to the plan to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities. This outcome of this initial work will be considered by the SAB prior to it potentially making recommendations to the Secretary of State.	
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard	

Organisation	Subject	Link	Comments	Risk
			<p>issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Board is working to develop a voluntary Code of Transparency for LGPS asset managers</p>	
	Committees – membership & remit	http://www.lgpsboard.org/index.php/sub-comms/membership-remit	The new Committee and sub-Committee have been announced. David Anthony (Head of Pensions) will sit on the Investment, Governance & Engagement committee and is a substitute for the Cost Management & Scheme Design Committee as a practitioner representative.	
CIPFA	LGPS Fund Accounts 2016/17: Example Accounts and Disclosure Checklist	http://www.cipfa.org/policy-and-guidance/publications//lgps-fund-accounts-201617-disclosure-checklist	CIPFA have released the example accounts and disclose checklist for 2016/17 on which this year accounts need to be reported on. A copy of this document is available to Board Members on request.	
	Investment pooling guidance	http://www.cipfa.org/policy-and-guidance/publications//investment-pooling-governance-principles-for-lgps-administering-authorities-online	Guidance for Funds to consider when setting up pooling of investments.	
	Funding Strategy Statement Guidance	http://www.cipfa.org/policy-and-guidance/publications/p/preparing-and-maintaining-a-funding-strategy-statement-in-the-lgps-2016-edition	This guidance has now been published and it helps authorities to review and update their FSS to take account of this new guidance and associated regulatory changes.	
Wiltshire Pension Fund	Update on Insurance Indemnity Issue		Still awaiting further guidance from Scheme Advisory Board. Quotes have been obtained to provide cover if required.	

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
6 April 2017

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

1. The purpose of this report is to present a summary of the proposed basis for measuring the Fund's performance against its key performance indicators (KPIs) that was reported on at the Pension Committee meeting on 23 March 2017 and will be used to update future meetings of both the Committee and Board.

Background

2. As part of the Fund's 2015/18 Business Plan we have a commitment to introduce bi-annual performance reporting in order to improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service. This Fund has a Pension Administration Strategy which this Board has reviewed and it can be seen on the link below:

<http://www.wiltshirepensionfund.org.uk/pension-administration-strategy-2015.pdf>

3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide ranging governance requirements the Regulator expects to see adhered to.

Considerations for the Board

4. As part of its performance reporting the Fund has identified the following key indicators on which to report:
 - Putting benefits into payment on retirement;
 - Commencing payment of benefits for deferred members;
 - Provision of benefit estimates;
 - Provision of deferred benefit statements to early leavers;
 - Processing of transfer payments into and out of the Fund;
 - Provision of cash equivalent values in cases of divorce;
 - Processing of refunds of contributions;
 - Processing of inter-LGPS Fund transfers; and
 - Payment of death grants.
5. The attached shows a breakdown of the administration team's performance against the indicators outlined above.
6. The intention is to subdivide the time taken to complete each task into different tranches (0 to 5 days, 6 to 10 days, etc.), as well as setting out those instances where

performance was outside of the statutory time limits. This information, and the detailed reporting that sits behind it, will be used to better understand any potential issues impacting the day-to-day administration of the Fund (for example are we having to respond to urgent cases more quickly due to poor employer performance).

7. Separately we will be introducing reporting on the performance of scheme employers, including Wiltshire Council, in the accurate deduction of employee and employer contributions and their timely payment over to the Fund. We will also extend reporting on employer performance in due course to include the provision of information relating to retirements, early leavers and deaths in service.

Conclusions

8. This is the first time that the Fund has collated detailed information on its performance against key administrative tasks. Officers will now look to analysis the results going forward to identify and address any issues arising from this reporting, with the aim of ensuring continual improvement of the team's performance against the statutory standards. Furthermore we will also look to address the issue of individual scheme employer performance, in order that we can work with them to further improve the level of service to our membership.

Pension Committee Comments

9. The Pension Committee was asked to note these proposed KPIs and suggest any amendments they might wish to see to this reporting in the future. The stated that would like to see the inclusion of costs data where possible.
10. The Head of Pensions outlined this was a starting point and an easy to read dashboard would be developed with other areas of performance in due course.

Environmental Impact

11. There is no environmental impact from this report.

Financial Considerations

12. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

Risk Assessment

13. There are no direct risks to the Fund associated with this reporting.

Legal Implications

14. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

15. There are no implications at this time.

Proposals

16. The Board is requested to note the proposed KPIs for measuring the summary of the Fund's performance against its key performance indicators.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony – Head of Pensions

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Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

Period 01/10/2016 to 31/12/2016

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	30	31	30	9	7	4	111	90	20
Deferred in to retirement	88	22	3	2	2	1	118	97	20
Processing of Death cases	78	16	9	3	9	7	122	87	20
Benefit Estimates	91	33	22	12	22	6	186	85	40
Leavers to Deferred status	140	25	26	24	338	134	687	31	40
Transfers in	0	1	1	1	3	4	10	30	40
Transfers out	10	1	0	1	1	1	14	86	30
Interfund Transfers	4	2	2	0	0	16	24	33	40
Pension Sharing Orders	22	7	5	2	8	8	52	69	30
Refund of contributions							0		20
Grand Total	463	138	98	54	390	181	1324		
Percentage	35%	10%	7%	4%	29%	14%			

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Notes

Wiltshire working days are an amalgamation of the days per each sub-task associated with the event Working days from initial set-up of work-flow case.
 Currently ignores quote work carried out beforehand.
 Refunds currently being configured.

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
6 April 2017

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Risk Register (see Appendix) which was reported to the Pension Fund Committee on 23 March 2017.

Background

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

Key Considerations for the Board / Risk Assessment

3. The significance of risks is 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).
4. There are two risks increasing since the last report on 25 January 2017. These changes relate to staffing issues for the Fund.
5. ***PEN011: Lack of expertise of Pension Fund Officers & PEN012: Over-reliance on key officers.*** This has returned to amber from green. Although the Technical & Compliance Manager is covering the Benefit's Manager maternity leave, and Hymans Robertson are providing additional technical support over the next 6-9 months, the Fund has been unable to recruit to the Pension Fund Accountant post to cover maternity leave. The Investment Officer has now left the Fund after 19 years service, while the Systems Manager and Senior Systems Officer have both resigned to take up other roles externally. The Strategic Pension Manager is also committed to the Brunel Pension Partnership three days per week.
6. The Fund has had relatively low turnover for the past few years so perhaps inevitable a number would occur in a short period. From the Finance team's perspective, the Fund, having already tried to recruit to the Pension Fund Accountant role, now has approval to look towards agencies to fill the gap. The Investment Officer role has now been recruited to with the new officer due to start at the end of April. The Fund has flagged a resource risk with the Brunel Pension Partnership and it has been requested that the Strategic Pension Manager covers the closure of accounts for a two week period at the end of April / May.
7. Short term cover will be provided for the Systems Manager role by the Fund Development Manager taking on these duties. A review of the Systems Team was due to take place based on the feedback of our consultants, and this will now be brought forward. Additional cover will be provided in the short term by the Data Quality Analysts who are working on the GMP project and are ahead of schedule, to take the Fund

through the year end process until appointments can be made into a new structure. One positive is the System Assistant post which was vacant has now been filled.

8. Also to note is that ***PEN020: Pooling of LGPS assets*** remains a red risk. There is significant amount of resource required by officers to progress this project now the full business case has been approved. This position will be kept under review as a better understanding of the potential movement of staff out of the Fund to the Brunel pool should be known by mid 2017.
9. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.
10. At its meeting on 23 March, the Pension Committee requested that MIFID 2 is added as a specific separate risk.

Financial Implications

11. There are no known implications from the proposals.

Legal Implications

12. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications at this time.

Proposals

15. 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							14-Mar-17			Current Risk Rating			Target Risk Rating						
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
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. Documentation of processes and reconciliations.	2	2	4	Low	None	David Anthony		2	2	4	Low	14 Mar 17	→
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 reviewed in Dec 2016 and 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	None	David Anthony		4	1	4	Low	14 Mar 17	→
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	14 Mar 17	→
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	Review procedures / policies to ensure compliant with Wiltshire Council Trans gender policy.	Craig Payne	Sep 17	2	1	2	Low	14 Mar 17	→
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. Concern that further information is still pending from Government.	2	2	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. Not anticipating implementation until April 2017.	Craig Payne	Apr-17	1	3	3	Low	14 Mar 17	→
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 records.	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. Additional software from Heywood's to process amendments in bulk has been purchased.	2	4	8	Medium	Reconciliation project on-going. Need to agree policies for tolerances with Committee.	Mark Anderson	Dec-17	1	3	3	Low	14 Mar 17	→

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		
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	None	David Anthony		4	1	4	Low	14 Mar 17	→
PEN006a	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 price of gilts lead 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. This approach has been used for the 2016 Valuation.	David Anthony		2	2	4	Low	14 Mar 17	→
PEN006b	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 price of gilts lead 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 2016 Valuation will set employer rates for the 3 years from April 2017.	2	2	4	Low	The rates for the 2016 Valuation were presented in October. The better than expected investment performance along with improving membership experience and reviewing of assumptions has meant most increases have not been significant.	David Anthony		2	2	4	Low	14 Mar 17	→
PEN007a	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 consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy has continued in the 2016 Valuation. A new Investment Strategy Statement will be implemented by April 2017, following approval by this Committee in March.	David Anthony		2	2	4	Low	14 Mar 17	→
PEN007b	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 consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	Low	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. A new Investment Strategy Statement will be implemented by April 2017, following approval by the Committee in March.	David Anthony		2	2	4	Low	14 Mar 17	→

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		
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 new Cessation Policy in March 2016 to provide an updated agreed framework for recovery of payments. All new admitted bodies require a guarantor to join the Fund. It also provides additional flexibilities for the Fund dealing with employers cessation payments.	2	2	4	Low	Concern over ability for Head of Pensions to spend sufficient time covering the strategic employer issues with the on-going Brunel project. Additional time to be planned to assist in training Employer Relations Manager and new procedures being drafted.	David Anthony		2	1	2	Low	14 Mar 17	→→→
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 will review an updated Treasury Management Strategy at the March meeting 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	14 Mar 17	→→→
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	David Anthony	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.	3	2	6	Medium	Markets have appeared to have settled since the BREXIT vote. Risk mitigation tools be considered by Investment Sub Committee to protect Fund from future downside risk. Paper on initial steps for LDI considered at this meeting.	Catherine Dix	Mar-17	3	1	3	Low	14 Mar 17	→→→
PEN042	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. The Breaches framework now require the Fund to log material late payments.	2	3	6	Medium	The amount of employers (170) to review and monitoring is too high for current resource level and in order to ensure compliance with TPR Code, need to ensure each missed payment is reported to Regulator after 90 days. A revised contributions framework is currently being implemented, but vacancies slowing implementation.	David Anthony	Mar-17	2	2	4	Low	14 Mar 17	→→→
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, Ombudsmen rulings, fines, adverse audit reports, etc	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants. Technical & Compliance post reviews process and procedures and maintains training programme for the team. The Pension Regulator now has responsibility from 1 April 2015 for Public Sector Pension Schemes. Their code of practice includes a number of new requirements which the Fund has assessed itself against	2	3	6	Medium	Work continues to ensure the Fund can comply fully with the tPR Code of Practice requirements but this may lead to areas of non-compliance in the short term. Any "material" non-compliance will be reported to the Regulator. An audit report on the Fund's compliance is presented to this Committee meeting.	David Anthony	Dec-16	2	2	4	Low	14 Mar 17	→→→

