

AGENDA

Meeting: Local Pension Board

Place: West Wiltshire Room - County Hall, Bythesea Road, Trowbridge,
BA14 8JN

Date: Thursday 22 August 2019

Time: 10.30 am

Please direct any enquiries on this Agenda to Jim Brewster, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718242 or email jim.brewster@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

Membership:

Howard Pearce (Chairman)
Barry Reed
Cllr Richard Britton
Sarah Holbrook
Mike Pankiewicz

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

AGENDA

Part 1

Items to be considered when the meeting is open to the public.

1 **Membership**

Ian Jones, CFO at The White Horse Federation, joins the Board as an Observer on 22 August.

2 **Attendance of non-members of the Board**

To note the attendance of any non-members of the Board present.

3 **Apologies**

Apologies have been received from Sarah Holbrook.

4 **Minutes** (*Pages 7 - 16*)

To confirm as a true and correct record the minutes of the previous meeting held on 23 May 2019.

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 15 August 2019 in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than 5pm on 19 August 2019, 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 17 - 20*)
- To consider the Part 1 (public) minutes of the Investment Sub Committee held on 5 June 2019.
- 9 **Training Item: TPR Breach Reporting refresher** (*Pages 21 - 44*) **10:35**
- A short presentation by the Governance & Performance Manager on the Pension Regulator's requirements.
- 10 **Internal Audit Report** (*Pages 45 - 54*) **10:50**
- 11 **tPR Report** (*Pages 55 – 64*) **11:00**
- A paper summarising the conclusions of tPR's report following their investigation of Funds identified as not fulfilling their statutory obligations.
- 12 **Scheme legal, regulatory and Fund update** (*Pages 65 - 70*) **11:10**
- A report providing an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.
- 13 **Risk Register update** (*Pages 71 - 78*) **11:20**
- A report presenting the newly designed Risk Register for the Wiltshire Pension Fund for review by the Board.

- 14 **Administration Key Performance Indicators** (*Pages 79 - 90*) **11:30**
A report presenting the Fund's administration Key Performance Indicators for review by the Board.
- 15 **LPB SAB Survey II** (*Pages 91 - 98*) **11:40**
To review the draft responses prepared the Chairman & officers in respect of the second LPB SAB survey.
- 16 **Accounts, annual report & external audit update** **11:50**
A verbal update from the Accounting and Investments manager concerning the publication of the accounts, annual report and the external audit report.
- 17 **Good Governance Report** (*Pages 99 - 134*) **12:10**
To consider the contents of the Good Governance Report & its impact on the Fund's internal controls following the Hymans consultation exercise.
- 18 **Clarification of the roles of the Local Pension Board and Committee** **12:20**
To provide a verbal update on progress in implementing the Member Effectiveness review
- 19 **How did the Board do?** **12:25**
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.
- 20 **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.
- 21 **Date of next meeting** **12:35**
The next meeting of the Board will be held on 14 November 2019.

22 **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 23 -24 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

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.

23 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee** (Pages 135 - 140) **12:45**

To consider the Part 2 (private) minutes of the meetings of the Investment Sub-Committee held on 5 June 2019.

24 **Minutes** (Pages 141 - 150) **12:55**

To confirm as a true and correct record the Part 2 minutes of the meeting held on 23 May 2019.

LOCAL PENSION BOARD

**MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 23 MAY 2019
AT WEST WILTSHIRE ROOM - COUNTY HALL, BYTHESEA ROAD,
TROWBRIDGE, BA14 8JN.**

Present:

Howard Pearce (Chairman), Cllr Richard Britton, Mike Pankiewicz, and Barry Reed

Also Present:

Cllr Philip Whitehead, Becky Hellard, Richard Bullen, Andy Cunningham, Stuart Dark,
and Jennifer Devine,

23 **Apologies**

Apologies were received from Cllr Gordon King, David Bowater and Sarah Holbrook

The Chair sought an update on board membership. Officers advised of potential new nominees from employers and the process, including nomination of candidates and ballots that will be used to secure member representatives.

Resolved:

To conduct the membership recruitment process as set out by the Fund Governance and Performance Manager.

24 **Local Pension Board Part 1 Minutes and LPB Action Log**

The Part 1 minutes of the meeting held on 24 January 2019 were approved.

It was noted that since the January meeting, a review of the actions log had been made against the original meeting minutes which had been recorded. Consequently, the actions log had been updated in two key regards;

- That the reference numbers recorded on the actions log would reflect the minute numbers for each meeting
- That actions on the log should only relate to actions determined in the minutes

The Action Log was discussed in respect of minute reference 36.

Cllr Richard Britton questioned the shifting deadlines on 36 and asked how the board would know this had been done. Officers stated that that this action had been addressed and that internal audit always reviewed previous recommendations as part of future audits. The third part of this action, relating to the reconciliation between the Payroll & Pension databases, remained ongoing. A new action under minute 35 of these minutes would be created to recorded to monitor this reconciliation, as a bespoke Data Improvement Plan had now been implemented.

It was agreed that the following actions could be closed;

- 42 (13/07/2017)
- 44 (13/07/2017)
- 9 (15/03/2018)
- 31 (12/07/2018)
- 36 (12/07/2018)
- 37 (12/07/2018)
- 60 (11/10/2018)
- 64 (11/10/2018)
- 67 (11/10/2018)
- 8 (24/01/2019)
- 13 (24/01/2019)

It was noted that both the older and new referencing system appeared on the current actions log. As the older actions were cleared, the new referencing arrangement would become clearer.

Resolved:

The minutes from the meeting held on 24 January 2019 were approved.

That reference numbers on the Action Log would be made clearer and that actions would also be RAG rated.

25 **Declarations of Interest**

There were no Declarations of Interest.

26 **Chairman's Announcements**

The Chair reminded the board of its purpose in supporting the efficiency, compliance and effective and efficient governance of Wiltshire Pension Fund.

The Board's attention was drawn to the Scheme Advisory Board's Good Governance survey and the value of collective input into that process was highlighted.

27 **Public Participation and Councillors Questions**

There were no members of the public present.

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

Resolved:

The board noted the minutes and key decisions of the Wiltshire pension Fund Committee and sub Committee.

29 **Training Item: Changes to the Annual Report and Accounts Guidance**

Officers advised the board of CIPFA's guidance on the production of an Annual Report and accounts and that Deloitte UK had been appointed as auditors and were starting work within seven days.

The process for approval was set out as follows; the Pension Committee (18 July 2019) recommend the annual report and accounts to Audit Committee (24 July) whilst the Pension Board review the annual report electronically (by receiving a draft copy (10 July 2019)) to enable a recommendation to Pension Committee to approve both (26 September).

CIPFA's guidance was said to be placing new emphasis upon; pension pooling costs and savings, and more consistent disclosure of key performance indicators.

The Chair sought clarity on who was checking against the separate guidance on annual report and accounting and was informed that this was done internally. The Chair then asked that Deloitte UK confirm this as part of their audit.

The Chair thanked officers for their hard work.

30 **Internal Audit Report**

Officers advised the meeting that a second internal audit would take place later in the year covering the Pension Regulator Code of Practice 14 requirements. A report on that audit would be submitted to the Board.

Resolved:

That the board was to receive a six-monthly update on the Key Controls and GDPR audit recommendations and whether they have been actioned or completed.

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

Officers talked through their report on changes to legal and regulatory frameworks and brought the Board's attention to, reforms to public sector exit payments, fair deal consultation, cost cap mechanism, good governance and the absence of the pensions regulator from the document.

The board suggested that statutory actions be presented before strategy actions.

Resolved:

The Board noted the report.

32 **Risk Register update**

Officers talked through a proposal to produce a re-formatted risk register and brought the board's attention to the content being the same but that the changes made for a more evidence-based approach.

Cllr Richard Britten welcomed the changes and alignment with the corporate approach to expressing risk and responses to risk, but sought clarity on the nature of risk in distinguishing horizon risk, dynamic risk, ongoing risk and ceased risk. There was also a request for more detail and granularity used to show the specific risks for mitigation - rather than an area of activity, such as 'pooling'.

The Chair suggested that presentation of risk against the eight CIPFA categories should be adopted, with a second categorisation for identifying risk split by business plan objective & service function.

The consistency of the register with LGPS guidance and its improved legibility was noted.

Resolved:

To note the proposed changes to the risk register and to develop it by providing more detail about specific actions taken to mitigate risk.

To sense check information recorded on the current risk register to ensure consistency.

33 **Administration Key Performance Indicators**

Officers talked through a report on key performance indicators that linked KPIs to administration strategy of fund and employers, CIPFA disclosure requirements and data quality.

The Chair thanked officers and invited the board to comment. The debate that followed highlighted that administration strategy KPIs could be presented after disclosure requirements KPIs and that the disclosure requirements would benefit from a trend line. Where increased volumes of incoming work made for backlogs, it was suggested that the quantity of new, incoming cases be presented as context. It was asked that the data missing on 'Joiners' in Appendix 3 be entered into the table. Officers responded that they were aware of issue but currently faced some technical difficulties in resolving the matter.

Resolved:

The board noted the report and recommended making the changes highlighted in the discussion.

34 **WPF Business Plan 2019-2022**

Officers talked through the Business Plan and the budget as a financial illustration of that plan. The debate that followed addressed levels of resourcing and capacity and the approaches to year 1 and year 2.

The Board requested that the budget reflect the objectives and actions within the business plan.

The Chair thanked the team for the business plan and highlighted the processes it puts in place, the reporting mechanisms it establishes and its capacity to identify necessary future resources.

Resolved:

The board noted the plan.

35 **Data Improvement Strategy and Plan**

The data improvement plan was introduced by officers and was welcomed by board members and the Chair as a good paper that provides a sound basis for future review of performance.

Resolved:

The board noted the report and that a sub-plan had been prepared in respect of the Payroll & Pension database reconciliation. An update on the reconciliation would be provided in six months.

36 **Clarification of the roles of the Local Pension Board and Committee**

Officers updated the board on work done to; develop the terms of reference of committee, sub committee and board, align meetings with the business cycle, manage member inductions and develop communications.

The discussion that followed distinguished the board's role as being one of addressing compliance rather than one scrutinising committee decisions.

Without the emphasis upon the role of compliance, there is a risk of duplication between board and committee.

Resolved:

The board noted the progress made by officers.

37 **Draft Local Pension Board Annual Report**

The Chair invited comments on the annual report from board members. Assurances of the accuracy of the training log and section covering the outcomes of LPB recommendations to Committee were sought and provided. The following corrections were requested;

- that Mike Pankiewicz should no longer be described as an 'active' member
- that the independent advice fees should be verified

The Chair thanked the team for their hard work.

Resolved:

The board approved the report for publication, subject to the corrections being made.

38 **How did the Board do?**

The board discussed a Unison report on LGPS and environmental and social governance.

Resolved:

The board recommended that the committee address ESG as part of the fund's Investment Strategy.

39 **Urgent items**

There were no urgent items.

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

The date of the next meeting was set as 22 August 2019. As this date falls in the holiday period, member availability would be checked prior to the meeting being confirmed.

Mike Pankiewicz requested confirmation on whether the August meeting would be quorate in view of Member Representatives terms of office expiring on 14 July. Officers noted that the Union Member appointments and active member appointments followed a separate process under the terms of reference. With the Union member appointments due to be confirmed in July, officers were confident that the August meeting would be quorate.

41 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 42 - 44 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. The Chairman moved to Part 2 of the meeting.

42 **Brunel Pension Partnership update**

Resolved:

The board noted the update.

43 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee and Brunel Partnership Oversight Board**

Resolved:

The board noted the minutes of Wiltshire Pensions Fund Committee and Investment sub-Committee and Brunel Partnership Oversight Board.

44 **Private Part 2 Minutes LPB 24th-Jan-2019 10.00 Local Pension Board**

Resolved:

The board approved the Part 2 Minutes of the Local Pension Board held on 24 January 2019.

(Duration of meeting: 12.30 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services, direct line 01225 718242, e-mail jim.brewster@wiltshire.gov.uk

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

INVESTMENT SUB-COMMITTEE

MINUTES OF THE INVESTMENT SUB-COMMITTEE MEETING HELD ON 5 JUNE 2019 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Tony Deane (Chairman), Cllr Gordon King and Cllr Roy While

Also Present:

Richard Bullen, Andy Cunningham, Jennifer Devine, Anthony Fletcher, Becky Hellard, Shruti Moraes, Mike Pankiewicz and Dave Willers

14 Election of a Chairman

Cllr Tony Deane was nominated by Cllr Gordon King and seconded by Cllr Roy While. There being no other nominations, Cllr Tony Deane was duly appointed as Chair of Investment Sub-Committee for the municipal year 2019 – 2020.