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		
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. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team.	2	2	4	Low		Martin Downes		2	1	2	Low	14 Mar 17	→→→
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. Work continues with employers to ensure data is accurate. Key man risk due to team leavers.	Mark Anderson	Jun-17	2	1	2	Low	14 Mar 17	→→→
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	4	8	Medium	The Benefits Manager maternity leave being covered by Technical & Compliance Manager, with support on technical issues being provided by Hymans Robertson in the short term. Pension Fund Accountant on maternity leave, Investment officer vacant, Systems Manager & Senior Systems Officer leaving. Fund Development Manager covering Systems Team.	David Anthony		2	1	2	Low	14 Mar 17	↑
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	4	8	Medium	Benefits Manager maternity leave covered by Technical & Compliance Manager. Hymans Robertson providing technical support to the Fund. Pension Fund Accountant on maternity leave and no suitable candidates found, Investment officer role vacant, Systems Manager & Senior Systems Officers leaving. Fund Development officer providing cover short term.	David Anthony	Mar-17	2	1	2	Low	14 Mar 17	↑
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	3	6	Medium	The new members training plan for 2015-17 was approved in March 2015. Vice Chair of Pension Committee / Chair of Investment Sub Committee due to step down at next election, and Wiltshire Councillor elections to be held in May creates concern over continuity for the Committee.	David Anthony		2	1	2	Low	14 Mar 17	→→→

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		
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 the effectiveness of the Investment Sub-Committee was undertaken which indicates its effectiveness and positive contribution in considering investments in more detail and freeing up Pension Committee agenda time. The Local Pension Board Annual Report has shown how its been effective over the past 12 months in assisting in the effectiveness of administration of the Fund.	David Anthony		1	3	3	Low	14 Mar 17	→
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	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 Project Brunel on the potential feasibility of setting up a pooling arrangement. Progress and updates regularly reported to Committee. The Fund approved the submission to Government in response to the consultation in July 2016. The full business case was approved by Council in February. The implementation phase now commences.	3	4	12	High	There is significant amount of resource required by officers to progress this project following approval of the full business case. Additional support is being provided by benefits consultants to provide extra resources over the next 3-6 months. A better understanding of the potential movement of staff out of the Fund to the pool will be known by mid 2017. .	David Anthony	Jun-17	1	3	3	Low	14 Mar 17	→
PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	David Anthony	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes will need to be monitored through work planning and appraisals.	2	4	8	Medium	Additional benefits consultant resource is being utilised in the short term to provide cover for officers supporting both Brunel and the on-going Fund workloads. This will be reviewed in 3-6 months time. Current level of vacancies within the Finance and Systems team puts pressure on delivery of Business Plan current targets & reviewed at this meeting	David Anthony	Jun-17	1	2	2	Low	14 Mar 17	→
PEN025	Academisation of Schools	Regulatory & Governance	The recent proposals from the Government to encourage all school to convert to academy status.	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	David Anthony	Regular communications with schools to understand their intentions. Questionnaires recently sent to Schools.	2	3	6	Medium	If the number of employers increases significantly the Fund will need to consider resources for managing this increased administration and governance workload. To be kept under review.	Denise Robinson	Apr-17	1	1	1	Low	14 Mar 17	→
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. Both Employer and Members newsletters have been sent out during March / April. Employer forums were held in April and September with an AGM being planned in June. The Fund now has a Twitter account.	Zoe Stannard / Denise Robinson		1	1	1	Low	14 Mar 17	→

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
6 April 2017

INTERNAL AND EXTERNAL AUDIT UPDATE

Purpose of the Report

1. This report updates the Board on the 2016-17 internal audit report by the South West Audit Partnership (SWAP) on key controls, and provides an update on progress of actions from the SWAP report on the Wiltshire Pension Fund compliance with the Pension Regulators Code of Practice No 14.
2. The report doesn't focus on the external audit report by KPMG reported to this Committee in September 2016 as no recommended actions arose from this.
3. This paper also updates the Board on the appointment process for the external auditor.

Background

4. The internal audit of Pensions has been completed by SWAP in accordance with an agreed Internal Audit plan. This supports the annual audit undertaken by KPMG (the external auditors).
5. The SWAP papers were considered by the Pension Fund Committee at their meeting on 23 March 2017.

Key Considerations for the Board

Key Financial Controls Internal Audit of Key Controls 2016-17

6. The internal audit of the key controls for 2016-17 is now completed. This takes a risk based approach to ensure the key financial system controls are operating effectively for the Wiltshire Pension Fund and that fraud, error or corruption is minimised. This audit was expanded to accommodate the request from the Board that it reviews the Fund's compliance with the requirements under the 2014 LGPS Regulations and CIPFA Code of Practice Requirements for Annual Reporting.
7. SWAP has given the Fund a "Reasonable Assurance" opinion. There were no significant findings in the report, with two priority 3 risks identified.
8. Of the two medium risks, the reconciliations of New Pensioners and New Dependents between the Altair Pension system and SAP Pension Payroll will commence once resources are in place. The reconciliation between Altair and Pension Payroll records are on-going as discussed in paragraph 6.

SWAP Report – Compliance with the Pension Regulator's (tPR) Code of Practice No 14

9. This audit assessed the Wiltshire Pension Fund's compliance with the legal requirements of the Pension Regulators Code of Practice No. 14. There were no significant findings and five 'Priority 3' recommendations highlighted in the report. These referred to the following areas:

- the completion of initiatives to bring the Board Members knowledge & understanding to the level required - **update: completion of the tPR toolkit is outstanding for 1 member.**
- the assessment of materiality of late and overdue contributions and consideration to the regulator - **update: new framework being implemented, update to October Board meeting**
- the meeting of regulatory timescales for distributing annual benefits statements aren't exceeded - **update: Project started to ensure completion within timeframe;**
- the Internal Dispute Resolution Process (IDRP) is fully reviewed to address tPR's code and the documentation is updated on the website - **update: processes reviewed;** and
- the IDRP procedures is redrafted to show timescales to manage members expectations - **update: timescales on website.**

10. The Local Pension Board also requested an example of how the Fund tracks late contributions at its October meeting and that SWAP benchmark the Fund against other similar funds in future audit reports on TPR compliance.

Appointment of the External Auditor

11. The Board asked officers to confirm the process for appointing auditors. The current external auditors KPMG are contracted until 2017/18, and pending changes to legislative requirements to appoint public body auditors following the Local Accountability and Auditor Act 2014 that dissolved the Audit Commission, the Council has to determine an appropriate route to appoint its external auditors thereafter.

12. This was considered by the Audit Committee on 26 October 2016, and they resolved to support in principle an approach by Wiltshire Council to join a 'sector led body' arrangement where specified appointing person status had been achieved under the relevant Regulations, provided that: (a) value for money is achieved and (b) the period of appointment for auditors is specified.

13. The relevant paper and minutes can be viewed at the link below:

<http://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=155&MId=10072&Ver=4>

Risks Assessment

14. The risks reflected in this Internal Audit report are included in the Risk Register which is updated quarterly and presented to this Committee.

Financial Implications

15. The internal audits fees are based on an annual recharge from Wiltshire Council. The fee for the 2015-16 external audits by KPMG is approximately £26k and a direct charge to the Fund.

Legal Implications

16. None have been identified as arising directly from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Proposals

18. The Board is asked to note this update and the attached SWAP Internal Audit Report.

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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Wiltshire Pension Fund – (Key Financial System) 2016/17


Audit Report

Issue Date: 08 March 2017




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2016/17 Internal Audit Plan, an audit has been undertaken of the Wiltshire Pensions Fund to identify key risks and assess the effectiveness of the controls and procedures operating to mitigate. The administration of pensions is one of the key financial systems that the Council relies on to support its day to day operations.

This report provides management with a summary of the audit findings and assurance over the effective operation of key system controls. Where not operating effectively, recommendations have been made for improvement with associated management actions to manage the risks and add value to the system process.

It should be noted that, where our testing of system controls, has identified any apparent weaknesses, we are required to obtain an undertaking for corrective action from the appropriate manager.

Objective

To ensure key financial system controls are operating effectively for the Wiltshire Pensions Fund, and that the inefficient use of resources, fraud and error is minimised.

Significant Findings

Risk:	Impact
No Significant Risks Reported.	

Audit Opinion:

Reasonable

I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

This opinion reflects that the recommendation for improvement to the reconciliation process between the Altair Pensions and SAP Payroll (for payments) applications, in particular between new dependents and pensioners. We do however acknowledge compensating controls that has reduced the level of residual risk.

We are pleased to report that other reconciliations have been brought up to date and operating effectively. We note however the Management Accountant responsible for the Pension Fund is currently on maternity leave and the acting up replacement is due soon to leave the Council. In addition a number of other key staff will soon be leaving the Pension Administration Team. These staff changes therefore may have a negative impact on the control framework and management therefore need to monitor the situation.

Well Controlled Areas of the Service

Systems and processes haven again been proven to be well embedded with associated key financial controls operating satisfactorily in respect of:

- Review and Authorisation of Benefits Calculations;
- Production and independent Review of Pensions Payroll Exception Reports; and
- Authorisation of Starters and Leavers (Members and Pensioners).

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. The Wiltshire Pension Fund suffers financial loss because contributions received and payments to pensioners are incorrect.	Medium	Low	Low
2. The Wiltshire Pension Fund's financial records are compromised by the inaccurate reporting of balances and resultant material misstatements.	Medium	Low	Low
3. The Wiltshire Pension Fund suffers financial and reputation loss at it is not compliant with LGPS regulations.	Medium	Low	Low
4. The Wiltshire Pension Funds records are put at risk of fraud and error because access to the Pensions system application is not restricted to authorised users.	Medium	Low	Low
5. The Council is exposed to greater risk because previous audit recommendations have not been implemented.	Medium	Low	Low

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

Prior year reporting has highlighted that systems and processes are proven to be well embedded and associated key financial controls are considered to operate effectively in respect of:

- Review and authorisation of benefits calculations;
- Production and independent review of pensions payroll exception reports; and
- Authorisation of Starters and Leavers (Members and Pensioners).

Therefore, for these areas, a “lighter touch approach” was adopted for this audit with the effectiveness of the principles of control has been confirmed from walkthrough review of selected, example cases.

At the request of the Chair of the Local Pension Board, the scope also included an examination of the Annual Report for the Pension Fund to ensure complies with regulatory requirements.

The scope of review has not included processes included and reported in other audit reviews including:

- Bank reconciliation arrangements;
- Setting up New Starters and Processing Leavers on the SAP Payroll system.

1.1

1. The Wiltshire Pension Fund suffers financial loss because contributions received and payments to pensioners are incorrect.

Low

1.1.1 Finding and Impact

Review and Authorisation for Calculation of Benefits

Walkthrough review of a sample of recent transaction cases confirmed that appropriate controls are operating and evidenced in respect of the review and authorisation process for calculations of benefits on death, retirees and transfers out.

1.1.2 Finding and Impact

Production and independent Review of Pensions Payroll Exception Reports

There is appropriate production and review of exception reporting in respect of the pension's payroll on a monthly basis which is considered to be timely.

Appropriate evidence is retained of checks undertaken with:

- Individual entries ticked to denote they have been confirmed as correct;
- Reports signed and dated by the Payroll Officer to confirm sign off; and
- Copies of scanned, signed reports are retained on the secure server to support each month's checks.