Resolved:

Cllr Tony Deane was elected Chair of the Investment Sub-Committee for the municipal year of 2019 – 2020.

15 Apologies

Apologies were received from Cllr Brian Ford.

16 Minutes

Resolved:

The minutes of the meeting held on 21 February 2019 were approved.

17 Declarations of Interest

There were no Declarations of Interest.

18 Chairman's Announcements

The Chair drew the Committee's attention to the recent Unison report, 'Analysis of the Investment Strategy Statements of the LGPS Administration Authorities,

March 2019'. The Chair welcomed the report's aims and invited comment from members.

It was noted that members needed more time to read the report, and it was suggested as an item to take to pension committee.

Resolved:

To circulate the report and add it to the agenda for Pension Committee on 18 July 2019.

19 **Public Participation and Councillors Questions**

There were no members of the public present. There were no questions from Councillors.

20 **Date of next meeting**

The date of the next ordinary meeting of the Investment Sub-Committee will be held on 5 September 2019.

21 **Urgent items**

There were no Urgent Items.

22 **Exclusion of the public**

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 Minute Numbers 23 - 30 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.

23 **Investment Quarterly Progress Report**

Resolved:

The Committee noted the Investment Quarterly Progress Report and the update provided by officers and advisers at the meeting.

That Brunel, specifically Richard Fanshawe and Vanessa Jacka, be invited to Investment Sub-Committee

That the Investment Manager would summarise fund manager's quarterly reports to allow committee to focus upon fund manager's presentation.

24 **Investment Manager's Database**

Resolved:

The Committee noted the reports on the Investment Manager's Database and the update provided by officers and advisers at the meeting.

25 **Accounting update**

Resolved:

The Committee noted the Accounting Update report.

26 **Mercers report**

Resolved:

The Committee noted the update.

27 **Baillie Gifford Presentation and Q1 2019 Quarterly report**

Resolved:

The Committee noted the presentation and report.

28 **Barings Presentation and Q1 2019 Quarterly report**

Resolved:

The Committee noted the presentation and report.

29 **Loomis Presentation and Q1 2019 Quarterly report**

Resolved:

The Committee noted the presentation and report.

30 **Minutes**

Resolved:

The part 2 (confidential) minutes of the meeting held on 21 February 2019 were approved.

(Duration of meeting: 2.02 pm)

The Officer who has produced these minutes is Jim Brewster of Democratic Services,
direct line 01225 718242, e-mail jim.brewster@wiltshire.gov.uk

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



WILTSHIRE
PENSION FUND

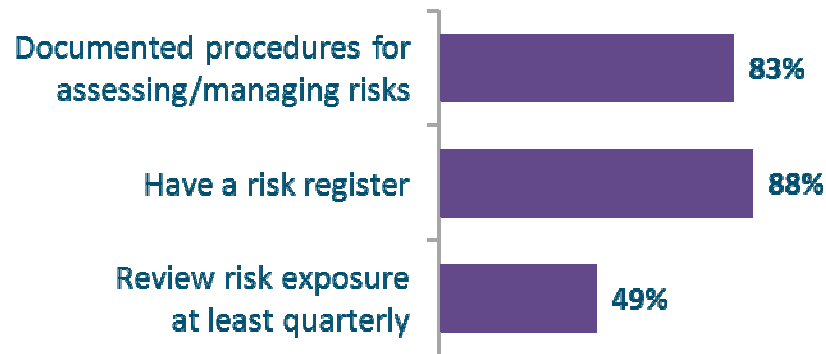
tPR Code of Practice 14 - Breaches Policy

Contents

- ▶ The Regulator's viewpoint - 2018 - Slides 3 & 4
- ▶ Resolving Issues - Slide 5
- ▶ What is a breach & who is responsible for reporting it? - Slides 6 & 7
- ▶ What is the WPF process? - Slides 8 to 14
- ▶ Current WPF Breaches Log - Slide 15

The Regulator's viewpoint - 2018

Risk management



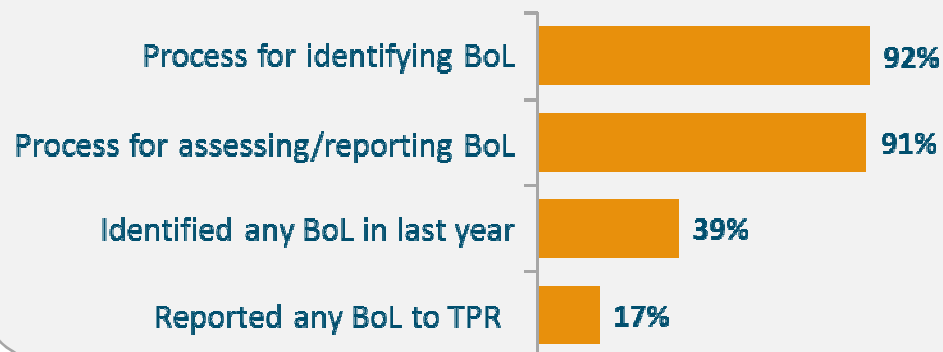
Top 3 risks

Securing compliance with legislation	45%
Record keeping	39%
Funding or investment	35%

Top 3 causes of breaches of the law

Failure of employers to provide timely, accurate or complete data	57%
Systems or process failure	41%
Failure to maintain records or rectify errors	18%

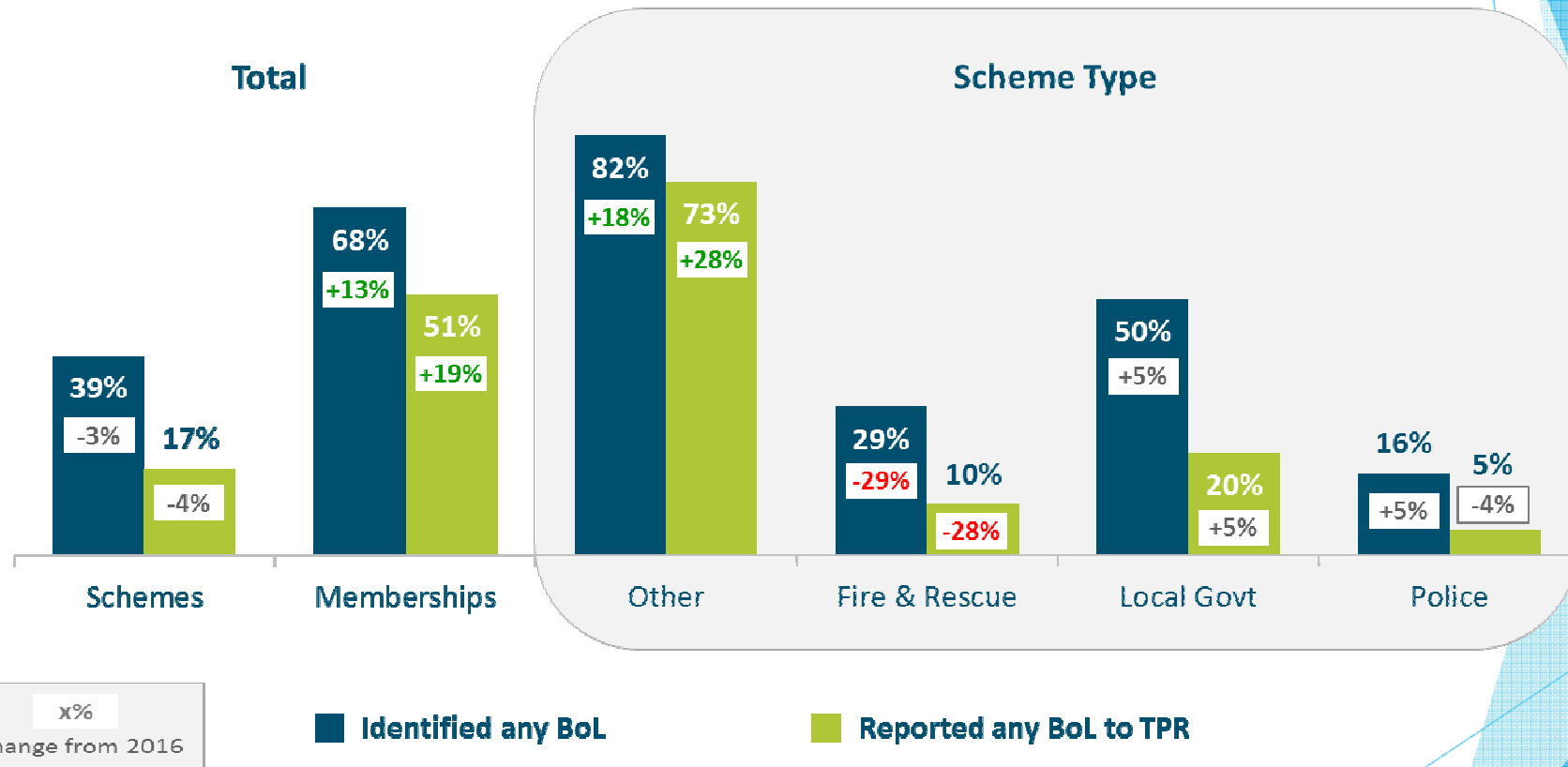
Breaches of the law



The top cause of breaches of law is failure of employers to provide timely, accurate or complete data

Identifying and reporting breaches of law

Proportion of schemes that have “identified any breaches of the law” and “reported any breaches to TPR as you thought they were materially significant” in the last 12 months



While 39% identified breaches, only 17% of schemes reported them to TPR (ie less than half of those identifying breaches). ‘Other’ schemes most likely to both identify and report breaches.

Code 14 content - Resolving Issues

Governing your scheme <ul style="list-style-type: none">• Knowledge and understanding• Conflicts of interest• Publishing information about schemes	Risk <ul style="list-style-type: none">• Internal Controls
Administration <ul style="list-style-type: none">• Record-keeping• Maintaining contributions• Providing information to members	Resolving Issues <ul style="list-style-type: none">• Internal dispute resolution• Reporting breaches of the law

Reporting breaches of law

- Who is responsible for the legal duty to report a breach of the law that is likely to be of material significance to TPR:
 - ▶ scheme manager
 - ▶ Elected members
 - ▶ professional advisers
 - ▶ employers
 - ▶ administrators and others providing advice to the manager
- Reporters must determine if a breach has occurred based on reasonable cause and not a mere suspicion
- WPF Policy was approved in December 2015 & should be reviewed annually
- TPR provides example scenarios and RAG system for assessing scale of materiality by way of:
 - ▶ cause
 - ▶ effect
 - ▶ reaction
 - ▶ wider implications
- www.tpr.gov.uk/docs/PS-reporting-breaches-examples-traffic-light-framework.pdf

What is a breach?

“an act of breaking or failing to observe a law, agreement or code of conduct”

- ▶ In terms of the LGPS, it is a failure to:
 - ▶ Do anything required by the scheme or overriding legislation;
 - ▶ Maintain accurate records;
 - ▶ Act on any fraudulent act or omission identified;
 - ▶ Comply with policies and procedures;
 - ▶ Of an employer to pay over contributions;
 - ▶ Pay benefits accurately, or on time.



The steps to follow



1 - Identify

- ▶ Procedures - appropriate and effective
 - ▶ Legal clarification
 - ▶ Facts around the case
 - ▶ Clear process for referral, particularly severe cases
 - ▶ Process for dealing with difficult cases
 - ▶ Timeframe for dealing with each referral
 - ▶ Freedom to raise concerns



Identify

2 - “Reasonable cause”

- ▶ Ensuring breach has actually happened
- ▶ Not acting on a suspicion or hearsay
- ▶ Robust checks
 - ▶ Officers
 - ▶ Elected members
 - ▶ Pension board
- ▶ Legal advice

Page 30



“Reasonable
cause”

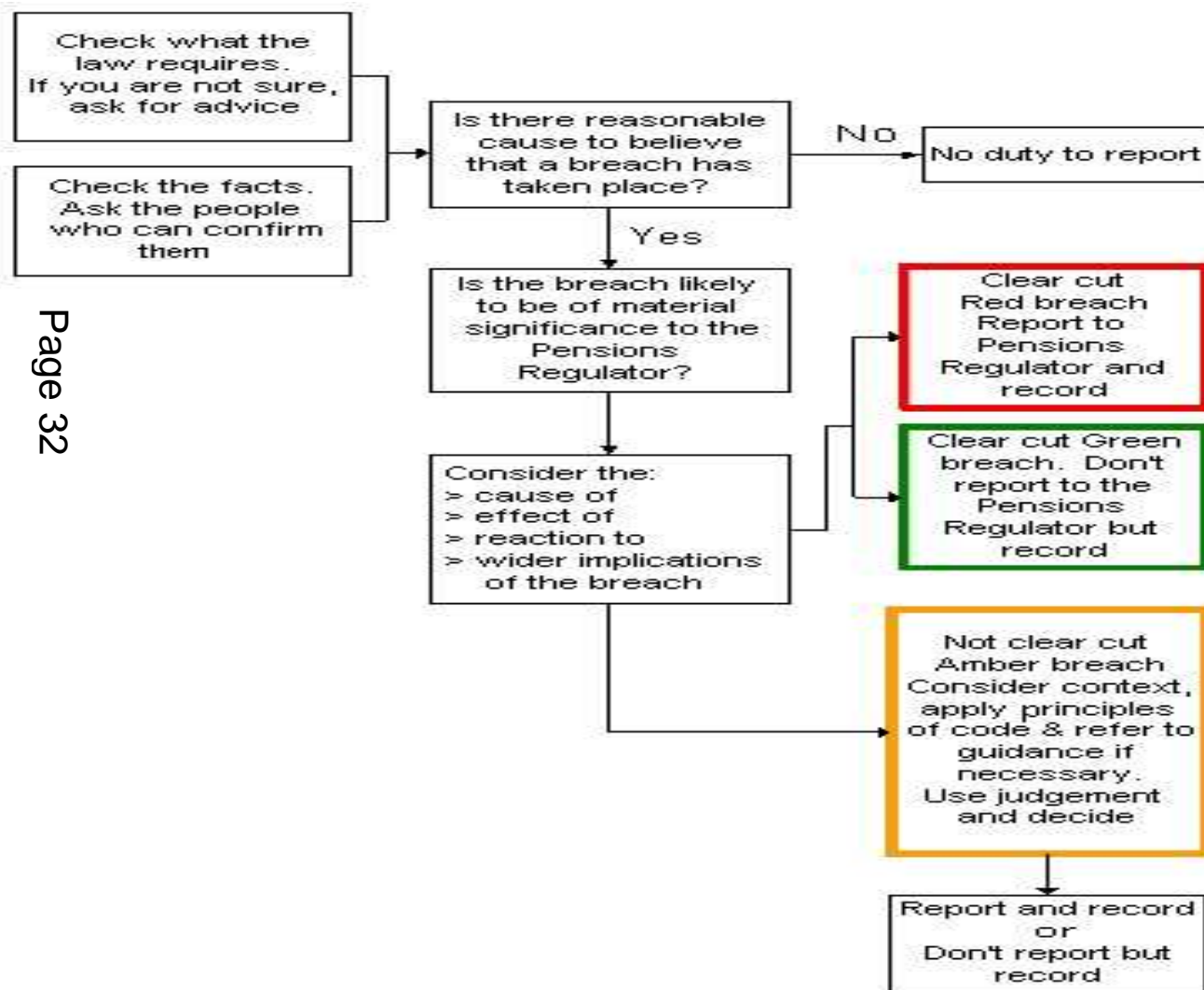
3 - “Materially significant”

- ▶ Need to consider:
 - ▶ **Cause** - dishonesty, poor governance, incomplete/inaccurate information.
 - ▶ **Effect** - ineffective internal controls, lack of knowledge/understanding, potential for further breaches
 - ▶ **Reaction** - action taken, notification to interested parties
 - ▶ **Wider implications** - issues that make it likely breach will reoccur in future



“Material
significance”

3 - “Materially significant” - chart



Page 32

“Material significance”

4 - Reporting

- ▶ Internally
 - ▶ Report all breaches to **Head of Pensions & Chairman of the Board**
 - ▶ Agree proposed cause of action
 - ▶ **Cooperate** with, and assist in, reporting of breaches
- ▶ Regulator
 - ▶ Materially significant only
 - ▶ In writing via **Exchange**
 - ▶ Still worth informal reporting if not sure

Page 33



Reporting

5 - Record keeping

- ▶ Officer responsible for recording breaches

- ▶ **Becky Hellard - Section 151 Officer**

- ▶ Officer responsible for day to day monitoring

- ▶ **Richard Bullen - Fund Governance & Performance Manager**

- ▶ Breaches log

- ▶ Date, description, cause, effect, wider implications, severity, dates reported to officers/elected members/ Regulator, mitigating actions, target dates, responsible officer



Record
keeping

WPF - 2019/20 Breaches Log

TPR Breaches Log

Date	Employer	Description	Cause	Effect	Reaction	Wider Implications	Cause	Effect	x	Severity	Date reported to Officers	Date reported to Elected Members	Date reported to Regulator	Mitigation actions	Target dates	Responsible Officer
28/05/2019	Employer A	Late payment of March & April 2019 contributions	28/05 XXX received notification of email being deleted - she has resent - Await response	March & April o/s	XXX have apparently sent all their contributions with XXX and XXX are the new pay role provider		2	2	4	Green	28/05/2019	22/08/2019	No	Chased with XXX 26/04/19 & XXX 28/05/19.		DR
28/05/2019	Employer B	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	E Mail to XXX		ST
28/05/2019	Employer C	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	E Mail to XXX		ST
28/05/2019	Employer D	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	Advised by XXX - Payroll for this month not finalised. It would appear that we are out of sync with the payments/months payable!		ST
28/05/2019	Employer E	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	E Mail to XXX		ST
28/05/2019	Employer G	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	Advised XXX a chq has been sent. She is checking if this has been cashed		ST
28/05/2019	Employer S	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	E Mail XXX		ST
28/05/2019	Employer H	Late payment of April 2019 contributions		Chased 28/05/19			1	2	2	Green	28/05/2019		No	E Mail to XXX		ST
11/06/2019	n/a	Non compliant LPB Member due to training	XXX became a member of the LPB in May 2017, at which point he was required to complete mandatory training. Namely the Pension Regulator's on-line toolkit	Failure to complete the training could mean that the Member may lack sufficient knowledge & understanding on the role he is required to carry out	Member is unwilling to complete the training see the 3rd of 3 email requests dated xx/xx/xx	If member does not have sufficient knowledge & understanding for the role he holds, the implications are that areas of the Fund's oversight & governance may be at risk	3	2	6	Amber	11/06/2019		No	To raise at next Board meeting	16/11/2017	RB
02/07/2019	Employer A	Late payment of May 2019 contributions & payment is at the incorrect rate	A new payroll provider has been appointed & there appears to be a breakdown in the process	March, April & May o/s - UET are also paying at 16.7% and it should be 18.1%	XXX have apparently sent all their contributions with XXX and XXX are the new pay role provider		3	2	6	Amber	02/07/2019		No	Site visit being considered by Employer Relationship Manager. 3/7/19		DR
02/07/2019	Employer I	Late payment of May 2019 contributions		Chased XXX 02/07/19			1	2	2	Green	02/07/2019		No	Advised Cashflow Problem will pay in 5 days 02/07/19 (Paid)		ST
02/07/2019	Employer C	Late payment of May 2019 contributions		Chased 02/07/19			1	2	2	Green	02/07/2019		No	E Mail to Steve Nell - Paid by 2/7/19		ST
02/07/2019	Employer J	Late payment of May 2019 contributions		Chased 02/07/19			1	2	2	Green	02/07/2019		No	E Mail to XXX - Paid by 2/7/19		ST
02/07/2019	Employer K	Late payment of May 2019 contributions		Chased 02/07/19			1	2	2	Green	02/07/2019		No	XXX - Paid by 2/7/19		ST
02/07/2019	Employer A	Payment is at the incorrect rate	Not following the contributions schedule provided by the Scheme Actuary	Underpayment may place a strain on the Fund.	Requested that XXX follow up with Employer	Minimal at present	1	2	2	Green	03/07/2019		No			ST
02/07/2019	Employer L	Payment is at the incorrect rate	Not following the contributions schedule provided by the Scheme Actuary	Underpayment may place a strain on the Fund.	Requested that XXX follow up with Employer	Minimal at present	1	2	2	Green	04/07/2019		No			ST
02/08/2019	n/a	Board non-compliant due to a long term Employer Representative vacancy	XXX left her post in March 2018	A breach of law & a loss of balance to the Board impairing its effectiveness	Repeated attempts by Officers to recruit a replacement	Lack of oversight in areas of Fund governance & administration	3	2	6	Amber	05/03/2018		No	Approach to the XXX has resulted in the possible appointment of XXX	14/11/2019	RB

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Breaches of the Law Policy Guidelines for Wiltshire Council Officers, Councillors and Members of the Wiltshire Pension Fund Local Pension Board

Status of this document

This document contains the Committee's policy guidelines on identifying, managing and where necessary reporting breaches of the law in relation to the management and administration of the Fund. The guidelines apply to Councillors, Council officers and Board members. The guidelines do not cover the responsibility of any other person required by law to report such breaches.

Please note that Board members must comply with the Reporting Policy set out at paragraphs 89 to 98 of the Terms of Reference. These guidelines complement the Reporting Policy in respect of Board members.

These guidelines will be reviewed and approved by the Committee at least annually. The Committee will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Council's Section 151 Officer will be responsible for the management and execution of these guidelines.

Definitions used in this document

"Board"	The Wiltshire Pension Fund Local Pension Board
"Code"	The Pensions Regulator's Code of Practice no. 14: Governance and administration of public service pension schemes (as amended from time to time)
"Committee"	The Wiltshire Pension Fund Committee
"Council"	Wiltshire Council
"Councillor"	An elected or co-opted member of the Council
"Fund"	The Wiltshire Pension Fund within the LGPS
"Regulations"	The Local Government Pension Scheme Regulations 2013 (as amended from time to time)
"Reporting Policy"	The Council's policy on reporting matters including breaches of the law set out in the Terms of Reference (as amended from time to time)

Objectives of this document

1. To set out the principles and procedures that all Councillors, Council officers and Board members are expected to follow in order to comply with the Terms of Reference, relevant legislation, codes of practice and government guidance.
2. To ensure that all Councillors, Council officers and Board members are aware of their duty to report relevant breaches of the law to the Pensions Regulator.
3. To set out procedures for identifying, assessing, recording and reporting relevant breaches within appropriate timescales (including processes for clarifying the facts and applicable law where needed, referral to Council

staff of appropriate seniority, dealing with difficult cases and identifying promptly any breaches that are so serious that they must always be reported to the Pensions Regulator).

4. To ensure that a breaches log is kept and reviewed.

Relevant Legislation

Section 70 of the Pensions Act 2004 sets out the legal duty to report breaches of the law:

<p>70. Duty to report breaches of the law</p> <p>(1) Subsection (2) imposes a reporting requirement on the following persons—</p> <ol style="list-style-type: none"> (a) a trustee or manager of an occupational or personal pension scheme; [(aa) a member of the pension board of a public service pension scheme;] (b) a person who is otherwise involved in the administration of [an occupational or personal pension scheme]; (c) the employer in relation to an occupational pension scheme; (d) a professional adviser in relation to such a scheme; (e) a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme. <p>(2) Where the person has reasonable cause to believe that—</p> <ol style="list-style-type: none"> (a) a duty which is relevant to the administration of the scheme in question, and is imposed by or by virtue of an enactment or rule of law, has not been or is not being complied with, and (b) the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions, <p>he must give a written report of the matter to the Regulator as soon as reasonably practicable.</p> <p>(3) No duty to which a person is subject is to be regarded as contravened merely because of any information or opinion contained in a written report under this section. [<i>i.e. Duty to report overrides other obligations like duty of confidentiality, except where legal professional privilege applies</i>] This is subject to section 311 (protected items). [<i>Deals with exemption for legal professional privilege</i>]</p> <p>(4) Section 10 of the Pensions Act 1995 (c 26) (civil penalties) applies to any person who, without reasonable excuse, fails to comply with an obligation imposed on him by this section.</p>
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The Pensions Regulator's Code: Reporting breaches of the Law

The Pensions Regulator has responsibility for regulatory oversight of the governance and administration of public service pension schemes, including the LGPS. The Pensions Regulator has published guidance in the Code. Paragraphs 241 to 275 of the Code deal with reporting breaches of the law.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Pensions Act 2004 and the Code; failure to report a breach without “reasonable excuse” is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach, the process provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All Councillors, Council officers and Board members are expected, indeed required, to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Head of Pensions will maintain a log of all breaches of the law as applicable to the management and administration of the Fund.