1.1.3 Finding and Impact

Authorisation of Starters

Our examination of a sample of new starters confirmed that starter details had been transferred completely and accurately to the Altair application, from forms and the employer starter spreadsheet. Further that starter records had been approved by a recognised, authorised officer by means of confirmatory email.

1.1.4 Finding and Impact

Authorisation of Leavers

As reported under benefit payments above, a walkthrough review of recent sample of cases confirmed that appropriate controls are operating and evidenced in respect of the review and authorisation process of leavers to the scheme (i.e. through processing of benefits on death, retirees and transfers out).

1.2.1 Finding and Impact

Follow Up of 2015-16 Findings - New Pensioners and New Dependants Reconciliations

Our review of the last reconciliations undertaken for New Pensioners and New Dependants confirmed that these had been undertaken in accordance with the agreed procedure. However, whilst these should normally be undertaken quarterly, the Pensions Fund Development Manager stated that the last full reconciliation undertaken was in April 2016, in respect of the period ending 31st March 2016. This was also verified from our review of the last reconciliation provided.

It was also found from our review that these reconciliations have been removed from the latest version of the reconciliations checklist. As a result, progress is not transparently reported as overdue.

A full reconciliation was found not to be carried out between the Altair Pensions Application (Altair) and SAP Payroll (pensioners) on a regular basis. The situation was also reported in the previous audit (2015/16) and management actions agreed. Further that checks instigated since the last full check carried out in 2011 have not been cumulative. This is, in part, due to an outstanding decision on whether an integrated Altair payroll module will be added to the system. However, this has also been impacted by the ongoing GMP reconciliation which is due to be completed at the end of December 2018.

Given delays in checks undertaken between new pensioners and new dependants, there is a risk that discrepancies between Altair and SAP Payroll records will not be identified and dealt with promptly resulting in over- or under-payment of benefits.

1.2.1a Proposed Outcome:

Priority 3

Agreed that reconciliations of New Pensioners and New Dependants between the Altair Pension system and SAP Pensions Payroll are undertaken on a monthly basis.

Action Plan:

Person Responsible:	Head of Pensions	Target Date:	By September 2017
Management Response:	Agreed that monthly reconciliations would be preferable for the New Pensioners and New Dependants reconciliations. The Fund currently experiencing high levels of staff turnover as flagged on its risk register, and is looking to develop its data quality team to pick up these specific reconciliations in future.		

1.2.1b Proposed Outcome:

Priority 3

Agreed that an updated full reconciliation be undertaken between Altair and SAP Payroll to provide further assurance that payments made to pensioners cast. This should provide the basis for a monthly reconciliation of cumulative balances.

Action Plan:

Person Responsible:	Head of Pensions	Target Date:	By December 2017
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Management Response:

The Guaranteed Minimum Pension (GMP) reconciliation project is currently on-going which is due to finish in December 2018 with the timescales being dictated by HMRC. As this reconciliation is in part a reconciliation of the SAP payroll to Altair, officers' view is this is being undertaken to a certain extent with a full reconciliation of the two systems to be prioritised after this date.

1.2.2 Finding and Impact

Follow up of 2015-16 Findings - Additional Payroll Costs Reconciliation

The last completed reconciliations were reviewed for:

- Lump Sum (GL Code 100421)
- Trivial Commutation (GL Code 956303)
- Underpayments (GL Code 100401)

From this it was confirmed that they have been undertaken in accordance with agreed procedures, balances were supported by system reporting and verified copies had been saved by the Pension Fund Accountant (annotated with her initials as required).

The Pension Fund Accountant confirmed that, although reconciliations had been undertaken on a regular monthly basis, there had been delays, until more recently, in verifying these given available staff resource.

Review of the latest reconciliation and supporting checklist confirmed this with delays in verifying reconciliations reported up until August 2016 (averaging between 55 and 93 days). Although, there were delays in undertaking verification for October, since then, there have been improvements and, although there were delays in undertaking verifications of October, this was less notable than in prior periods (averaging 44 days after the period end date). Additionally, verification of the November reconciliations was underway at the time of the audit review (December 2016). Thus no further recommendation is made in this respect.

1.2.3 Finding and Impact

Evidence of Regular Discussions with Governors and the Actuary - Fund Valuation Position

Our review confirmed that there has been regular quarterly reporting to the Board on the fund position for 2016-17 to date.

There is also appropriate evidence of members' consideration of the latest actuarial tri-annual valuation with an update on progress provided by the Head of Pensions in the last meeting held in December 2016.

1.3 3. The Wiltshire Pension Fund suffers financial and reputation loss at it is not compliant with LGPS regulations.

Low

1.3.1 Finding and Impact

Annual Reporting - Accordance with the requirements of LGPS and other Relevant Regulations

At the request of the Chair of the Local Pension Board, a high level review was also undertaken to determine whether the Annual Report for the Pension Fund contained the requisite regulatory sections.

From this it was confirmed the latest report for 2015/16, meets the requirements of LGPS Regulations 2013, 57(1) by including (or linking to) a:

- Management and Financial Performance Report;
- Investment Policy & Performance Report;
- Scheme Administration Report;

- Actuarial Report on Funds;
- Governance Compliance Statement;
- Fund Account, Net Assets Statement and Notes;
- Pensions Administration Strategy Report;
- Funding Strategy Statement;
- Statement of Investment Principles;
- Communications Policy Statement;
- Discretionary Material; and
- Material required by the LGPS Scheme Advisory Board to publish their Scheme Annual Report.

Although, an advisory recommendation has been made in respect of information required of best practice which has not been included, in respect of the following discretionary content recommended under CIPFA Guidance:

- KPI data on staffing efficiency (management and performance reporting); and
- Reporting on the manner employer discretions have been exercised in the reporting period a glossary of commonly used pension terms to aid readers (again categorised as discretionary).

Discussion with the Head of Pensions and the Chair of the Local Pension Board has also confirmed that future internal audit work may include more detailed focus on the content of the various reports and statements listed above to ensure they are compliant with the requirements of various other LGPS regulations.

1.3.1b Proposed Outcome:

Priority 2

I recommend that Pension Fund management consider the addition of further information categorised as best practice or discretionary as detailed in the audit report.

1.3.2 Finding and Impact

Compliance with CIPFA Code of Accounting Practice Requirements for Annual Reporting

At the request of the Chair of the Local Pensions Board, review also considered whether the annual report is also in accordance with the CIPFA Code of Accounting Practice.

The Council's External Auditor routinely request that management provide evidence of the checks they have made against the disclosure checklist published by CIPFA to ensure compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in respect of fund accounts, disclosures and notes (included in the annual report). Review confirmed that a copy had been retained by the service management to confirm the checks and confirmations sought.

As this checklist is recognised as a tool rather than an official document, there is no official, evidential sign off of the checklist by KPMG or management. An exception reporting basis is instead adopted with the external auditors confirming any necessary updates to the statement of accounts required where applicable.

Our review of the annual audit report (extract from the report presented to audit committee in July 2016) confirmed that no material misstatements were identified. Although 'a small number of presentational adjustments were required' these were noted in the Local Pension Board meeting minutes of July 2016, as only minor stylistic corrections needed to the accounts.

The External Auditor's opinion subsequently given within the Annual Pensions Fund Report confirms: 'the pension fund financial statements [reported within]... comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.'

However, noting the expectations of the Chair of the Local Pensions Board for explicit physical evidence of actual compliance checks against the checklist, more detailed future audit review against this checklist may be considered to provide further assurance that the content of the annual report is compliant with the Code of Practice.

1.4	4. The Wiltshire Pension Funds records are put at risk of fraud and error because access to the Pensions system application is not restricted to authorised users.	Low
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1.4.1	Finding and Impact	
<u>System Access & Password Controls</u>		
<p>General principles control applied for user access management are sound.</p> <p>Review of the current listing of users confirmed that higher level access had been granted where appropriate on the basis of roles and responsibilities.</p> <p>Although there have been no reported leavers, the Benefit Manager account had been disabled as appropriate.</p> <p>Comparison to current County Password Policy confirmed that password settings are generally in accordance. Although a minimum of 6 characters is required (rather than the 8 stipulated by Wiltshire Council) this is not of great concern as, in compensation, additional Citrix passwords are also required to access the system.</p>		

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Summary

Report Authors

This report was produced and issued by:

Kerry Chisholm, Senior Auditor, South West Audit Partnership Ltd

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

Howard Pierce, Chair of the Local Pensions Board
David Anthony, Head of Pensions
Catherine Dix, Strategic Pension Manager
Roz Vernon, Pension Fund Accountant
Mark Anderson, Fund Development Manager
Martin Downes, Systems Manager
Craig Payne, Benefits Manager
Sue Tompkins, Accounting Technician
Janine Davis, Payroll Assistant

Distribution List

This report has been distributed to the following individuals:

David Anthony, Head of Pensions
Catherine Dix, Strategic Pension Manager

Working in Partnership with

Devon & Cornwall Police & OPCC	Somerset County Council
Dorset County Council	South Somerset District Council
Dorset Police & OPCC	Taunton Deane Borough Council
East Devon District Council	West Dorset District Council
Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Sedgemoor District Council	

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
6 April 2017

Investment Strategy Statement

Purpose of the Report

1. This report presents the Investment Strategy Statement (ISS) approved by the Pension Fund Committee for review. The ISS is a new document required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Background

2. In November 2015 the Department for Communities and Local Government (DCLG) issued a consultation proposing revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. Within this consultation, proposals were made removing the requirement to prepare a Statement of Investment Principles (SIP) and replacing with an ISS.
3. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016 with the requirement for administering authorities to publish the new Investment Strategy Statement by 1 April 2017.
4. This draft ISS was considered by the Investment Sub-Committee (ISC) at its meeting on 1 March 2017 and then issued for a two week consultation period with the Fund's stakeholders, including the Local Pension Board.

Main Consideration for Board

5. Attached is the ISS approved by the Pension Fund Committee at its meeting on 23 March 2017. This document has been written by Mercers in conjunction with officers.
6. This is the first document in this format and replaces the SIP previously approved annually.
7. The new investment regulations specifically states that the following areas must be included within the ISS:-
 - A requirement to invest money in a wide variety of investments;
 - The authority's assessment of the suitability of particular investments and types of investment;
 - The authority's approach to risk, including the ways risk are to measured and managed;
 - The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - The authority's policy on the exercise of rights (including voting rights) attaching to investments.

8. The ISS must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
9. One of the main aims of the new investment regulations is to transfer decisions and their considerations more fully to the Fund within a new prudential framework. The Fund is therefore now responsible for setting its policies on areas such as asset allocation, risk and diversification.
10. In relaxing the regulatory framework for scheme investments, the Fund is expected to make investment decisions within a prudential framework with less central prescription. It is important therefore that the regulations include a safeguard to ensure the less prescriptive approach is used appropriately in the best long term interests of the scheme beneficiaries and taxpayers.
11. In line with the regulations the Fund had to consult such persons as it considers appropriate as to the proposed contents of its investment strategy. The statement must then be published by 1 April 2017 and then kept under review and revised from time to time, in particularly when there is a material change in risk, and at least every three years.
12. Following the ISC meeting, the draft ISS was circulated to all Committee and Local Pension Board Members for a consultation period of 2 weeks. A link to the document was also be put on the Fund's website so scheme members could view the statement and a copy sent to all of the Fund's employer organisations during the consultation period.
13. The summary feedback received during the consultation period is attached for information. The Pension Committee then approved a revised version that accommodated changes in respect of the feedback where it was felt appropriate.
14. An additional Annex has been added to this report which shows the extent to which this ISS complies with CLG investment regulations.