The Council, as Scheme Manager, and the Board cannot rely on waiting for other reporters to report a breach where it has occurred. Where a breach has occurred and has been identified by the Council or Board it should be recorded, assessed and where necessary reported as soon as reasonably practicable.

What is a breach of the law?

A breach of the law is “*an act of breaking or failing to observe a law, agreement, or code of conduct.*”. In the context of the Local Government Pension Scheme (LGPS) it can encompass many aspects of the management and administration of the LGPS, including failure:

- to do anything required under the Regulations;
- to do anything required under overriding legislation, applicable statutory guidance or codes of practice;
- to maintain accurate records;
- to act on any fraudulent act or omission that is identified;
- to comply with policies and procedures (e.g. the Fund’s statement of investment principles, funding strategy, discretionary policies, etc.);
- of an employer to pay over member and employer contributions on time;
- to pay member benefits either accurately or in a timely manner;
- to issue annual benefit statements on time or non-compliance with the Code.

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law falls on the following reporters:

- Councillors and Council officers (on behalf of the Council as Scheme Manager);
- Board members;
- Scheme employers;
- Professional advisers (including the Fund actuary, investment advisers, legal advisers); and
- Third party providers (where so employed).

These guidelines only apply to Councillors, Council officers and Board members. It is for the other reporters to ensure their own adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Council and the Board will take all necessary steps to consider the breach and report to the Pensions Regulator, rather than having the breach solely reported by any of the other reporters.

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator in accordance with the Code.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law;
- and if so, is the breach likely to be of material significance to the Pensions Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Pensions Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Pensions Regulator. It is still necessary that all incidents of

breaches identified are recorded in the Council's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree and put in place a plan of action to rectify the matter and prevent such an occurrence in the future.

When is a breach required to be reported to the Pensions Regulator?

The Code requires that a breach should be notified to the Pensions Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Pensions Regulator. The time taken should reflect the seriousness of the breach. In any event, where a breach is considered to be of material significance it must be reported to the Pensions Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Pensions Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Pensions Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Pensions Regulator, marked as "urgent" in order to draw the Pensions Regulator's attention to it.

Assessing "reasonable cause"

It is important that the Council and the Board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by Councillors, Council officers and Board members when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from the Head of Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Pensions Regulator

The Pensions Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the following aspects are considered in all cases:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law;
- effect – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring;
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

The decision tree provides a "traffic light" system of categorising an identified breach:

Green – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Pensions Regulator, but should be recorded in the Council's breaches log;

Amber – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action. The Council or Board will need to decide whether to informally alert the Pensions

Regulator of the breach or likely breach, formally reporting the breach if it is subsequently decided to categorise the breach as red;

Red - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Council or Board must report all such breaches to the Pensions Regulator in all cases;

Where a Councillor, Council officer or Board member is satisfied that a breach has actually occurred and it is significant, he or she must as soon as reasonably practicable report it to the Head of Pensions and the Chairman of the Board.

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board (through its Chairman) to determine the appropriate course of action. The Board will then report full details to the Committee as soon as reasonably practicable and otherwise in accordance with the Reporting Policy, including escalation under paragraph 95 of the Terms of Reference where necessary.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Committee will use the Pensions Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Section 151 Officer for reporting to the Pensions Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Pensions Regulator immediately.

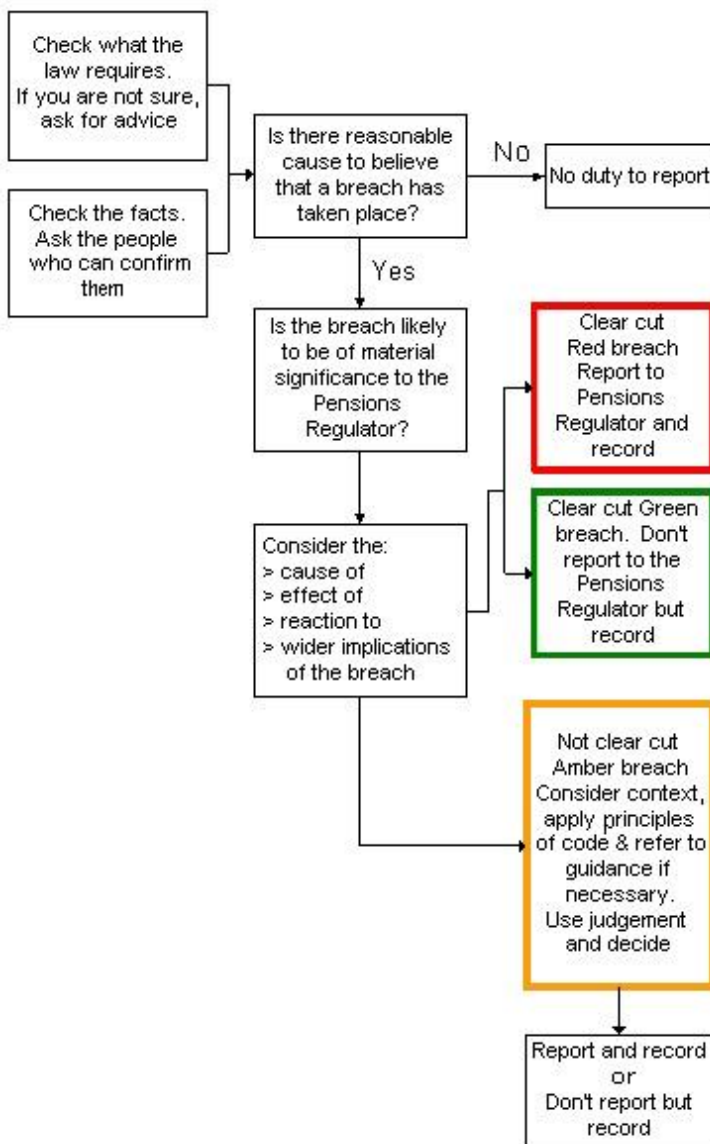
In order to determine whether failure to pay over employee contributions is materially significant or not the Committee will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Pensions Regulator.

As soon as a breach or likely breach has been identified to the Committee, regardless of whether it needs to be reported to the Pensions Regulator, the relevant manager, in consultation with the Head of Pensions, must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Council's breaches log.



Process for reporting breaches

All Councillors, Council officers and Board members have a responsibility to:

- identify and assess the severity of any breach or likely breach;
- report all breaches or likely breaches to the Head of Pensions and Chairman of the Board, and in the case of Board members, escalate to the Section 151 officer where required under the Reporting Policy;
- in conjunction with relevant colleagues agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary;
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from re-occurring; and
- co-operate with, and assist in, the reporting of breaches and likely breaches to the Board, Committee, Section 151 Officer and where necessary the Pensions Regulator.

Responsibilities of the responsible officer

The Council will appoint one of its senior officers to be responsible for the management and execution of these guidelines. That officer will be the Section 151 Officer.

The Section 151 Officer will be responsible for ensuring that breaches and likely breaches are recorded and reported as follows:

- ensure that all identified breaches and likely breaches are recorded by the Head of Pensions in the Council's breaches log;
- ensure investigation of the circumstances of all reported breaches and likely breaches;
- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not re-occur;
- ensure reporting to the Committee and Board of:
 - all materially significant breaches or likely breaches that will require reporting to the Pensions Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and
 - all other breaches at least quarterly as part of the Committee cycle.
- report all materially significant breaches to the Pensions Regulator as soon as practicable but not later than one month after becoming aware of the breach.

The Section 151 Officer will make the final determination of whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code and after consultation with the Head of Legal Services and where considered appropriate the Committee and Board.

If appropriate, the matter will be referred to an external party to obtain any necessary legal or other advice before deciding if the breach is considered to be of material significance to the Pensions Regulator. Where uncertainty exists as to the materiality of any identified breach the Section 151 Officer may informally notify the Pensions Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Pensions Regulator?

All materially significant breaches must be reported to the Pensions Regulator in writing. This can be via post or electronically. The Pensions Regulator encourages the use of its standard reporting facility via its Exchange on-line service.

The Section 151 Officer will report all material breaches to the Pensions Regulator via Exchange.

How are records of breaches maintained?

All breaches and likely breaches identified are to be reported to the Head of Pensions as soon as they are identified. The Head of Pensions will log all breaches on the Council's breaches log, including the following information:

- date the breach or likely breach was identified;
- name of the scheme;
- name of the employer (where appropriate);
- any relevant dates;

- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance;
- whether the breach is considered to be red, amber or green.
- a description of the actions taken to rectify the breach;
- a brief description of any longer term implications and actions required to prevent similar types of breaches re-occurring in the future.

The Section 151 Officer will be responsible for ensuring the effective management and rectification of any breach identified, including submission of any report to the Pensions Regulator. Any documentation supporting the breach will be maintained by the Section 151 Officer.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Council or a member of the Board. The duty to report overrides any other duties a reporter may have, such as confidentiality. Any such duty is not breached by reporting to the Pensions Regulator. Given the statutory duty that exists, in exercising these guidelines the Council will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee making a whistleblowing disclosure to the Pensions Regulator. The provisions of the Council's whistleblowing policy apply.

The duty to report, however, does not override 'legal professional privilege', so oral and written communications between the Council, Committee or Board and a professional legal adviser must not be disclosed.

Training

The Head of Pensions will ensure that all Councillors, Council officers and Board members receive appropriate training on reporting breaches of the law and these guidelines at the commencement of their office, employment or appointment to the Board as appropriate and on an ongoing basis.


Pensions Code of Practice 14 Compliance 2019/20

Page 45
Final report

Issue Date: 26 July 2019

Agenda Item 10

Executive Summary

Audit Opinion		Recommendation Summary	
	<p>The assurance opinion we have been able to offer in relation to this audit is 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.</p>	Priority	Number
		Priority 1	0
		Priority 2	1
		Priority 3	0
		Total	1

Audit Conclusion

Overall, the audit found that the self-assessment process undertaken to confirm compliance with The Pensions Regulators Code of Practice 14 was robust and transparent with the action plan and reporting deemed to be to an appropriate level.

One recommendation has been made which relates to verifying that the answers provided by management to confirm compliance are correct by undertaking random sampling and testing of the responses.

Background

The purpose of this audit was to review the self-assessment completed by the Wiltshire Pension Fund against their compliance with The Pensions Regulators Code of Practice 14 (Code 14) which relates to the governance and administration of public service pensions schemes. The Code 14 came into legal effect on 1 April 2015 and is set out into 5 key parts:

- Introduction
- Governing your Scheme
- Managing risks
- Administration
- Resolving issues

A self-assessment is completed annually by the Wiltshire Pension Fund management team to assess compliance against the code. Any areas of non-compliance or concern are then reported to the Pension Committee and Local Pensions Board.

Corporate Risk Assessment

Objective

To provide assurance that the self-assessment completed by the Council's Pension Fund of its compliance with the Pensions Regulator's code of practice number 14 is robust and reliable.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Non-compliance with the Code of Practice 14 resulting in regulatory breaches and fines.	High	Low	Low

Scope

The audit reviewed the end to end self-assessment process including:

- Planning and process undertaken
- Analysis of the responses
- Verification and testing
- Reporting on areas of non-compliance
- Plans in place to rectify areas of non-compliance.

The approach of the audit included interviews with relevant staff members, reviewing the completed self-assessment with associated documentation and verifying responses in the self-assessment by completing testing.

Findings and Outcomes

Summary of Control Framework

Overall the self-assessment process to determine compliance with the Code of Practice 14 is well controlled with a robust and transparent self-assessment completed on an annual basis. An analysis of the results is completed, and the reporting of the results is deemed to be to an appropriate level. A clear and timely plan is also in place to address areas of non-compliance.

1. 1. Non-compliance with the Code of Practice 14 resulting in breaches and fines.

Medium

1.1 Finding and Action

Issue	Risk						
There is no verification completed to confirm that the responses in the self-assessment are correct.	The Fund could be fined or have sanctions imposed if areas of non-compliance are not identified and reported on.						
<p>Findings</p> <p>The current process for assessing compliance with the Code 14 requirement involves sending a spreadsheet to the managers of the Pensions Fund who respond with how they are complying in the areas for which they are responsible. Once all the questions have been responded to, the answers are collated, analysed and reported on. It was noted that areas that had a plan in place to achieve compliance, such as the GDPR regulations, had been assessed as being compliant. Until the plan is fully completed, these areas are not technically compliant and therefore should not be reported as such.</p> <p>There is currently no process to confirm that the responses in the self-assessment are correct as no sample testing or assessments are completed of the areas that have been selected as compliant to verify they are in fact complying.</p>							
<p>Recommendation</p> <p>We recommended that the Fund Governance and Compliance Manager complete random sample testing of the responses received in the self-assessment to confirm the responses are correct.</p>							
<p>Agreed Action</p> <p>The Fund Governance and Compliance Manager will complete random sample testing of the responses received in the self-assessment to confirm the responses are correct.</p>							
	<table border="1"> <tr> <td>Priority Score</td> <td>2</td> </tr> <tr> <td>Timescale</td> <td>30 June 2020</td> </tr> <tr> <td>Responsible Officer</td> <td>Fund Governance and Compliance Manager</td> </tr> </table>	Priority Score	2	Timescale	30 June 2020	Responsible Officer	Fund Governance and Compliance Manager
Priority Score	2						
Timescale	30 June 2020						
Responsible Officer	Fund Governance and Compliance Manager						

Page 48

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

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Authors and Distribution

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.

Report Authors

This report was produced and issued by:

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Distribution List

This report has been distributed to the following individuals:

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Andy Cunningham	Head of Pensions Administration and Relations
Jennifer Devine	Investments Manager
Becky Hellard	Director of Finance & Procurement, (S151 Officer)

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
22 August 2019

PENSION FUND – TPR CODE OF PRACTICE 14 REVIEW

Purpose of the Report

1. This report updates the Board on the findings of an internal review of the Wiltshire Pension Fund's (WPF) compliance with the Pension Regulator's Code of Practice 14 for the Fund year 2018-19. The review was conducted in two stages;
 - a) A self-assessment by officers; and
 - b) An internal audit conducted by the South West Audit Partnership (SWAP)

Background

2. The scope of the self-assessment covered the adequacy of the Fund's compliance in relation to the areas of internal controls, governance, administration & resolving issues based on an independent questionnaire originally provided by Aon Consulting.
3. The scope of SWAP's internal audit was to provide assurance that the self-assessment completed by officers is sufficiently robust and reliable to ensure compliance with the Pensions Regulator's code of practice 14. To establish this the auditor reviewed the end-to-end process of the self-assessment including the;
 - a) Planning & process undertaken
 - b) Analysis of the responses
 - c) Verification and testing
 - d) Reporting on areas of non-compliance
 - e) Plans in place to rectify areas of non-compliance

Considerations for the Board

Self-assessment analysis

4. The questionnaire posed 83 questions covering all areas of the Fund's internal controls & the answers to most of the areas reviewed were that the Fund was found to be adequately controlled and being well managed. Overall an improvement was observed from 16 areas identified as requiring improvement in 2017-18 to 10 areas in 2018-19.
5. Of the 16 areas identified as requiring improvement in 2017-18, 9 had shown improvement moving to a well managed risk status, most notably reflected in the internal controls of the Fund's contract management arrangements. This left 7 risks where no significant progress had been made, plus 3 new risk where the risk rating had worsened. The key risks identified where progress had worsened, or no improvement had been made are set out below. Officers will implement an action plan to address the risks failing to reach the adequate standard.

New Risks identified		
Risk No.	Description of the risk	Remedy date

B12	Board members completion of the Pension Regulator's toolkit for training	November '19
C10	Employer and member representatives on the Board being in line with the legal requirements	November '19
J1	The Administering Authority being satisfied that those responsible for reporting Breaches understand their requirements	August '19

Ongoing Risks identified		
Risk No.	Description of the risk	Remedy date
E7	A review of internal controls is required to ensure all Fund procedures are up to date	December '20
F1	Do member records record the information required as defined in the Regulations and are they accurate	Rolling programme
F2	Ensuring that Employers provide timely & accurate information	July '20
F10	Setting in place procedures to reconcile Fund & Employer records	December '20
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales	December '19
H7	Are Employers issuing new Scheme members will all the essential basic Scheme information	December '19
H9	Is all information to members provided within the required legal timescales	December '19

Internal Auditor analysis

- The Auditor provided a "Reasonable" assurance & recommended that the Fund complete random sample testing of the responses received in the self-assessment to confirm that the responses were correct. In addition, the Auditor commented that full compliance should be based on the completion of any action plan.

Conclusions

- Whilst the member effectiveness review has been recognised as a useful exercise member engagement in all areas of their governance responsibilities remains an ongoing process. All members are respectfully requested to support officers by ensuring their own compliance on an individual level.
- Fulfilling the Fund's standard business & change management commitments in accordance with its business plan has placed a strain on officer resource to update & maintain the Fund's procedures. Both this audit & the internal audit on Key Controls has highlighted a presence of risk where procedures & plans may not be being followed in practice.
- It is envisaged that the implementation of new software, notably i-Connect, should address the Fund's core issues of non-compliance in relation to F1, F2 & F10, which in turn will also have a direct impact on H3 & H9. In short, this means that if the Fund can ensure the receipt of good quality data from its employers on a timely basis the Fund's disclosure of information to its members will be significantly enhanced.
- The Fund Governance & Performance Manager will ensure that as part of the next self-assessment exercise a strategy of sample testing of the responses will be undertaken.

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 compliance with tPR Code of Practice 14.

Risk Assessment

13. The risks reflected in this Internal Audit shall be reflected in the Risk Register which is updated quarterly and presented to this Board.

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 asked to note the internal, self-assessment undertaken.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 August 2019

PENSION FUND – TPR PUBLIC SERVICE SUMMARY 2018

Purpose of the Report

1. The purpose of this report is to identify any additional actions the Wiltshire Pension Fund (WPF) Local Pension Board can recommend to the Pension Committee following the publication of the results of the Pension Regulator's 4th Public Service Governance & Administration survey 2018.

Background

2. The results of the survey looked in more depth at how the key features of good governance of Pension Fund's work in practice. The key findings of the survey found that governance, record-keeping, member communications & cyber security continue to be the top four areas of concern.
3. Consequently, the Pension Regulator will seek to form its regulatory approach to Pension Funds based on these key findings.

Considerations for the Board

4. Whilst the WPF is satisfied that it is one of the 74% of Funds that has all six of the Pension Regulator's key processes in place Fund officers have reviewed tPR's survey against its existing governance & administration arrangements in order to identify any areas in which the WPF can continue to improve.
5. The table below sets out an area of concern focused on within the report by the Pension Regulator along with an additional action(s) identified by Fund officers in which they believe the Fund can improve still;

tPR key issues	Potential action(s) where the WPF can improve further
Knowledge & Understanding	<ul style="list-style-type: none"> • Training should be recorded in terms of duration as well as by content; & • Greater support could be offered to members to attend external conferences, seminars & workshops to avoid over reliance on officer training
Board Membership	<ul style="list-style-type: none"> • To seek, as part of the Fund's new Pension Administration strategy with Employers, increased employer understanding & commitment concerning Employer representative recruitment
Risk Registers	<ul style="list-style-type: none"> • For the Board to offer greater guidance to the Pension Committee concerning the practical use of the risk register as part of their oversight obligations
Cyber security	<ul style="list-style-type: none"> • For the Board to request an annual report to review the maintenance of officer access & authorisation levels to Fund software; & • To request annual reports from Wiltshire Council's IT Dept. & the Fund's database manager

	(Heywood's) summarising the cyber security arrangements each have in place.
Data Quality	<ul style="list-style-type: none"> To ensure that the tPR data quality definitions are implemented on receipt of the definitions from SAB
Annual Benefit Statements	<ul style="list-style-type: none"> To request officers, implement a rectification strategy to ensure that any statements not issued by 31st August, are issued as early as possible after that date
Administration	<ul style="list-style-type: none"> To request an annual report summarising complaints made to the Fund to identify any themes

Conclusions

6. In self assessing itself against the findings of the Pension Regulator's 2018 survey, the WPF considers itself to operating above the average of public sector Funds in its governance & administration remit & that in addressing the potential actions specified above the Fund will not only ensure its continued compliance, but also aim to place itself an upper quartile position against its peers in relation to the Regulator's compliance requirements.

Environmental Impact

7. There is no environmental impact from this report.

Financial Considerations

8. There are no immediate financial considerations.

Risk Assessment

9. There are no risks identified at this time.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no implications at this time.

Proposals

12. The Board is asked to review the finding of the Pension Regulator's report against the actions identified by officers and approve the implementation of those actions.
13. The Board is asked to recommend any other actions it feels may be appropriate.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

Public service governance and administration survey 2018

Commentary on results

Background

Public service pension schemes provide pensions for nearly 17 million civil servants, judiciary, local government workers, teachers, health service workers, members of fire and rescue services, members of police forces and members of the armed forces.

Our code of practice 14 sets out the standards we expect of the people who manage these schemes. Our aim is to improve standards across the board, focusing our interventions on the schemes that we consider present the greatest risk.

In the past year we have engaged with a number of pension scheme managers and pension board members. This, together with one-to-one relationships with large schemes, has helped to inform our understanding of the landscape.

To gather further information about public service pension schemes, we carried out our fourth annual governance and administration survey in November and December 2018. Previous surveys identified that key features of good governance were becoming more commonplace across public sector schemes. In the latest survey, we looked in more depth into how these features were operating in practice.

The survey findings support our existing assessment that the top risks in this landscape are around governance, record keeping, and member communications. They also identify cyber security as a significant issue requiring attention.

The survey is anonymous by default, although scheme representatives can attribute their answers so that we and/or their Scheme Advisory Board can see them. We do not take direct regulatory action based on the answers given, but the answers in aggregate may inform our regulatory approach.

This commentary accompanies the full research report which details all the survey results. It is intended to draw out the key points and areas of concern we have identified. Scheme managers should read the full results of the survey to understand more about the issues highlighted in this statement.

Key issues

Three-quarters (74%) of public service schemes had all six of our key processes in place, an improvement on previous years. However, it is disappointing that the remainder of schemes still did not have all six of these simple measures in place.

Pension Board meetings

Only half of schemes had four or more pension board meetings in the previous 12 months. We have previously highlighted that scheme governing bodies should meet at least quarterly. We are concerned that irregular meetings may be an indicator of poorly-governed schemes. We note that Fire schemes had both infrequent meetings and were the most likely cohort to postpone meetings. We expect to see an improvement in this area.

Knowledge and understanding

Almost all respondents believed that the scheme manager and pension board had access to all the knowledge and skills necessary to run the scheme and were more confident than in previous years that they had sufficient time and resources to do so. However, the survey results did not fully support this view. Only in four-fifths (82%) of schemes did the scheme manager and pension board evaluate the board's knowledge and understanding at least annually. Furthermore, 39% of schemes saw recruitment, training and retention of staff and knowledge as a barrier to improving their governance and administration over the next 12 months, and 47% cited lack of resources or time. We see this lack of knowledge and resources as a key reason for scheme managers not being able to drive the improvements that we expect.

The concerns expressed by respondents about knowledge and understanding may partly be driven by the significant annual turnover in pension board members. On average schemes reported that 20% of the total positions on their pension board had left in the previous 12 months. The loss of knowledge and understanding that this represents is significant. It is essential that pension boards have documented processes in place to ensure the preservation of knowledge and should carry out a skills analysis to assess the areas where their knowledge may be weakest. This will also highlight situations where there is a concentration of knowledge in particular individuals. This will help in the recruitment of members with the knowledge, skills and experience required. Pension boards should also ensure that they have all appropriate training in place for new recruits to build their own understanding.

Board membership

We have very significant concerns about 11 schemes that reported that at the time they completed the survey they were operating with fewer pension board members than required by their respective scheme regulations. The situation appears to have been temporary in most cases until new pension board members could be recruited. In the meantime, however, these schemes were breaching the law. We urge scheme managers to maintain a pension board with more than the minimum number of members to avoid this situation. They should also take steps to ensure that pension board members are recruited before a vacancy exists to enable an effective handover to take place.

Risk registers

While more schemes had a risk register than in previous years, it does not appear that every scheme recognises their value. Only half of schemes had reviewed their exposure to new and existing risks at least quarterly in the previous 12 months. The risk register should be a living document that recognises how risks are emerging, developing and being mitigated or controlled. The pension board and scheme manager are key players in identifying and controlling risks, and a review of the risk register should form part of every meeting.

Collecting data

We expected to see that multi-employer schemes had lower levels of employers presenting data in a timely or accurate and complete manner. This was borne out by the survey findings, although some single employer Police and Fire schemes also reported that they were facing issues. However, we feel that some schemes, particularly the local government schemes, could do more to facilitate the collection of data. Only half of Local Government schemes said that all their employers submitted data electronically and just two-fifths said that all their employers submitted their data monthly. Monthly electronic data submission should be the default for all schemes and we recommend that schemes take steps to put this in place. Aligning data submission with payroll cycles makes it easier for employers to comply as information can be provided as part of the payroll process. Current practices that allow data to be submitted by annual paper return increase the burden for both participating employers and the schemes processing that data. Paper schedules also increase the chances of mistakes occurring that take longer to rectify.