Financial Considerations

15. The Financial considerations are considered within the attached draft ISS.

Risk Assessment

16. This paper proposes a new ISS as required by The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The ISS attempts to mitigate the risks outlined in PEN007 *Significant rises in employers contributions due to poor investment returns* in the Fund's Risk Register.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Reasons for Proposals

18. To comply with the requirements of the new investment regulations.

Environmental Impact of the Proposals

19. There are no known implications at this time.

Proposal

20. The Board is asked to review the 2017 Investment Strategy Statement and the associated process.

MICHAEL HUDSON
Treasurer to the Wiltshire Pension Fund

Report Author: David Anthony, Head of Pensions

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

Investment Strategy Statement Consultation Summary Feedback

Below are a summary of the feedback received as part of the consultation:

From Local Pension Board Members:

- 1) I consider that the draft ISS broadly complies with Reg 7 of the LGPS regulations and DCLG statutory guidance on the preparation and maintenance of ISS except I recommend that
 - a) in respect of Regulation 7 2(a) investment in wide variety of investments and Reg 7 2(b) suitability and type of investment - some key WP policy statements need some small clarifying/factual edits
 - b) you attach as an Annex a WPF regulatory compliance tick sheet is created in relation to Reg 7 and the DCLG LGPS statutory requirements embolden in their guidance, and the WPF considers developing policies on controversial financially material ESG investment issues, with these tools being for the use of the Pension Committee, Local Pension Board, and fund members,
- 2) I consider that if the ISS is published on the WPF website it will meet LGPS and TPR Code 14 disclosure and communications requirements respectively.
- 3) I consider that it should help improve the efficacy of the WPF.
- 4) I welcome and support the proposal the ISS should be reviewed and updated before April 2018 as required to take account of the commencement of asset pooling in 2018.

and;

- 1) How is full transparency on fees sought? Can we get the total cost of investment? Can we insist that the funds we invest in provide this?
- 2) How much and on what basis do we pay independent investment advisors as well as the external investment managers – should this be on outperforming the relevant indices?
- 3) I appreciate ad-valorem is ‘accepted practice’ but is it ‘best practice’? Would it be helpful to indicate that an increasing proportion will be through performance driven fees? Has an options appraisal been conducted on this point? If not, what criteria are to be used to determine if it is ‘believed to be in the overall financial interests of the Fund’? Can we include a worked example?
- 4) Should we include the performance report template/ measures/ benchmarks which go to the investment sub-committee within the ISS?
- 5) How is employee input sought in the Brunel governance?

From Pension Fund Committee:

I am more concerned about the section which says “Following the completion of the transition plan outlined above, it is currently envisaged that all of the Wiltshire Pension Fund’s assets will be invested through BPP Ltd.” The wording is slightly vague – what

does “currently envisaged” mean in this context and is it wise to be vague? The fiduciary duty dictates that all decisions should be taken in the best financial interests of the fund in meeting its responsibilities. The business-like relationship should be constructed to ensure that the committee will design and decide its investment strategy and that BPP will deliver investment management to fulfil the strategic and performance objectives of the committee. The committee will need to ensure that it holds BPP to account for investment performance, but the ultimate decisions on strategy will remain with the committee.

From Statement from Scheme member made to Investment of Sub-Committee:

We the undersigned congratulate the Wiltshire Pension Fund on its draft Investment Strategy Statement, which includes plans to review the risks caused by climate change and the associated issue of stranded assets. The plans to undertake a carbon footprint of the Fund’s equity portfolio and a temperature rise scenario analysis are also welcomed.

We would like to make the following suggestions to the fund

1. We suggest that the fund extends the carbon footprint to the entire portfolio including passive investments.
2. Following completion of the assessment, the fund should establish an appropriate process for the management of climate change risk such as:
 - a. For active equity mandates the pension scheme requests the use of information about company emissions intensity and reduction plans through robust engagement
 - b. For passive equity mandates the pension scheme has considered multi-factor products that offer built in climate protection
 - c. We ask that the fund involve members in this process, and would be glad to offer our support

The Investment Strategy Statement required by Regulation 7 must include:-

Requirements	Confirmation of Compliance
a) A requirement to invest money in a wide variety of investments	YES – see section 2
b) The authority's assessment of the suitability of particular investments and types of investments	YES – see section 3
c) The authority's approach to risk, including the ways in which risks are to be measured and managed	YES – see section 4
d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services	YES – see section 5
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments	YES – see section 6
f) The authority's policy on the exercise of rights	YES – see section 7

More Specifically	Confirmation of Compliance
7 (2) (a) <ul style="list-style-type: none"> • Must take proper advice • Must set out clearly the balance between different types of investments • Must identify the risks associated with their overall investment strategy • Must periodically review their policy to mitigate against any such risks 	YES – Mercers advises YES - As out lined in the investment strategy YES – See chart & tables in investment risk section YES – high level strategy review annually
7 (2) (b) <ul style="list-style-type: none"> • Must take proper advice • Should ensure that their policy on asset allocation is compatible with achieving their locally determined solvency target • Must periodically review the suitability of their investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with their overall investment strategy 	YES – Mercers advises YES – See section 3 Yes – annually reviewed
7 (2) (c)	

<ul style="list-style-type: none"> • Must take proper advice • Should clearly state their appetite for risk • Should be aware of the risks that may impact on their overall funding and investment strategies • Should take measures to counter those risks • Should periodically review the assumptions on which their investment strategy is based • Should formulate contingency plans to limit the impact of risks that might materialise 	<p>YES – Mercers advises YES - implicit in the risk section</p> <p>YES – outlined in tables & charts section 4</p> <p>YES – continually monitored & exploring risk mitigation tools YES – annually</p> <p>YES – as outlined in section 4</p>
<p>7 (2) (d)</p> <ul style="list-style-type: none"> • Confirm the pooling arrangements meet the criteria set out in the November 2015 investment reform and criteria guidance • Notify the Scheme Advisory Board and the Secretary of State of any changes which result in failure to meet the criteria • Set out the proportion of assets that will be invested through pooling • Set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account • Set out the services that will be shared or jointly procured • Provide a summary of assets that the authority has determined are not suitable for investing through the pool along with its rationale for doing so, and how this demonstrates value for money • Regularly review any assets, and no less than every 3 years, that the authority has previously determined should be held outside of the pool, ensuring this continues to demonstrate value for money • Submit an annual report on the progress of asset transfers to the Scheme Advisory Board 	<p>YES – see section 5, proposal currently acceptable to Government</p> <p>Not currently applicable</p> <p>Still to be finalised but outlined intention of which assets will be in / outside the pool</p> <p>YES – governance arrangements detailed in section 5</p> <p>Services still in development as part of the Brunel Company set up</p> <p>Still to be finalised but outlined which assets may be held outside due to mandates not currently being offered within the pooling arrangements</p> <p>Not yet applicable</p> <p>Not yet applicable</p>
<p>7 (2) (e)</p> <ul style="list-style-type: none"> • Must take proper advice • Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors • Must explain the extent to which non-financial factors will be taken 	<p>YES – Mercers advises YES – the Fund involves all its main stakeholders in the development of the ISS and will make them aware of and engage with these stakeholder groups where applicable as outlined in Non-Financial considerations in section 6.</p> <p>See above</p>

<p>into account in the selection, retention and realisation of investments</p> <ul style="list-style-type: none"> • Should not pursue policies that are contrary to UK foreign policy or UK defence policy • Should explain their approach to social investments 	<p>YES – as outlined in Sanctions from section 6</p> <p>YES – as outlined in Social Investment from section 6</p>
<p>7 (2) (f)</p> <ul style="list-style-type: none"> • Must give reasons in their Investment Strategy Statement for not adopting a policy of exercising rights, including voting rights, attaching to investments • Should, where appropriate, explain their policy on stewardship with reference to the Stewardship Code • Should strongly encourage their fund managers, if any, to vote their company shares in line with their policy under Regulation 7(2)(f) • May wish to appoint an independent proxy voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority • Should publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations 	<p>The Fund has adopted a policy in line with its third party voting provider PIRC which was approved by Committee</p> <p>YES – outlined in section 7</p> <p>YES – as outlined in section 7</p> <p>YES – as outlined in section 7</p> <p>YES – will be included in future annual report. Currently reported to Members / Board through their specific area on the website.</p>

Wiltshire Pension Fund Investment Strategy Statement



23 March 2017
Wiltshire Pension Fund Committee

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WILTSHIRE PENSION FUND (“the Fund”)

1. Introduction and Background

Outline of Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is available to all local authority employees and the staff of certain other public and associated bodies, apart from police and fire officers and teachers, who have their own specific schemes.

The LGPS is a funded defined benefit scheme. It is based on statutory provisions, issued by the central government department - Communities and Local Government. The rate of contributions paid by Scheme members and the calculation of benefits paid to them are contained in the statutory provisions. Employer bodies also contribute to the cost of the Scheme.

Role of the Administering Authority

The LGPS is administered by individual “administering authorities”, these being prescribed in statute. Wiltshire Council is the administering authority for the County area of Wiltshire, including Swindon. It has delegated this function to the Wiltshire Pension Fund Committee (the Committee).

Administering authorities are responsible for the administration of a Pension Fund established on behalf of all employer bodies in their Scheme. The Funds are not separate legal entities from administering authorities and therefore are not covered by trust law. Nevertheless, the role of the administering authority is very similar to that of a trustee and members of the Committee therefore act in a quasi trustee role.

Statutory Background

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. Links to the new regulations and guidance on preparing the ISS can be found at the links below:

http://www.legislation.gov.uk/ukxi/2016/946/pdfs/ukxi_20160946_en.pdf

<https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement>

This ISS has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been kept as short in order to be read in as user-friendly manner as is possible. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed by the Wiltshire Pensions Committee at least triennially or more frequently should any significant change occur. The Wiltshire Pension Fund is currently involved in the Brunel Pension Partnership (BPP) for investment pooling which is due to commence implementation in April 2018. Therefore, it's anticipated the ISS will be reviewed at this point to ensure its operational policies are aligned.

2. Investment of Money in a wide variety of investments

Objectives of the Pension Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations, whilst at the same time seeking to minimise the contributions that need to be paid in to the Fund by employer bodies.

The level of employer contribution is assessed every three years through an actuarial valuation of the Fund. This valuation establishes the solvency position of the Fund, that is, the extent to which the assets of the Fund are sufficient to meet the Fund's pension liabilities accrued to date. The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit. The projection is full funding is achieved over a 20 year time frame.

Funding Strategy Statement

The Funding Strategy Statement (FSS) and Investment Strategy Statement are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed on the link below:

<http://www.wiltshirepensionfund.org.uk/fund-information/fund-investments.htm>

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a document called a "Funding Strategy Statement" (FSS). The purpose of the FSS is:

- a) To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- b) to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and
- c) to take a prudent longer-term view of funding those liabilities.

However, there will be conflicting objectives which need to be balanced and reconciled. For example, for most employers objective a) implies low contribution rates, because they would see pension liabilities being "best met" by gaining as much help as possible from the investment strategy over the long term, which would lead you towards an equity-biased investment strategy. By contrast, objectives b) and c) imply stability and prudence of employer contribution rates, which would lead you towards a bond biased investment strategy.

Therefore, the best that can be achieved is a sensible balance between these different objectives.

Investment Powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which outline the wide investment powers allowing committees to invest in line with its ISS, with certain restrictions as long as proper advice has been obtained.

The Secretary of State also now has the power to direct should an authority fail to act in accordance with the guidance issued under these regulations.

Responsibility for Decisions

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from independent external advisors (Mercers) and from the Head of Pension / Treasurer to the Pension Fund and the Committee is supported by its Independent Adviser (Jim Edney). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions.

The Committee believes these arrangements strike the right balance between their own overall responsibilities in acting in a quasi trustee role and having decisions taken with the most appropriate level of expertise available.

Types of Investments held

The Committee has freedom to operate within the Regulations and its policy outlined below. Its expectation, however, is that the majority of assets are invested in major stock markets, where the underlying investments can be easily traded if required.

The Fund therefore invests in quoted UK and overseas securities (equities, government and corporate fixed interest and index linked bonds), pooled funds managed by properly authorised organisations (property, equities, infrastructure, currency and long-short equity hedge funds) and sterling and overseas cash deposits. The Fund also hedges its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property.

Balance between the Various Types of Investments

An explanation of the relative amount to be invested in each type of investment is provided in below on the strategic benchmark adopted by the Committee. However, that does not mean that these percentages need to be rigidly maintained and ranges are shown to outline the maximum and minimum investments.

The Fund invests 30% on a passive (index tracking) basis and 70% on an active basis (to outperform the benchmark).

Expected Returns on Investments

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk. The target return set by the actuary at the valuation is 1.8% per annum in excess of gilt yields. This is currently estimated at 4% per annum.

Risk Control

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy. This is explored later in the document, but the key themes for the Fund include equity risk, inflation and interest protection.

The Committee is less attracted to tight regional benchmarks that encourage managers to stay close to the benchmark for their own risk control reason, so the Fund's investments are increasingly moving towards unconstrained approaches, typically benchmarking against World Indices or Inflation plus targets.

The Committee does not impose specific portfolio risk limits on its equity managers, as it believes the outperformance target set for each manager provides sufficient guidance as to the level of risk that each manager should be taking.

All risks are continually monitored and a high level asset allocation review is undertaken annual to check the appropriateness of the Fund's current strategy.

Investment Beliefs and Objectives

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund has formed the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.

- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance are important factors for the sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

Securities Lending

The Council participates in a securities lending programme managed by its global custodian. It will recall securities or stocks lent out as part of the programme as requested to exercise its voting rights when required.

Other Matters

The Council will also underwrite, or sub-underwrite, new issues where the investment managers are prepared to hold the relevant shares.

3. Investment strategy and the process for ensuring suitability of investments

Funding Policy

The objectives of the Wiltshire funding policy are expressed in its FSS. The Fund has a very strong employer covenant, being funded substantially by tax-raising local authorities. Therefore, the Committee can adopt a long-term view, without concern about the ability of its sponsors to meet their liabilities.

Given the on-going restructuring of public bodies the Fund is now maturing increasingly faster. Positive cashflow are declining (investment income is available if the Fund does go Cashflow negative) and this position is being closely monitored. However, at this time it is not felt necessary to change the investment strategy of the Fund.

As the Fund has a deficit of assets against liabilities (82% funded at the 2016 Triennial Valuation), the Committee wishes to achieve the maximum assistance from investments in reducing this shortfall. This would suggest a higher risk strategy in an attempt to generate returns, but this is moderated by the realisation that such a strategy can also lose significant amounts of money in the short-medium term.

It is all the employer organisations in the Fund who feels the result of unstable employer rates, and for the precepting authorities, ultimately the local tax payer either through the Council Tax or through service levels. Therefore, another very important consideration is the need for relative stability of investment returns, given that employee rates are fixed by statute and the tools available in the actuarial valuation process for smoothing of returns are limited. This can be achieved by investments that are inherently more stable, such as bonds. However, it is also aided by diversification (so that the ups and downs on particular investments do not arise together), and by seeking returns from both markets (“beta”) and investment managers (“alpha”) whose returns are skill based and relatively independent of the market.

Consequently, the Committee has set an overall investment goal that reflects these four factors.

Investment Goal

The Wiltshire Pension Fund’s investment objective is to achieve a relatively stable “real” 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.

Investment Strategy

The Wiltshire Fund Pension Committee has put in place a strategy to achieve this goal through use of the following elements:

- A relatively large allocation to equity investment to achieve higher returns;
- Allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure, and absolute return products to achieve to achieve stabilisation; and

The Fund's current asset strategy, along with an overview of the role each asset plays is set out in the table below:

Asset class	Allocation %	Minimum Range %	Maximum Ranges %	Role (s) within the strategy
Equity	55.0	42	64	Long term growth in excess of inflation expected; generate investment income i.e. dividends.
Index-Linked Gilts	5.0	4	6	Provide protection from changes in real yields both in terms of capital value and income
Growth Fixed Income	10.5	8.5	12.5	Diversified source of income and provides a degree of protection from changes in interest rates. Some credit above gilts expected
Diversified Growth / Multi – Asset	10.0	8	12	Diversification and dynamic asset allocation
Property	13.0	11	15	Diversification; generate investment income; provide some inflation-sensitive exposure; illiquidity premium
Infrastructure	5.0	4	6	Provides the Fund with access to a diversified (but long term, illiquid) return source and a stream of inflation related income
Private Loans	1.5	1	2	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium

The maximum allocations outlined in the table above may be amended with the approval of the Pension Fund Committee for specific transition events when terminating or changing investment managers.

Current Investment Management Mandates

The implementation of the strategic asset allocation is shown in the current manager mandates below:

MANAGER/MANDATE ALLOCATION	Asset Allocation	Benchmark / Target p.a.
Baillie Gifford Global Equities	15.0%	MSCI All Countries +3%
Legal & General Passive UK Equities Passive Global Equities * Passive Fundamental Equities Passive Index-Linked Bonds (UK)	12.5% 0.0% 12.5% 5.0%	FTSE All-Share MSCI World (Hedged) L&G FTSE RAFI AW 3000 (Hedged) FTSE A Index-Linked Gilts
Barings Absolute Return Fund	10.0%	Cash (LIBOR) +4%
Loomis Sayles Multi Asset Credit Absolute Return Bonds	4.2% 6.3%	50% Barclays Global Agg, 25% Barclays Global HY, 15% JPM CEMBI, 10% S&P/LSTA Leveraged Loan 3-month US LIBOR +2 to 4%
Investec Emerging Market Multi Asset Mandate	10.0%	50% MSCI Emerging Market Equity NDR Index, 25% JP Morgan EMBI Global Diversified Index, & 25% JP Morgan GB-EM Global Diversified Index +2-4%
CBRE Global Multi Manager Property Fund of Funds (UK & Europe)	13.0%	IPD UK Quarterly Property Fund Index +0.4%
Partners Group Infrastructure	5.0%	8-12% net IRR
M&G Investment Management UK Companies Financing Fund	1.5%	Cash +3-6%
Opportunistic Investment *	5.0%	
TOTAL	100.0%	

* “Opportunistic” allocation held within L&G global equities until invested

Timeframe for Investment Managers' Targets

Three year targets are generally preferred when monitoring investment managers because of the need to see clear evidence of added value as soon as possible. The Committee recognises, however, that three year periods may not be appropriate for particular managers' styles, or for specific asset classes. Five year rolling periods, rather than three year periods, are therefore adopted where appropriate.

Review and Policy

The Pensions Committee is responsible for the Fund's strategic asset allocation which is determined via a triennial strategy review as part of the valuation process. The review is both qualitative and quantitative and is undertaken by the Pension Committee in conjunction with the actuary, officers and independent advisers. The review considers:

- The required level of return that will ensure that the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the order of magnitude of the various risks facing the Fund is established in order that a priority order for mitigation can be determined.
- The desire for diversification across asset class, region, sector, and type of security.

The Committee takes the view that the Fund should only take as much risk as is necessary to recover the deficit and maintain contribution rates at an affordable, sustainable level. A risk management policy that uses funding level triggers to reduce risk when it is deemed affordable to do so has been implemented and will be further refined as part of the 2017 investment strategy review.

The Investment Sub-Committee now formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis, reporting back to the main pension committee. All Members of the Committee receive quarterly performance and asset allocation figures based on reports provided by the Council's global custodian, BNY Mellon.

A quarterly check is made on how the overall strategic benchmark of the Fund is performing, relative to other funds, and in relation to the financial assumptions contained in the previous actuarial valuation.

The Committee also undertakes a high level asset allocation review once a year.

Fee Structures

The Committee generally has an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice for passive tracking mandates and is easily understood. A performance related fee basis is sometimes set, however, if it is believed to be in the overall financial interests of the Fund, particularly for active mandates where higher fees are paid for more consistent outperformance of market indices. The approach taken varies depending on the type of investment and the target being set.

The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement.

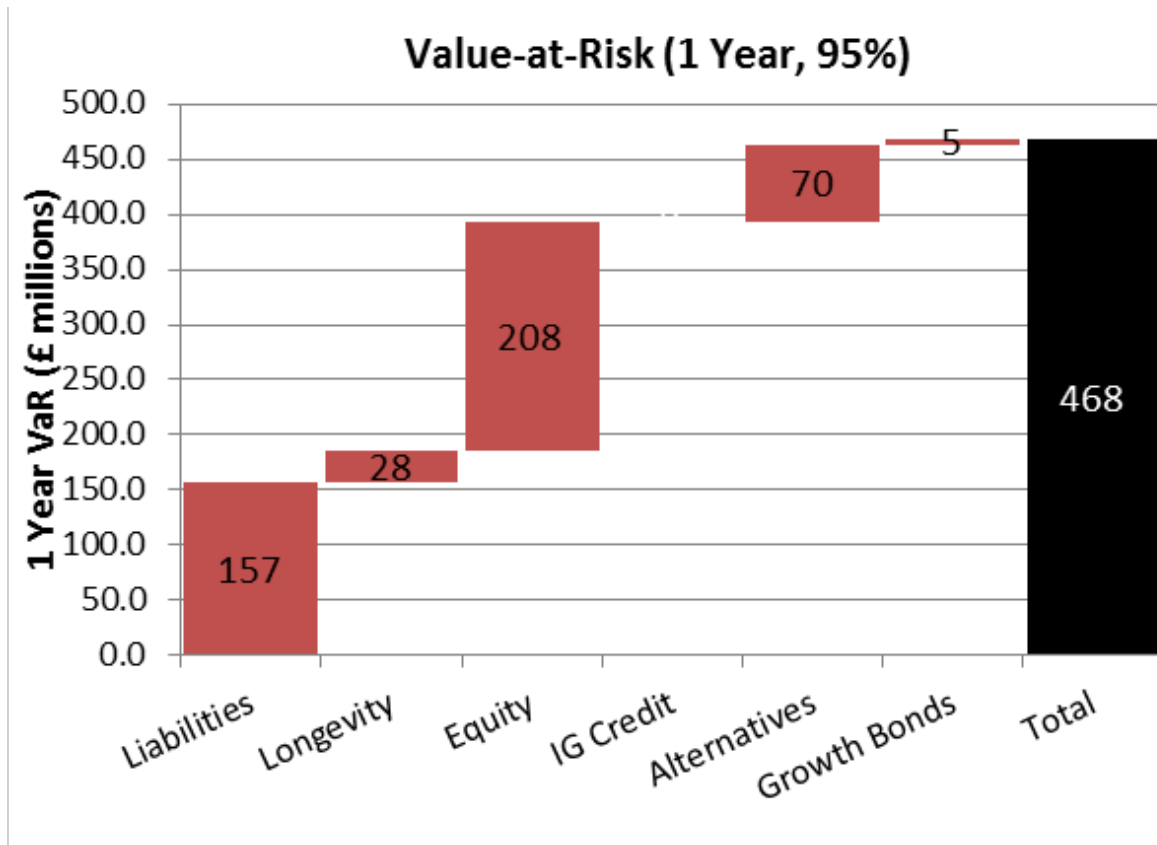
4. Approach to risk and how its measured & managed

Risk measurement and management

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews, and prioritised accordingly being a key element in setting its strategy. Sufficient risk is needed to achieve long term returns expectations but mitigated as appropriate to allow as far as possible constant employer contribution rates. This approach to risk is reviewed at least annually.