Cyber security

In recent years we have asked schemes to recognise the importance of cyber security. The survey found that there were generally high levels of compliance with basic security measures such as system and access controls and policies on data and use of devices. However, these basic measures were not universal - for example, 17% of schemes did not report that they have controls restricting access to systems and data. A similar number (18%) did not report that they have systems controls such as firewalls, antivirus or software updates. Around half of schemes said that they had experienced a cyber breach or attack in the previous 12 months. The majority of these involved staff receiving fraudulent emails or being directed to fraudulent websites and attacks that try to take down websites or online services.

It is vital that schemes also consider their cyber footprint. Pension schemes share large amounts of data with third parties such as administrators, actuaries, employers and legal advisors. An awareness of the security processes that these bodies have in place is necessary too. Cyber security is not just about reducing the risk of incidents occurring, but also requires preparation for when things go wrong. Schemes need to have an incident response plan in place, and the scheme manager must be aware of the contingencies in place. The lack of pension boards and scheme managers who received regular updates on cyber risks, incidents and controls indicates that this risk is still not being taken seriously.

Data quality

Around three-quarters of schemes that had reviewed their common data in their most recently completed review said that they had identified problems with it. This is lower than we would expect, given that common data includes addresses which can rapidly become out of date. We therefore think it is likely that schemes are not reporting on all elements of common data. Fewer Police schemes reported identifying issues with their common and scheme specific data in their most recently completed review than other cohorts. We are aware that data cleansing has been a focus for Police schemes for some time now and we trust that their results indicate that a well-functioning and effective data cleansing process has now been widely adopted. To ensure comparability within cohorts, we support the work of Scheme Advisory Boards to develop a common definition and standard for their schemes to report on.

Annual benefit statements

There was a general improvement in the number of annual benefit statements issued on time again this year. However, there is still considerable scope for improvement by schemes in this area. We are troubled by the 10% of schemes (15% of Local Government schemes) that did not report that all the annual benefit statements they sent out in 2018 contained all the data required by regulations. We understand that schemes may be taking this action to meet the 31 August deadline for issuing statements. In our view however, deliberately sending out a statement with missing or incorrect data is worse than sending out an accurate statement late. Those schemes that have given us a Breach of Law report in relation to annual benefit statements in recent years have typically had a plan to get their statements out very soon after the deadline, for the few members it affected. We are unlikely to take action on the basis of a breach of law report on its own where there is a reasonable plan for rectification of the situation.

Administration

Pension boards have two fundamental responsibilities - to oversee both the governance and administration of the scheme. A board that is failing to meet its basic responsibilities by not having administration as a feature of every meeting is failing in one of its fundamental functions. We are pleased to see that more schemes are giving administration the attention it deserves, with three-quarters of schemes considering it at every pension board meeting in the previous 12 months. We do still see some space for improvement in the locally administered (Police, Fire and Local Government) schemes, however. It is notable that most of the complaints received by schemes continue to stem from poor administration. This might be around disputes or queries about the amount of benefit paid, slow or ineffective communication, delays to benefit payments, or inaccuracies or disputes around pension value or definitions. Pension boards should continue to ensure that administration is considered on every agenda to identify persistent and emerging issues, and to advise the scheme manager to make improvements.

Conclusion

The pattern of results this year indicates that while pension boards have managed to drive improvements in some areas, they continue to struggle in many others. The locally administered schemes appear to find it particularly hard to meet their responsibilities. There are a variety of reasons for this depending on the exact circumstances of the scheme. Scheme managers and pension boards need to drive improvements in the key areas highlighted here. Some are more straightforward than others but taken together will improve the running of the scheme. We suggest that pension boards, scheme managers and scheme advisory boards examine ways in which collaboration and sharing of resources can deliver better governance and administration.

The information gathered in the survey will be used to inform our regulatory initiatives with all schemes. Over the course of the next year some public service schemes will experience greater engagement from us through our new supervisory processes. This new range of regulatory tools and techniques, which includes one-to-one relationships with schemes of strategic importance and broader scheme supervision and thematic work, helps clarify our expectations of schemes on whom millions of savers rely.

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Free online learning for those running public service schemes



Public service governance and administration survey 2018 Commentary on results

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Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html	Updated	<p>A 'final' consultation on this topic closed on 3 July 2019. The main proposal is that all employer costs (pension and non-pension) are capped at £95k when an employee leaves on grounds such as a compromise agreement or redundancy. For redundancy, the statutory redundancy payments must be paid so other benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply).</p> <p>The consultation is not clear on how this would work in Schemes such as the LGPS. It is likely that LGPS Regulations would need to be changed such that an employee who leaves aged 55 over on redundancy grounds would face some reductions to their pension. For non-redundancy cases, existing employer discretions may become limited. Furthermore, the likely implementation date is also not clear.</p>	PEN021
CIPFA	LGPS Administration Benchmarking and Resources	CIPFA website	New	<p>CIPFA Pensions Panel has issued an open letter concerning benchmarking (which now forms part of the Annual Report) and pressure on LGPS resources.</p> <p>Officers are supportive of the concept of industry benchmarking, and believe adding requirements to the Annual Report is a positive step, but then much more development is required to help ensure the data is meaningful and comparable between Funds.</p>	None
The Pension Regulator	Consultation on changes to codes of practice	https://www.thepensionsregulator.gov.uk/en/document-library/statements/single-code-of-practice-statement	New	tPR are planning on releasing a consultation on changes to the codes of practice, including code of practice no 14, which plans to involve both a consolidation of the existing codes as well as some amendments.	None
MHCLG	Fair Deal Consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection	Updated	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation.	PEN040

Organisation	Subject	Link	Status	Comments	Risk Ref
	<i>Changes to the Local Valuation Cycle and the Management of Employer risk</i> Consultation	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf	New	<p>This consultation covers the following areas:</p> <ol style="list-style-type: none"> 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. 3). Proposals for flexibility on exit payments. 4). Proposals for further policy changes to exit credits 5). Proposals for policy changes to employers required to offer LGPS Membership. <p>Section 5 proposes giving greater flexibility for further education corporations, sixth form college corporations and higher education corporations concerning membership of the LGPS and is the most surprising part of this proposal; current employees would be protected but future employees could be ineligible.</p> <p>The consultation closed on 31 July 2019 and officers responded accordingly.</p>	PEN044
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	No change since the last meeting	Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of 3-4 years.	PEN038
Financial Reporting Council	Proposed revision to the UK Stewardship Code	https://www.frc.org.uk/investors/uk-stewardship-code		<p>The Financial Reporting Council (FRC) has consulted on a new Stewardship Code that sets substantially higher expectations for investor stewardship policy and practice.</p> <p>The consultation on the draft 2019 UK Stewardship Code closed on 29 March and the FRC has been analysing the responses. The responses indicate that there is strong support for consideration of ESG issues, greater use of asset classes beyond listed equity, the setting of expectations within the investment community and better reporting of activities and outcomes.</p> <p>They are now carrying out a process of targeted outreach to test the changes before the revised code is published in October.</p>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	No change since the last meeting	<p>SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.</p>	None
	Cost cap mechanism & McCloud case	Summary by Osborne Clarke (our external legal advisers)	Updated	<p>The planned changes to the LGPS from 1 April 2019 have now been cancelled due to an on-going court case (referred to as the McCloud case) which now looks likely to result in material changes to the LGPS and all other public service schemes.</p> <p>The Government asked to appeal against the conclusion from the original court case, but its appeal was turned down in early July 2019 which means changes are necessary.</p> <p>The SAB decided to await the outcome to the court case before making any changes. This is far from ideal, as this could well mean we made to make onerous retrospective changes to the Scheme (w/e from April 2019 but not known until the end of 2019/early 2020) and that such changes would not be included within the triennial valuation.</p>	PEN042
	Tier 3 employers review	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	No change since the last meeting	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies).</p> <p>SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.</p> <p>Aon Hewitt has recently produced a detailed report which is available on the SAB website which outlines its finding on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.</p>	None

Organisation	Subject	Link	Status	Comments	Risk Ref
	Good Governance Project (formerly known as the Separation Project)	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	Updated	Hymans-Robertson has now released its report on this and it is included as part of the LPB agenda for 22 August 2019.	None
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance. This project is at an early stage and no further information is available at this time.	PEN039
	Data Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers. No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.	None
Wiltshire Pension Fund	Miscellaneous Updates	None	New	a). <u>Council services/internal recharges</u> : Officers are working with Wiltshire Council payroll and finance teams to put in place new contracts/service level agreements for the respective services each team supplies (Pensioner Payroll and Treasury Management). These arrangements will also form the basis of providing a more robust approach to identify the level of internal recharges needed. b). <u>Review of terms of reference for Committee and Board</u> : Officers have completed a review of the terms of reference for Committee and Board and circulated draft revisions to the two chairs and Section 151 officer for comments. However, upon taking the ToR to the internal Constitution Focus Group, a couple of queries/challenges were made which has resultant in another review meeting being required. c). <u>Board Member elections</u> : Two candidates have been shortlisted and scheme members are being asked to vote on their preferred candidate. Voting closes on 30 August.	None

Organisation	Subject	Link	Status	Comments	Risk Ref
				<p>d). <u>Member Self Service (MSS) rollout & Benefit Statement update:</u></p> <p>Benefits statements are still on target to be received by members by 31 August 2019 although a number of technical difficulties has meant that the Fund is behind scheduled in its rollout.</p> <p>Deferred members will be invited to MSS as part of being contacted about their benefit statement.</p>	

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 August 2019

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Local Pension Board in relation to changes to the Fund's Risk Register (see Appendix A), in terms of both;
 - a) The format of the Risk Register; and
 - b) The content of the Risk Register.

Background

2. The existing format of the Risk Register had been in place since May 2009 & it had been observed that it had become an increasingly static document. Guidance by the Board and a recommendation made by the Director of Finance & Procurement to reformat the Risk Register to be consistent in manner with the Council's wider corporate risk strategy were therefore adopted to make it a more dynamic method of managing the Fund's risks.
3. The Members original request to highlight changes, particularly upward/downward movements in individual risks & report back to the Board and Committee on a quarterly basis, will continue to be observed.

Key Considerations for the Board / Risk Assessment

4. The new design of Risk Register has allocated the existing risks from PEN001 to PEN027 across 4 strategic categories, namely "Horizon risks", "Dynamic risks" & "Ongoing risks" & "Ceased risks". In addition, officers have reviewed the following information to identify new risks which have been assigned reference numbers PEN028 to PEN048;
 - a) The Scheme Update;
 - b) Business Plan;
 - c) Audit recommendations;
 - d) Minutes of meetings;
 - e) The Fund's KPI dashboard; and
 - f) Risks relating to Brunel and investment pooling.

It is anticipated that this strategy will enable the Fund to better identify & manage risks as they pass through the Risk Register from being identified as a horizon risk to becoming an ongoing risk whereby all the necessary mitigations have been applied & finally to a ceased risk, whereby the Committee can delegate the risk to officers to monitor on their behalf.

5. Another key feature of the new Risk Register is reclassifying the risk categories to be consistent with CIPFA categories that are recommended. The eight CIPFA categories are set out in the table below. A secondary classification of risk by Fund objective laid out in the business plan, or Fund service function would enable a more granular identification of risk.



6. To help the Fund identify, quantify, manage & mitigate risks, the Risk Register is accompanied by the Council's Corporate Risk Register guidance document which has been tailored to the Fund's requirements. Whilst a tailored Fund version of the document has been prepared for the Fund it has not been included within this meeting pack information on the grounds of brevity.
7. Regarding risk identification, it was recommended that the scoping of any new risks should be more specific in nature and as prescribed by the guidance document, to ensure that the Risk Register remains dynamic in nature. In turn this will assist the management, monitoring & mitigation of risks.
8. The new Risk Register will continue to score the significance of risks as measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register will use the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).

COMMITTEE'S REVIEW

9. The Committee is requested to review the new design of the Risk Register and provide guidance in the following key areas;
 - a) That the design of the reformatted Risk Register serves the requirements of the Committee;
 - b) That the more evidential method by which risks are identified & managed are clear and transparent; and
 - c) That the risks recorded on the new Risk Register presented to the Committee, represent all the pertinent risks currently being faced by the Fund & that the risks have been allocated in their opinion correctly across the 4 categories of Horizon, Dynamic, Ongoing & Ceased risks.