(a) Investment Risks

The Committee uses Risk Attribution Analysis to determine the order of magnitude of the main investment risks the Fund is facing. The chart below shows the VaR (Value at Risk, essentially the downside that would occur in a 1-in-20 event) facing the Fund, split into major risk categories.



As an additional illustration of risk, the table below shows how a range of events could impact the Fund:

Event	Event movement	Impact on Deficit
Fall in equity markets	30% fall in equities	£320m
Rise in Inflation	1% increase in inflation	£398m
Fall in interest rates	1% fall in interest rates	£398m
Active manager underperformance	3% underperformance from all active managers	£38m

As shown in both the Value-at-Risk attribution chart and the table above, by far the two largest risks that the Fund is running are in relation to equities, and unhedged liabilities. Whilst not immaterial, the risk associated with the use of active management is far smaller.

Commentary on the major investment risks the Fund is running is as follows:

Liability related risks – One of the largest risks the Fund is running is in relation to its liabilities and the sensitivity of these to changes to long-term interest rates and inflation expectations. The Fund mitigates these risks to a degree through its holdings in index linked gilts, other bonds and other sources of secured cashflow. The Committee is looking further at these risks as part of the current strategy review.

Equities – The other largest risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a large negative impact on the Fund’s assets. The Fund holds equities in order to provide the necessary long-term expected returns to help ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensate for the level of risk equities bring to the Fund. However, the Committee is also looking at further ways of mitigating equity risk as part of the current strategy review.

Active manager risk – Investment managers are appointed to manage the Fund’s assets on its behalf. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence is undertaken before managers are selected, with a number of different managers chosen to mitigate against concentration risk. The investment managers are also monitored regularly by the Committee and by the Fund’s Investment Consultant.

Liquidity risk – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund’s assets are realisable at short notice.

Exchange rate risk – this risk arises from investing in unhedged overseas (non GBP denominated) assets. The Fund has a currency hedging policy in place to hedge c.50% of the overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund can manage the level of risk run to the extent desired.

(b) Cashflow management risks

The Fund is becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy. Specifically should this position ever reverse, mitigating actions would be taken to manage the cashflow shortfall such as investing in assets that produce cashflows that could be used to meet these payments.

The table below sets out the cashflow position of the Fund over the last five fiscal years and is continually monitored.

	2011/12	2012/13	2013/14	2014/15	2015/16
Contributions (£'000s)	93,432	81,634	82,030	87,314	91,940
Benefits (£'000s)	-65,687	-68,351	-76,669	-74,067	-76,841
Investment Income (£'000s)	31,095	24,774	18,377	21,443	11,764
Net Position (£'000s)	58,840	38,057	5,379	34,690	26,863

Source: Fund Annual Accounts.

(c) Demographic risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as pensioner liabilities increase. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

(d) Governance risks

The Pension Fund Committee believes that there is a benefit to the Fund to be gained from good governance in the form of either (or both) of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit. The current delegations and use of an investment sub-committee assist in managing this risk. There will also be additional governance risk from Wiltshire's participation in the BPP and the ways this can be mitigated and managed is being developed as part of the Brunel project in developing the shareholders and service agreements.

(e) Financial ESG risks

The Committee believes that ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long term investor.

The Committee believes that engagement is crucial in relation to strong corporate governance, which in turn is expected to help enhance returns. Details of the Fund's policies can be found later in this statement.

One area of focus for the 2017 strategy review is the risks caused by Climate Change and the associated issue of stranded assets. The strategy review will look at the carbon footprint of the Fund's equity portfolio and consider reduction options, as well as conducting a temperature rise scenario analysis that may have implications for the Fund's future asset allocation. The Fund may consider an appropriate process for the management of climate change risk for its active and passive equity mandates.

Contingency Plans

The investment risk is mitigated by regular monitoring of investment managers performance and review of the Fund's strategy on a quarterly basis. These, along with the other risks are monitored quarterly as part of the Fund's Risk Register and on-going funding level analysis undertaken by the actuary.

The Fund has also implemented a "Flight-path" policy that continually monitors its funding position and looks to de-risk by changing its allocation of growth and matching assets as the funding position improves.

The Fund is also exploring other "tools" for risk mitigation that could be implemented in the future to manage its main exposures including Liability Driven Investments and Equity Protection products.

As outlined in the FSS, the Fund is also committed to providing three different investment strategies in the future to assist employers in managing and mitigate their exposure to investment risk where this is most appropriate for their specific liabilities.

5. Approach to Pooling Investments, use of collective investment vehicles & shared services

The Wiltshire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd) that will meet the criteria set out in the November 2015 investment reforms.

This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once BPP Ltd. is established the Wiltshire Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This will include ensuring BPP Ltd are able to implement the Committees strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

The BPP Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. Wiltshire Pension Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually. There is an expectation some form of employee representation will form part of the Oversight Board arrangements.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. It is anticipated that investment assets will be transitioned across from the Wiltshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Wiltshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is currently envisaged that the majority of the Wiltshire Pension Fund's assets will be invested through BPP Ltd. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd.

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate, although this could be substituted with the use of separate Emerging Market equities and bond portfolios, and this is one of the ways that BPP Ltd can deliver the same outcomes by providing a different solution. However BPP Ltd currently doesn't have an Absolute Return Bond portfolio, although it's hoped this option will be available in the future. In this case, where BPP cannot accommodate a specific solution these assets would remain outside the Fund. These assets will be managed in partnership with BPP Ltd until such time as they are liquidated, and capital is returned.

6. Social, environmental and corporate governance policy

Approach to Environmental, Social and Governance (ESG)

ESG are important factors for the sustainability of investment returns over the long term. The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by contracting to Pensions & Investment Research Consultants Limited (PIRC) who provides a global proxy service for the Fund using PIRC Shareholder Voting Guidelines that are approved by the Fund.

It is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities (72 with assets in excess of £175bn) on corporate governance issues. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Details of their activities can be found on the following link:

<http://www.lapfforum.org/about-us>

The Fund has a fiduciary duty and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. This is insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that the bodies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Generally, such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

The Fund seeks to achieve this objective by raising issues with the bodies in which it invests, to raise standards in a way that is consistent with long term shareholder either through its membership of LAPFF or individually.

Non-Financial ESG Considerations

The pursuit of a financial return is the predominant concern for the Wiltshire Pension Fund to address the funding deficit and minimise the on-going cost of pension provision to its 170+ employer organisations. The Fund is aware it may also 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 stakeholders would support the decision.

The Fund's Pensions Committee has two employer representatives and two employer observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders concerns.

The Fund also aims to communicate using its website, newsletters, Annual Report and proposed Annual General Meeting to engage directly with all stakeholders.

When formulating and developing any policy on non-financial social, environmental, and corporate governance factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations. Any policies once developed would be available on the Fund's website.

Social Investment

Social investment includes a wide spectrum of investment opportunities. The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that to address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns.

Seeking such opportunities is generally delegated to our external fund managers, but would not limit the Fund to look at more local projects that may address societal challenges but generate competitive financial returns on an acceptable risk / reward profile.

Sanctions

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Brunel Pension Partnership Policy

The Brunel Pension Partnership [Investment Principles](#) clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel Company), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP business case, achieved through scale and resources arising from pooling is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and which includes an assessment of how social,

environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives. For more information is on the [BPP website](#).

7. Policy for the exercise of rights (including voting rights) attaching to investments

Voting Policy

The fund believes that voting is integral part of the responsible investment and stewardship process. The Fund manages its ownership responsibilities through both its partnership with PIRC and via its investment managers. PIRC are a third party voting agency that exercise all the Fund's voting rights in line with the PIRC guidelines that have been approved by the Pension Committee.

PIRC's voting guidelines are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practise in corporate governance also in some areas goes beyond the existing legal and regulatory requirements.

PIRC reports quarterly on its voting activity and these reports are available to Committee Members and the membership through the website. The annual voting activity will also be included in the 2016/17 Annual Report. PIRC also present annually to the Pension Committee which assists Members to play a more active role in the Fund's voting activities.

The Fund undertakes its engagement activities through its active membership of the Local Authority Pension Fund Forum which targets specific areas of concern across the holdings of its LGPS membership.

The Fund also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates.

Stewardship Code

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The expectation is that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code is currently on a voluntary basis. The Fund published its statement of compliance with the code during 2011 and this is reviewed annually. All of our global equities managers currently comply fully with the code. The Fund is rated as Tier 1 compliant by the Financial Reporting Council. The Fund's compliance statement can be found at the end of this document in Appendix A.

Stewardship in Investment Pooling

As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities. More information is on the [BPP website](#).

One of the principal benefits, outlined in the BPP full business case, achieved through scale and resources arising from pooling are the improved implementation of responsible investment and stewardship. Once established and fully operation the Brunel company will deliver best practice standards in responsible investment and stewardship as outline in the [BPP Investment Principles](#).

Principles of Investment Governance

The Government introduced a code in October 2001 based on the results of HM Treasury's review of institutional investment in the UK, carried out by Paul Myners. This code set out ten principles that were intended to improve the investment management of pension funds. These were updated in October 2008 and previously LGPS administering authorities were required to prepare, publish and maintain statements of compliance against a set of six principles within the Statement of Investment Principles. Although not specifically required by the Regulations the Fund sees these Principles as a relevant governance tool and will continue to report on compliance.

The Fund is compliant with five out of the six principles, while there is an area that still requires development within principle 4. To be fully compliant the implementation of a formal assessment of its advisers to ensure the cost, quality and consistency of the advice is monitored is required. A detailed breakdown of the Principles of Investment Governance and the Fund's adherence to these can be found in Appendix B.

Advice Taken

In creating this statement, the Fund has taken advice from its Investment Consultant. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Scheme Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

Appendix A

Wiltshire Pension Fund, Statement of Compliance with Stewardship Code 2016

WILTSHIRE PENSION FUND

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Wiltshire Pension Fund takes its responsibilities as a shareholder seriously. Our stewardship responsibilities extend over all assets of the Fund. All of our global equities managers currently comply fully with the code.

The Fund has published policy documents which identify how we meet our Stewardship responsibilities and these include, but are not limited to, our Statement of Investment Principles, our Voting Policy and our Governance Compliance Statement. These documents cover the following areas:

- Monitoring of manager decisions
- The exercise of voting rights
- Risk measurement and management
- ESG consideration in the Tender selection, retention and realisation of investments.
- Statement of compliance with the Myners Principles
- Stock lending

In practice the Fund's policy is to apply the Code both through its contractual arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition, the Fund expects its Asset Managers to take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the forum brings together a diverse range of local authority pension funds with combined assets of over £175 billion.

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this in Partnership with Pensions & Investment Research Consultants Limited (PIRC).

We have amended our Statement of Investment Principles in recognition of the revised Stewardship Code which came into effect in October 2012. Furthermore, The Wiltshire Pension Fund published its compliance with the Code during 2011 and this is reviewed annually.

All new investment management agreements will now include the requirement for managers to observe the FRC's UK Corporate Governance Code and UK Stewardship code. Due diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Conduct Authority's registration.

All relevant managers have published a Statement of Commitment to the code (see appendix 1 which lists the links to these statements) and all appropriate managers, (or in the case of one

manager, their parent company), are signatories to the UN PRI, as evidenced on the UN PRI website.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Wiltshire Pension Fund encourages all its asset managers to have effective policies in place to address potential conflicts of interest. The need to avoid conflicts of interest is also highlighted in our asset manager mandates and contracts with external parties.

All equity managers are instructed to vote in line with PIRC recommendations. Should a conflict arise the asset manager would notify the Fund and the ultimate decision would be made by officers in consultation with the Chairman of the Pension Committee.

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all Committee and Investment sub-group meetings. A public register of interests is maintained for all Councillors and could be subject to audit inspection at any time. Members are responsible for updating their register as and when their interests change. This is overseen by the Monitoring Officer. If a member declares that they have an interest at the start of a meeting, then the context would determine the action that would be taken i.e. if they declare that they have an interest that is either personal or financial to an item on the agenda, then they would more than likely be asked to leave the room for that item and would be excluded from any voting activities. It is also worth noting that all members, including members of the Wiltshire Pension Fund Committee, are covered by a code of conduct and this can be viewed on the Council's website at the following link

<http://cms.wiltshire.gov.uk/documents/s120932/Part%2012%20-%20Code%20of%20Conduct.pdf>

Wiltshire Pension Fund is administered by Wiltshire Council. All non-teaching employees of Wiltshire Council (which includes members of staff employed by Wiltshire Pension Fund) are governed by the Council's Code of Conduct which is published on the Council's website. The Code of Conduct includes a section on conflicts of interest and the expectations placed upon Council employees (the requirement to handle public funds in a responsible and lawful manner for example). Any member of staff found to be in breach of the policy may be the subject of disciplinary action and could be subject to dismissal. This includes staff who administers the investment side of the Fund. The Council also has a whistle blowing policy to enable staff to raise any concerns that they may have.

All of the Fund's managers have confirmed that they have conflict of interest policies in place and these are subject to regular review. All managers have confirmed that they have a conflict of interests board/ separate Committee to monitor and investigate conflicts of interest.

Principle 3 – Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our asset managers detailing engagement activities are available for the Pensions Committee on a quarterly basis. The Fund understands that regardless of this delegation, we retain overall responsibility for the Stewardship and responsible investment of the Fund assets.

The Fund engages with its asset managers on a regular basis using a variety of means including phone, email, in person and using formal written correspondence. The Fund uses its engagement with managers to monitor performance, evaluate risk, and to become aware of any ESG issues and opportunities.

Wiltshire Pension Fund monitors its asset managers very closely. We receive quarterly performance reports from each manager and information in the reports is discussed with managers at our meetings with them and also reported to and reviewed by Committee every quarter. The Fund also employs the services of an investment consultant. The investment consultant assists the Fund in the monitoring of its managers and produces a Quarterly Performance Update for Committee which provides an overview of manager performance and raises any corporate, social or governance issues for consideration by the Committee. Each of the managers meets with Committee once a year, and also with officers of the Fund once a year. Additional meetings with managers may also be arranged on an ad-hoc basis according to need. Manager performance is also reported annually in the Fund Annual Report which is published on the Fund website and made widely available to stakeholders.

The Fund receives Internal Control Reports from managers and our custodian every year and these are reviewed by officers of the Fund annually.

The Fund has a fiduciary duty and therefore expects its managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments and believes that this forms part of the manager's fiduciary duty to protect long term shareholder value. As such, the Fund has a commitment to ensuring that companies that it invests in adopt a responsible attitude toward the environment, and adopt high ethical standards and behave in a socially responsible manner by taking into account the interests of all stakeholders. The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value. Again, the Fund primarily uses its membership of LAPFF to affect this policy.

Wiltshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which has enabled us to develop our approach to shareholder engagement and responsible investment. Collective engagement through LAPFF enables us to maximise our influence. Officers of the Fund regularly attend LAPFF business meetings, which include presentations from expert speakers and detailed updates on engagement and policy work.

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Fund receives quarterly reports from PIRC and these are published and made available to members in a secure area on the Wiltshire Pension Fund website. Furthermore our membership of PIRC enables us to benefit from their voting alerts service which highlights companies with material corporate governance failings. Full details of the alerts can be viewed on the LAPFF website in the members' area.

As an asset owner, Wiltshire Pension Fund owns a proportion of the assets we invest in and thus we seek to use our influence as an asset owner to encourage the companies we invest in to act in a responsible manner.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

As highlighted above, responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code (see appendix 1 below) and may include the following activities:

1. Additional Meetings with management
2. Intervening jointly with other institutions – e.g. Fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGM's
3. Promotion of UNPRI principles
4. Writing a letter to the board or meeting the board
5. Submitting resolutions at general meetings and actively attending to vote
6. Divestment of shares

Occasionally, the Fund may choose to escalate activity directly, principally through engagement activity by the Local Authority Pension Fund Forum. When this happens the Chairman of the Pension Committee, in communication with the Vice Chairman, Treasurer to the Pension Fund and Head of Pensions will decide whether to participate in the proposed activity. Any concerns with the managers are added for discussion in the Investment Committee agenda and where there are specific concerns, the relevant managers will be invited to Investment Subcommittee to discuss concerns. As mentioned above, the Fund employs the services of an investment consultant, who, along with officers of the Fund, closely monitors the performance of the Fund Asset Managers. They help the Fund to monitor performance of the Fund and flag up any issues that it feels require consideration. The Investment Consultant will attend Committee meetings and assist the Committee in the questioning of the managers and in the discussions that follow, helping the Committee by providing any guidance they need to help them to make the right decisions for the Funds interests. Further details are contained within the ISS which is available on the Wiltshire Pension Fund website and can be found on the following link

<http://www.wiltshirepensionfund.org.uk/statement-of-investment-principles-2015.pdf>.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

Wiltshire Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund acts collectively with other Funds and organisations through a variety of means. This includes (but is not limited to) networking with other Funds, through participation in the Brunel Pension Partnership project (pooling of LGPS investment activities) and through our membership of the Local Authority Pension Fund Forum, LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members.

The Fund also works closely with its asset managers, engaging with them on a regular basis and with other organisations such as LAPFF and PLSA. All of our managers work closely with other organisations as part of their collaborative engagements, advocacy and research activities, details of which are given in their quarterly and annual reports which are reported to Committee.

Each year, various officers and members of the Pension Committee attend LAPFF business meetings which include presentations from expert speakers and detailed updates on engagement and policy work. The Fund uses its membership of LAPFF to work collaboratively with other organisations, to engage in the companies in which it invests, the idea being that the Fund will wield more influence by collaboratively engaging with other investors.

The Fund collaborates and works closely with other Funds on various projects such as the National Pooling Initiative. Representatives from the Fund regularly attend various pension forums and conferences in order to stay abreast with the latest developments affecting LGPS pensions and investment markets and to use it as an opportunity to network and collaborate with other Funds and organisations connected to the LGPS and in doing so, benefit from the opportunities this presents.

The Fund's contact in relation to Stewardship activities is Rozalyn Vernon, Pension Fund Accountant.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activities.

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Wiltshire Pension Fund committee have reviewed and agreed to adopt PIRC's shareholder voting guidelines. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service across the holdings of all our global equity managers. PIRC's voting guidelines, which have been approved by the Fund, are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practice in corporate governance also in some areas goes beyond the existing legal and regulatory requirements. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted. PIRC reports quarterly on its voting activity and these reports are available to Committee members through the website. PIRC are also available to present to the Committee which assists Members to play a more active role in the Fund's voting activities.

As outlined in the paragraph above, Wiltshire Pension Fund manages its ownership responsibilities through PIRC and Investment Managers do not have any voting discretion. There are on occasion times when managers put forward proposals. These will be considered by the Fund with the ultimate decision being made in consultation with the Chairman of the Pension Committee.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

Wiltshire Pension Fund annually reviews and updates its Statement of Investment Principles, which sets out the Fund's approach to responsible investing.

Wiltshire Pension Fund uses the Local Authority Pension Fund Forum (LAPFF) to undertake engagement activity. The activity undertaken by LAPFF is regularly made available to Committee.

Voting activity is reported to members of Committee via reports received from PIRC who provide a proxy voting service to the Fund and are made available on a secure area of the WPF website that members can access. Members and officers of the Fund receive voting alerts from PIRC and full details are available on the LAPFF website in the members' area.

The Fund's managers provide reports on an annual and quarterly basis, detailing their performance against benchmark along with details of collaborative engagements, advocacy and research activities. These are reported to Committee and made available to members on a secure area of the WPF website.

We ask that all our managers provide us with a copy of their latest regulatory control report each year and these are reviewed by officers of the Fund annually and subject to periodic audit. These reports form part of the Fund's controls against the loss of Fund assets through misappropriation or fraud.

All of the Fund's managers are independently verified by an external auditor, details of which are found in their ISAE 3402 made available by request or publically on their websites. Where there are exceptions the Fund would seek clarification from managers and reports its findings to the Committee.

**Wiltshire Pension Fund
September 2016**

Appendix 1

Manager Stewardship Code Statements

Manager	Link
Baillie Gifford	https://www.bailliegifford.com/about-us/literature-library/corporate-governance/global-corporate-governance-principles-and-guidelines/ (see page 8)
Barings	http://www.barings.com/ucm/groups/public/documents/policiesprocedures/170433.pdf
CBRE	Document is held directly with Wiltshire Pension Fund and is available on request
M&G	http://www.mandg.com/en/corporate/about-mg/responsible-investment/the-uk-stewardship-code/
Investec	http://www.investecassetmanagement.com/united-kingdom/professional-investor/document/pdf/Investec-UK-Stewardship-Compliance-Statement.pdf
Legal & General	http://www.lgim.com/uk/en/capabilities/corporate-governance/policies/
Loomis	http://www.loomissaylesinvestmentslimited.co.uk/uk/internet.nsf/content?readform&ctype=landing&channel=about&id=5-4

N.B. Signatories from time to time will update their policies. In the instance that the above links are no longer active the most recently submitted statements can be located on the FRC website:

<https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>

Appendix B

Principles of Investment Governance – Assessment of Compliance Compliance with Investment Principles for Defined Benefit Schemes

1. Effective decision-making

- **Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and**
- **Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.**

The Wiltshire Pension Fund is fully compliant with this principle. The Governance Compliance Statement outlines the organisation and operation of the Committee and shows compliance with the nine governance principles as set out in CLG's *Local Government Pension Scheme Governance Compliance Statements Statutory Guidance*.

The Fund also has a Business Plan outlining the purpose, scope, goals and business objectives along with an action plan and key target dates. The latest Business Plan was updated and approved by the Pension Fund Committee in July 2016. This outlines the major milestones for the three years between 2015-2017. This enables the Committee to plan, anticipate and to resource key actions over this period which inform the Pension Fund's annual budget. The budget and Business Plan processes involve a continuous reappraisal of the adequacy of the Committee's resources.

A necessary element to ensure full compliance is the ability to demonstrate that both Committee Members and officers have sufficient expertise and knowledge to carry out their roles and duties.