BOARD REVIEW

10. The Committee commented that they wished to review risks on an exception basis & where risks had ceased, so verify the reason for its cessation. To assist the Committee the Board will therefore;
 - a) Review the Risk Register & recommend risks which can be classified as ceased & monitored by officers;
 - b) Provide guidance to officers on the risk ratings given to the remaining risks; and
 - c) Confirm that going forward the following risk to be presented to Committee should be.
 - i) New risks;
 - ii) Recommended ceased risks;
 - iii) Risks where there has been a change to the rating; and
 - iv) Risks with a "Red" rating.

Financial Implications

11. No direct implications.

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 currently.

Proposals

15. The Board is asked to review the new Risk Register and assist the Committee as specified in point 10.

ANDY CUNNINGHAM

Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations, Richard Bullen, Governance Manager & Jennifer Devine, Investment Manager.

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

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Ref.	Risk	Cause	Impact	Effect	Primary Risk Category (CIPFA)	Secondary Risk Category (Operational)	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent risk score	Controls in place to manage the risk	Impact	Likelihood	Residual risk score	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion of action
PEN042	Significant retrospective legislation changes related to the McCloud case	An age discrimination case taken to Court by a group of firefighters and Judiciary employees	Increased contribution rates for employers and high levels of administration time and complication.	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	High	3	4	12	None - Whilst it now appears almost certain that a change will take place, it is still unclear exactly what the change will be, its magnitude and how the Fund can mitigate it.	3	4	12	None	High	New	Andy Cunningham	N/A
PEN043	Administration disruption and employer cost pressures caused by the Cost Cap review	The cost cap floor has been breached meaning the Scheme rules need to be adjusted. Cost: Higher costs for employers	Administration: Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. Cost: Higher costs for employers	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Medium	2	4	8	None until further information is available. Note: this is unlikely to happen until the McCloud case changes are finalised, as McCloud will already increase costs in itself.	2	4	8	None	Medium	New	Andy Cunningham	N/A
PEN021	Ineffective implementation of the Public Sector Exit Cap	The Treasury is consulting on draft regulations to introduce a cap of £95,000 on exit payments in the public sector, in response to concerns about the number of exit payments that exceed or come close to £100,000 and the need to ensure they represent value for money. This will include changes to LGPS regulations. Introduction of exit cap will require an additional burden on the administration team as it is likely to effect all redundancy calculations. Funds are often given little time to implement changes which brings about this risk.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved. LGPS Fund's could be in breach of the legislation in they are logistically unable to implement the cost cap mechanism once introduced.	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	LEGISLATIVE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPP will set up a project cover discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	2	2	4	None	Low	→	Andy Cunningham	N/A
PEN039	The Fund's inability to implement the reforms associated with the Good Governance Project	SAB has requested a review of governance structures for the LGPS using a criteria of four possible governance models which might help funds to deliver good governance for their employers and members. A final consultation report is due in July 2019	Poor governance has a reputational risk impact, leading to poor service for Fund stakeholders, a lack of clarity of roles & responsibilities and potential conflicts of interest emerging	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Officers have contributed feedback to the consultation exercise in May 2019 and taken part in various discussions. This has helped officers gain an understanding of the likely direction of travel and help ensure the Fund is aligned and prepared (for example by making certain adjustments and the terms of reference).	2	2	4	None	Low	New	Richard Bullen	N/A
PEN040	The Fund's inability to implement the conclusion of the Fair Deal Consultation	This consultation contains proposals which would strengthen the persons' protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provide	The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. Failure to implement the changes would have a significant impact on affected members benefits.	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Officers will continue to monitor developments to help ensure it is prepared to make any changes required.	2	2	4	None	Low	New	Denise Robinson	N/A
PEN044	Change to valuation cycle	The Government is consulting on changing the fund valuation cycle. In short term this could mean a one-off 5 year gap followed by quadrennial valuations.	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	1	3	3	Officers will respond to the consultation stating they are not in favour of such a change.	1	3	3	None	Low	New	Andy Cunningham	N/A
PEN045	GMP legislative changes	The Government has been planning to make a number of changes to way that GMPs work which brings about certain risks. In particular, changes to the indexation approach (which have been repeatedly delayed) and equalisation between males and females.	Both sets of plans could increase scheme costs and cause material amounts of additional administrative work.	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	Senior officers to keep themselves apprised of developments.	2	2	4	None	Low	New	Andy Cunningham	N/A
PEN038	The Fund's inability to implement the DWP's Dashboard within a notified timescale.	Late communication by the DWP to specify their requirements for the Fund to comply with this new nationwide Dashboard. Potential for unexpected implementation costs and/or the Fund being unable to meet the reporting requirements.	Non-compliance would lead to a reputational risk for the Fund. A statutory requirement to contribute may also be created.	A horizon risk identified which may occur & for which the Committee should consider planning for in the foreseeable future	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	1	2	2	Senior officers to keep themselves apprised of developments and seek more detailed information as the project develops.	1	2	2	None	Low	New	Mark Anderson	N/A

Dynamic Risks																				
Ref.	Risk	Cause	Impact	Effect	Primary Risk Category (CIPFA)	Secondary Risk Category (Operational)	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent risk score	Controls in place to manage the risk	Impact	Likelihood	Residual risk score	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion of action
PEN034	Failure to implement Lean process review	Low KPI performance has been identified, particularly in relation to the disclosure requirements, as a result of inefficient processes and insufficient training and support.	An end to end processing review of all repeatable processes with the key objectives of improving the customer experience and identifying and realising efficiencies. Semi-automated work allocation is required to target key items of casework more quickly	A new risk identified. The Committee is requested to review its impact	ADMINISTRATION	BUSINESS PLAN (App 1 - 12,14)	Andy Cunningham	Medium	3	2	6	The Fund's Project team has started a programme of work over a 2 year timeframe to review repetitive processes within the dept.	3	1	3		Low	New	Mark Briggs	On-going
PEN036	Failure to implement a Dashboard of KPIs for regular monitoring	Difficulties in extracting the required data from the workflow section of the administration system. Improve the range of Key Performance Indicators (KPIs) produced for the Committee and Local Pension Board to help provide transparency and clearer oversight & management of administration performance.	Failure to implement a dashboard of comparable benchmarks, will be counter to the Pension Regulator's requirements on factors such as data quality measures	A new risk identified. The Committee is requested to review its impact	ADMINISTRATION	BUSINESS PLAN (App 1 - 22) (App 2 - 6)	Andy Cunningham	Medium	3	2	6	Officers are implementing a suite of KPIs to be utilised at different levels. Namely at a Statutory level, for the Committee & the Board, for use between Employers & the Fund & at management level for use at an operational level within the Pension's dept.	2	1	2		Low	New	Mark Anderson	On-going
PEN037	Failure to implement a strategy to address the administration backlogs	Failure to effectively administration the scheme could result in incorrect payments, inefficiencies in the process, failure to meet disclosure timeframes, complaints and inadequate oversight over the fund.	Poor administration resulting in incorrect payments and can lead to reputational risk issues. The mitigation of this risk is contingent on the mitigation of other risks such as PEN034 & PEN036	A new risk identified. The Committee is requested to review its impact	ADMINISTRATION	BUSINESS PLAN (App 1 - 19) SWAP Key controls audit 2018/19	Andy Cunningham	Medium	3	3	9	The implementation of PEN034 & PEN036 along with addressing the internal auditors comments in their 2018/19 Key Controls report should mitigate this risk.	3	2	6		Medium	New	Jennie Green	On-going

PEN29	Failure to implement the effectiveness review between the Committee & Board	An effectiveness review conducted by Hyman was undertaken in 2018, following which a report was produced and a focus group of key Wiltshire Council stakeholders created to act on the outcomes of the report.	An ineffective Committee & Board could lead to a poorly run Pension Fund, which has a lack of governance and internal controls. Defining the roles & responsibilities of all groups & stakeholders enable clarity of purpose & efficient management.	A new risk identified. The Committee is requested to review its impact	GOVERNANCE	BUSINESS PLAN (App 1 - 21,24)	Andy Cunningham	Medium	3	3	9	Creation of a Focus steering group to implement the recommendations of the Hyman report. A review of Governance documentation, such as Terms of Reference, to bring it up to date and ensure that all documentation is consistent & integrated with the other documentation around it.	2	2	4	Low	New	Richard Bullen	On-going	
PEN19	A lack of effectiveness arising from inadequate maintenance of the way the Local Pension Board & Investment Sub-Committee operate.	Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and 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.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Dynamic in nature.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Medium	3	2	6	Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective.	3	1	3	None	Low	↓	Richard Bullen	On-going
PEN32	Failure to manage Fund budgets & controllable costs	During a period of chain management involving the introduction of new staff, new software & new working practices the cost control against the Fund's approved budget requires close management	Poor budget setting & cost control can lead to over expenditure and a loss of value in the services being offered by the Fund. As a public sector Scheme there is also a reputational risk associated with the poor management of funds.	A new risk identified. The Committee is requested to review its impact	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Medium	2	3	6	Annual Fund budgets are approved in the 1st quarter of each year. Expenditure against the budget are monitored by Senior Officers. Senior Officers work with the Council's Treasury team to ensure accurate specification of charges made to the Fund. Senior Officers maintain a contract management framework to monitor the fees of service providers. All invoices are compared against estimates before payment is made.	2	1	2	Low	New	Jennifer Devine	On-going	
PEN30	Failure to procure & provide services appropriately	GDPR, the migration of Managers to BPP & a review of Fund contracts were undertaken in 2018 in conjunction with the Procurement dept. to establish the position of the Fund existing suite of contracts	A lack of a contract management framework will create an inability to manage existing service provider arrangements, limit the updating of service scopes so that the Fund's requirements remain to contracts & anticipate the incorporation of new legislation & regulations. This will lead to increased costs & risks to the Fund.	A new risk identified. The Committee is requested to review its impact	PROCUREMENT & RELATIONSHIP MANAGEMENT	BUSINESS PLAN (App 1 - 13)	Andy Cunningham	Medium	3	3	9	A contract management framework has been developed by officers to anticipate the review of Fund contracts as they fall due. Fund officers have also attended Contract Management training provided by the Council's Procurement Department.	3	1	3	Low	New	Richard Bullen	On-going	
PEN24	The implementation of Brexit causes investment volatility or unexpected legislative changes	EU referendum result.	The arrangements by which the UK leaves the EU may produce short term volatile market movements which could impact on asset performance.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Dynamic in nature.	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Medium	3	2	6	The Fund has raised with its investment managers the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current interim to reflect the current weakness of sterling.	3	1	3	Low	→	Jennifer Devine	On-going	
PEN26	A lack of effectiveness of Committee meeting due to the impact of MTD II Regulations	MTD II investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	Wiltshire Pension Fund is unable to maintain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	An existing risk which the Committee is requested to review its impact	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Medium	3	2	6	Wiltshire Fund is now being treated as a Professional Client, having followed due process. Maintenance of the Fund's Professional Client status will require on-going compliance with the requirements including competence	3	1	3	None	Low	→	Jennifer Devine	On-going
PEN22	The rectification of records with GMP issues is time-consuming, costly & causes reputational damage.	From 1 April 2016, State Second Pension issues and HMRC no longer provides GMP data on members to Funds.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ADMINISTRATION	BUSINESS PLAN (App 1 - 18) (App 2 - 7)	Andy Cunningham	Medium	2	4	8	Large project is still ongoing and software from Heywood's is being used to process amendments to Albar on bulk. Progress has been delayed due to the Fund trying to engage with Government to agree on a nationwide approach and in order to undertake further analysis of the problems identified.	2	4	8	Medium	→	Mark Briggs	uk	
PEN46	The transition of assets to the Brunel global high alpha equities portfolio does not go according to plan resulting in investment losses	Wiltshire will be transferring its Baillie Gifford portfolio to Brunel in late 2019	If assets do not transfer successfully this could result in financial loss.	A new risk identified. The Committee is requested to review its impact	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	Low	4	1	4	Officers are working with the Brunel client group to ensure that Brunel properly follow procedures to ensure that no financial loss is incurred and that the transition occurs successfully.	4	1	4	None	Low	New	Jennifer Devine	Dec-19
PEN47	There is uncertainty around the ability of Brunel to resource its property portfolio offering	It is intended that property assets will transfer to Brunel in late 2019	If Brunel are not adequately resourced, this could result in the portfolio not being effectively managed, and/or costs being higher than expected.	A new risk identified. The Committee is requested to review its impact	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	Low	4	1	4	Officers are working with the Brunel client group to ensure that Brunel are able to give adequate assurance that they are appropriately resourced before engaging with this particular transition.	4	1	4	None	Low	New	Jennifer Devine	Dec-19
PEN28	Failure to introduce new administration software effectively	Implementation of new software including MSS, i-connect, e-payroll, payment instruction automation, a new website & semi-automated workflow allocation. All to be completed by 2022.	Delay in the payment of member benefits, poorer data quality, sub-standard communication arrangements with members & employers & slower delivery times leading to a more costly service.	A new risk identified. The Committee is requested to review its impact	ADMINISTRATION	BUSINESS PLAN (App 1 - 1,2,3,4,5,14) (App 2 - 1,2,3)	Andy Cunningham	Low	2	2	4	Individual project plan have been prepared for each implementation of software, including their GDPR implications, with individual project issue logs and risk registers. A bespoke Project team has also been established within the pension's Dept. who initiate formal handovers to officers on completion of the new implementation.	2	1	2	None	Low	New	Mark Briggs	On-going
PEN35	Failure to maintain the Pension Administration Strategy as an effective document	The Pension Administration Strategy has not been reviewed since 2015.	To improve the administration performance of the Fund and of its participating employers, it is done.	A new risk identified. The Committee is requested to review its impact	ADMINISTRATION	BUSINESS PLAN (App 1 - 16)	Andy Cunningham	Low	2	2	4	A draft Pension Administration Strategy is being prepared for presentation to the Committee in September. It will relate to the Fund's business plan.	2	1	2	None	Low	New	Denise Robinson	20/09/19
PEN31	Failure to implement new CIPFA guidance on Accounting Standards	In April 2019 CIPFA released finalised guidance on the standards by which the 2018/19 Annual Report & Accounts need to be prepared.	The late communication of the guidance could cause non compliance of the Fund's 2018/19 Annual Report & Accounts.	A new risk identified. The Committee is requested to review its impact	GOVERNANCE	BUSINESS PLAN (App 1 - 11)	Jennifer Devine	Low	2	2	4	Officers attended CIPFA training on the new guidance to ensure its implementation. The new Report & Accounts templates were adopted by Fund officers. Training on the changes has been provided to Members of the Committee & Board. Officers are working with the Fund Auditors to ensure compliance.	1	1	1	None	Low	New	Roz Vernon	31/07/19