The Committee has a clear commitment to training. All Committee Members are given induction training and are supplied with a Members' handbook outlining their responsibilities, how the Fund is governed and its operations. A self-assessment audit was undertaken of Members during July 2014, these identified areas for further development. As a result a Members training plan was also adopted by the Committee in March 2015 which covers the period 2015-2017 to ensure Members have knowledge of background issues to enable them to make informed decisions.

Training is delivered through the use of officers, external speakers, and tailored training events. Members are also encouraged to attend external seminars and conferences. All Members have full access to all training opportunities and are allowed to claim reasonable expenses.

The Committee has adopted the CIPFA Knowledge and Skills Framework (KSF). This specifically focuses on the roles of the Chairman, Vice Chairman, Members of the

Committee, Treasurer to the Pension Fund, Head of Pensions, Strategic Pension Manager, Pension Fund Accountant and Investment officers.

Although the KSF is currently a voluntary code amended regulations are expected to require the Annual Report to include a statement of the actions undertaken and progress made in addressing any skills gap.

2. Clear objectives

- **An overall investment objective should be set out for the Fund that takes account of the scheme's liabilities, the potential impact on the local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and the scheme employers, and these should be clearly communicated to advisors and investment managers.**

The Wiltshire Pension Fund is fully compliant with this principle. The Triennial Valuation 2016 report, Funding Statement Strategy, and Investment Strategy Statement explain in detail the objectives of the Fund.

3. Risk and Liabilities

- **In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.**
- **These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.**

The Wiltshire Pension Fund is fully compliant with the principle. The Funding Statement Strategy, Admissions Policy, and Cessation Policy all consider these issues.

A framework exists to monitor the risks for all areas of the Pension Fund including administration, operations, investments, accounting and governance. The register is based on the Council's standard "4x4" approach. The cause and impact of each risk are highlighted and assessed based on its impact and likelihood. This is measured against the target risk. The current risk controls to mitigate these risks are also highlighted. The Committee receive this specific Pension Fund Risk Register on a quarterly basis with an update of any changes since the last report for comment and approval.

The Committee also receive reports in relation to internal controls from both internal and external auditors. The Fund also participates in the Club Vita longevity project which provides specific longevity analysis.

4. Performance Assessment

- **Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.**

- **Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.**

The Wiltshire Pension Fund is fully compliant with this principle with reference to measuring performance of investments and investment managers. However the Fund is partially compliant in respect of measuring the performance of advisors and the Committee's effectiveness.

The Fund currently undertakes an assessment of its advisors on a more qualitative basis and market tests them when contracts are due for renewal. A more formal arrangement for assessments could be developed for advisors to measure cost, quality and consistency of advice received.

The Committee believes that its effectiveness can ultimately be measured by the level of success achieved in minimising and stabilising the level of contributions paid into the Fund by employing bodies to ensure its solvency. Work remains on-going to achieve this aim while the Governance Compliance Statement in conjunction with the continued adoption of CIPFA's Knowledge and Skills framework standards will ensure the continued effectiveness of the Committee.

An Administration Strategy was revised by this Committee in December 2015, this outlines the administrative service standards expected from by both the Wiltshire Pension Fund and employers. This ensures the efficient administration of the scheme and updates are provided to Committee on its progress.

5. Responsible Ownership

Administering authorities should:

- **Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents**
- **Include a statement of their policy on responsible ownership in the statement of investment principles (investment strategy statement)**
- **Report periodically to scheme members on the discharge of such Responsibilities.**

The Wiltshire Pension Fund is fully compliant with this principle. The Fund manages its ownership responsibilities through its partnership with PIRC. PIRC's voting guidelines are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practise in corporate governance also in some areas goes beyond the existing legal and regulatory requirements.

PIRC reports quarterly on its voting activity and these reports are available to Committee Members through the website. PIRC also present annually to the Committee which assists Members to play a more active role in the Fund's voting activities.

The Fund undertakes its engagement activities through its membership of the Local Authority Pension Fund Forum in conjunction with expectations of its asset managers to report on their engagement activities on a regular basis. The Fund has also produced a compliance statement in respect of the Stewardship Code.

6. Transparency and reporting

Administering authorities should:

- **Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives**
- **Provide regular communication to scheme members in the form they consider most appropriate.**

The Wiltshire Pension Fund is fully compliant with this principle. It produces the following documents which are approved by the Committee and communicated to the appropriate stakeholders to fulfil requirement on transparency:

- Governance Compliance Statement
- Pension Fund Annual Report
- Funding Strategy Statement
- Communications Policy
- Investment Strategy Statement
- Reports under the Stewardship Code

These are all available on the Fund's website, so any stakeholder or other interested party has access to this information.

The Communications Policy outlines the different channels and frequency of communications while also identifying the different stakeholders.

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

6 April 2017

Wiltshire Pension Fund Business Plan 2015-18 Priorities

Purpose of the Report

1. The purpose of this report is to provide the Board with the updated Business Plan priorities update as agreed by the Pension Fund Committee on 23 March 2017.

Background

2. The Wiltshire Pension Fund Business Plan was approved by the Committee at its meeting on 25 June 2015. The detailed plan can be found at the following link [Business Plan 2015-18](#) .
3. At the Board meeting on 25 January 2017, the current position was noted and it was recommended that officers review 'low priority' actions to evaluate if they should be either re-prioritised or upgraded to a higher priority level, and establish a process by which the Committee reconsiders deadlines for actions where they are not addressed within 12 months.
4. At its meeting on 23 March 2017, the Pension Committee reviewed the Business Plan actions and approved the reprioritisation and revised deadlines in line with the current resources of the Wiltshire Pension Fund.

Considerations for the Board

5. The attached Appendix present the revised action plan from the 2015-18 Business Plan as approved by the Pension Fund Committee for review.

Environmental Impact of the Proposal

6. Not applicable.

Financial Considerations & Risk Assessment

7. The financial implications of the Business Plan are considered in the budget set for the Fund. The mains risks highlighted above are incorporated into the Fund's Risk Register where appropriate, elsewhere on this agenda.

Legal Implications

8. There are no legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Reasons for Proposals

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

Proposals

11. The Board is asked to note the updated Business Plan and its revised target dates and priority order.

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 ACTION PLAN 2015-18

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
1 Refresh key policy documents: -Statement of Investment Pripls. - Communication Strategy - Administration Strategy - Admin Authority Directions Policy - Cessation Policy - Funding Strategy Statement - Investment Strategy Statement - Governance Comp. Statement	Annually 2015 June 2015 Sept 2015 Dec 2015 Dec 2016 Jan 2017 Apr 2017 June 2017	1	To seek Member approval and formally publish.	High	Low	All on target except Governance Compliance Statement that will be reviewed in June 2017.
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 2018	3	In line with good governance contracts should be reviewed on a periodic basis and this contract has been in place for 5 years.	Low	Medium	Low priority and preference to maintain continuity of advice during period of significant change.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
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.			

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
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.	Low	Low	Partially complete. Road shows and pension clinics on-going. AGM to be held in June 2017
11	Implementation of regular covenant & risk review of employer bodies, including regular monitoring against the performance requirements within the Pension Administration Strategy	Sept 2017	7	To ensure regular engagement takes place with all employers and that risks to the Fund are periodically assessed.	High	Medium	Partially complete - covenant & risk review framework has been set up. Monitoring performance is being developed in line with Fund's internal KPIs (April 2017).
12	Set up a formal process for monitoring the performance of the Fund's advisors	N/A	3	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.	Low	Medium	Low priority. Undertaken informally. This is best practice. Defer to next Business plan
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.	Medium	Medium	Partially complete - currently being developed with the aim to have in place by April 2017.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
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.	Low	Low	Complete - Twitter account now active (Feb 2017).
17	Set up a formal process for monitoring the performance of the Committee	N/A	12	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.	Low	Medium	Partially complete – have reviewed ISC, looking to see if same approach used for main committee. Defer to next Business Plan
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	March 2016	1 & 8	To ensure the Fund has liaised with its employers, checked and cleansed its			

Activity	Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
Pension Regulator's Record Keeping requirements and ensure plan in place to meet targets			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.			
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 2017	1 & 12	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.	Low	Medium	Partially complete – Board members handbook completed, Committee handbook to be reviewed but not needed until May 2017.
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).	High	Medium	Should be complete by 6 April 2017.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
27	Draft separate Financial Standards for the Pension Fund	N/A	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.	Low	Low	Low priority and resource availability. No current material operational issue from delay. Defer to next Business Plan
28	Implement scheme members self-service	Dec 2018	5, 6, 10	To improve the level of access for members for their benefits.	Medium	Medium	On-going – different systems have been reviewed. Loss of knowledge in Systems Team need to focus on core service activities.
29	Complete GMP reconciliations project	Dec 2018	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.	High	Low	On-going – timescale led by HMRC responses. All data reviewed for pensioners & deferred members. Target for completion December 2018 in line with HRMC deadline..
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.			
31	Review / Retender Altair Pension Software contract	Jan 2017	1 & 8	To ensure the Fund is achieving best value from its current contract.	Medium	Low	Currently on-going.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
32	Re-tender / drawdown from framework Actuarial Contract	Sept 2018	1 & 12	To ensure that there is an up-to-date and competitive actuarial contract in place.	High	Low	Fund will use the national framework when the South West ones ends. Fund is contracted to use Hyman Robertson until end of 2018.
33	Re-tender / drawdown from framework Investment Consultancy contract	Sept 2018	1 & 12	To ensure that there is an up-to-date and competitive investment consultancy contract in place.	High	Low	Fund will use the national framework when the South West ones ends. Fund is contracted to use Mercers until end of 2018.
34	Review pension payroll service	Jan 2018	1 & 8	To review the potential options for pension payroll.	Medium	Low	
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.	Low	Low	
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.	Medium	Low	Advisable to consider ahead of Member self-service
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	Medium	Low	On-going – 5 members of the team now qualified CIPPS Pension Administrators.

Activity		Deadline	Links to Objective No.	Purpose	Priority	Resource Risk	Action Update March 2017
				meet the ever increasing complexities of the scheme.			
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.	High	High	On-going - Brunel Pension Partnership project reached Full Business Case stage.
39	Review potential for "opportunistic" investments and 'inward' investments as they arise	On-going	4	To keep abreast of potential opportunities for the Fund.	Medium	Low	

LOCAL PENSION BOARD - WORK PLAN

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	25-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Standard 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	Investment Pooling & the Brunel Pension Partnership	Brunel Pension Partnership update		Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	Annual Reporting requirements	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	06-Apr-17	13-Jul-17	18-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 Governance Compliance Statement				✓					✓			✓			
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 Triennial Valuation Results							✓								
Review fund delegations and internal controls									✓						✓
Review CIPFA Admin, WM investment and other Fund benchmarking results							✓				✓				✓
Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Fund Plans, Policies & Strategies															
Review Fund Annual Business Plan	✓		✓				✓				✓				✓
Review Admin Strategy & Charge Out Rates			✓							✓	✓				✓
Review Admin Authority Discretions			✓								✓				
Review Funding Strategy Statement						✓									
Review Statement of Investment Principles/compliance with FRC stewardship code					✓				✓				✓		
Review Investment Strategy Statement								✓							

Meeting:	16-Jul-15	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	06-Apr-17	13-Jul-17	18-Oct-17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
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										✓					
Benchmark Annual Report with other Funds									✓						
Review of Annual Benefit Statement process						✓									
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							✓			✓				✓	
Total number of Agenda Items:	21	24	24	25	25	25	23	24	32	28	24	25	25	26	26

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