Ongoing Risks																				
PEN48	The transition to pooling of LGPS assets with BPP fails to deliver the projected savings	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pension Partnership.	Poor implementation could be costly in terms of unanticipated costs and/or savings less than projected.	A new risk identified. The Committee is requested to review its impact	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	High	4	3	12	The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain.	3	3	9	Significant amount of resource still required by officers to progress this project.	Medium	New	Jennifer Devine	On-going
PEN09	Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018)	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, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	An existing risk which the Committee is requested to review its impact. Recommended to be classed as a ceased risk.	LEGISLATIVE	SERVICE FUNCTION Key controls audit 2018/19	Andy Cunningham	Medium	3	2	6	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going clearing of data undertaken by Systems Team. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.	2	1	2	Further reviews and changes in relation to the GDPR. First internal audit (Key Controls - April 2019) identified a lack of clarity in relation to the Fund's Data Retention strategy, where no justification for retaining personal data can be made, notably Exit No-liability records. Data Cleaning must be carried out. Officers to agree with IG Data Cleaning approach.	Low	→	Mark Anderson	On-going
PEN10	Failure to keep pension records up-to-date and accurate	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 issued to members and incorrect pensions potentially being paid.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Dynamic in nature.	GOVERNANCE	BUSINESS PLAN (App 2 - 8)	Andy Cunningham	Medium	3	2	6	Data & 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), proactive checks done through national fraud initiative and the Fund's Data Improvement Plan.	3	1	3	The Fund is currently addressing new data issues identified by a review of the IPR two key data standards and other data reviews while ensuring data is of high quality is an on-going responsibility.	Low	→	Mark Anderson	On-going
PEN17	A lack of knowledge and expertise on the Pension Fund Committee	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 Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains Ongoing in nature & the Committee is advised to provide guidance on its management.	GOVERNANCE	BUSINESS PLAN (App 1 - 24)	Andy Cunningham	Medium	2	3	6	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	1	2	The results of the knowledge assessment was presented to 12 Dec 2018 Committee and 24 January 2019 Local Pension Board. Overall, their level of knowledge was deemed good but there were areas of improvement identified that Officers will consider when looking at future training plans. Pensions is a complex subject, so the training	Low	→	Richard Bullen	On-going

PEN07b	Significant rises in employer contributions for non-secure employees due to poor/negative investment returns	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Positive/negative investment returns, leading to increased employer contribution rates	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	FINANCIAL MARKETS & PRODUCTS	BUSINESS PLAN (App 1 - 8,9) (App 2 - 4)	Jennifer Devine	Medium	3	2	6	2	2	4	A risk based framework is now in place to review employers long term financial stability. This informs the policy for sleeping in contribution rates to assist in affordability issues where requested by an employer. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement. Query over consultant interest following expiry of DVC.	Low	→	Jennifer Devine	On-going
PEN15	Failure to collect payments from ceasing employers	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	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ACTUARIAL METHOD	BUSINESS PLAN (App 1 - 7,15)	Andy Cunningham	Medium	3	2	6	2	1	2	None	Low	→	Andy Cunningham	On-going
PEN041	The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy	There is a global climate change emergency, as declared by Wiltshire Council in February 2019.	Failure to embed climate change considerations in the investment strategy could cause a negative impact on investment returns over the long term.	A new risk identified. The Committee is requested to review its impact	FINANCIAL MARKETS & PRODUCTS	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	2	2	4	None	Low	New	Jennifer Devine	On-going
PEN002	Failure to collect and account for contributions from employers and employees on time	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' FR17 year-end accounting reports and to the Fund's own year-end accounts.	An existing risk which the Committee is requested to review its impact	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	2	2	4	None	Low	→	Roz Vernon	On-going
PEN033	Failure to manage AVC providers	The Fund is a Data Controller with four AVC providers under management who operate to a system of policies & endorsements rather than service provider contracts. Consequently, there is a risk due to the mismatch between Fund responsibility & control in relation to the assets under management.	Failure of an AVC provider can lead to issues of reputational risk to the Fund, as well as being exposed to adverse governance & financial implications.	A new risk identified. The Committee is requested to review its impact	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	2	2	4	2	1	2	None	Low	New	Roz Vernon	On-going
PEN005	Loss of funds through fraud or misappropriation	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ACCOUNTING & AUDITING	SERVICE FUNCTION	Jennifer Devine	Low	4	1	4	4	1	4	None	Low	→	Roz Vernon	On-going
PEN006a	Significant rises in employer contributions for secure employees due to increases in liabilities	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.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ACTUARIAL METHOD	BUSINESS PLAN (App 1 - 6)	Andy Cunningham	Low	2	2	4	2	2	4	None	Low	→	Andy Cunningham	On-going
PEN006b	Significant rises in employer contributions for non-secure employees due to increases in liabilities	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.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ACTUARIAL METHOD	BUSINESS PLAN (App 1 - 6)	Andy Cunningham	Low	2	2	4	2	2	4	As above	Low	→	Andy Cunningham	On-going
PEN007a	Significant rises in employer contributions for secure employees due to poor/negative investment returns	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Positive/negative investment returns, leading to increased employer contribution rates	An ongoing existing risk which remains pertinent to the Committee to monitor	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 8,9) (App 2 - 4)	Jennifer Devine	Low	2	1	2	2	1	2	The implementation of the Stabilisation Policy limits increases for secure employees.	Low	→	Jennifer Devine	On-going
PEN008	Failure to comply with LGPS and other regulations	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, Ombudsman rulings, fines, adverse audit reports, etc.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ADMINISTRATION	BUSINESS PLAN (App 1 - 20,25)	Andy Cunningham	Low	2	2	4	2	2	4	None	Low	→	Luke Webster/ Jenne Green	N/A
PEN11	Lack of expertise of Pension Fund Officers and Service Director, Finance	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.	An existing risk which the Committee is requested to review its impact. Recommended at Board meeting on 23rd May 2019 to be classed as a ceased risk.	GOVERNANCE	BUSINESS PLAN (App 1 - 20,25)	Andy Cunningham	Low	2	1	2	2	1	2	The Director of Finance & Procurement is still being filled on an interim basis but other senior officer roles in the Pension Fund are now filled by permanent staff.	Low	↑	Andy Cunningham/ Corporate Directors	On-going
PEN13	Failure to communicate properly with stakeholders	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.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	GOVERNANCE	BUSINESS PLAN (App 1 - 23)	Andy Cunningham	Low	2	2	4	2	1	2	None	Low	→	Denise Robinson/ Ashleigh Satter	N/A
PEN14	Failure to provide the service in accordance with sound equality principles	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.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	2	1	2	2	1	2	None	Low	→	Luke Webster/ Jenne Green	On-going
PEN16	A lack of effectiveness in respect of the Fund's Treasury Management Services	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	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Low	3	1	3	2	1	2	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. A minimum of annual updates by the Council need to be presented to the ISC	Low	→	Roz Vernon	N/A
PEN25	Further academeisation of schools, the possibility of MAT breakups and cross fund breakdown	Potential for further schools to convert to academy status, MATs to be broken down	Additional governance and administration risk. If all schools were to convert then the number of employees in the Fund could jump from 160 to between 400 and 500.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. However the risk remains pertinent to the Committee to monitor	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	2	2	4	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	Low	→	Andy Cunningham	N/A

Ceased/Dormant Risks

PEN20	The transition to pooling of LGPS assets with BPP proves ineffective causing higher costs, poorer returns and/or weak controls	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of additional fees and poor investment returns.	Risk has now been split out into more detailed risks PEN046 - PEN048 to enable better monitoring.	INVESTMENT PERFORMANCE & RISK	BUSINESS PLAN (App 1 - 10)	Jennifer Devine	High	3	4	12	3	3	9	The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain.	Medium	→	Jennifer Devine	On-going
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PEN023	Further resources of officers and Members to meet the expansion of business items	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.	An existing risk which the Committee is requested to review its impact. Recommended is to be classed as a ceased risk.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	1	2	2	2	1	2	2	None at present but this varies from meeting to meeting depending on the demands and other work responsibilities.	Low	→	Jim Brewster	On-going
PEN001	Failure to process pension payments and lump sums on time	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 employees if interest has to be paid to the members.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. Risk recommended for removal from Committee review, but to continue to be monitored by Officers	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	2	2	4	4	2	2	4	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. When work loads are high, payments to members are prioritised above other work.	Low	→	Luke Webster/ Jennie Green	N/A
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. Risk recommended for removal from Committee review, but to continue to be monitored by Officers	ADMINISTRATION	SERVICE FUNCTION	Andy Cunningham	Low	4	1	4	4	4	1	4	An updated Business Continuity Plan has now been drafted in line with the new Council template. 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 mostly paperless office.	Low	→	Andy Cunningham	N/A
PEN012	Over-reliance on key officers	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 large knowledge gap could be left behind.	An existing risk which the Committee is requested to review its impact. Recommended is to be classed as a ceased risk.	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	2	1	2	2	2	1	2	Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	Low	→	Andy Cunningham	18/07/19
PEN027	Significant structural change to LGPS Funds or to our Fund	A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tier 3 employees or	Depending on its nature and scale a major impact on employer numbers, governance, control and operational matters.	Risk recommended for removal from Committee review, but to continue to be monitored by Officers	GOVERNANCE	SERVICE FUNCTION	Andy Cunningham	Low	3	1	3	3	3	1	3	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust can be incorporated, the new Fund would operate within a Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	Low	↑	Andy Cunningham	18/07/19
PEN003	Insufficient funds to meet liabilities as they fall due	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.	There has been no change in either Current (Inherent) or Target (Residual) risk rating since September 2017. Risk recommended for removal from Committee review, but to continue to be monitored by Officers	INVESTMENT PERFORMANCE & RISK	SERVICE FUNCTION	Jennifer Devine	Low	4	1	4	4	4	1	4	This is factored into the Strategic Asset Allocation review, which is now in progress. Both the Fund Investment Consultant and Fund Actuary will be closely involved in the work.	Low	↑	Jennifer Devine	N/A

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 August 2019

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

1. The purpose of this report is to present the Fund's performance against its key performance indicators (KPIs) in relation to the administration of pension benefits.

Background

2. The Fund has committed to reporting administration KPIs in order to help 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.
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.
4. As discussed at previous meetings, officers have now expanded the range and use of KPIs as explained below and shown with the appendices. No further developments to the suite of KPIs are planned at this point in time.

Considerations for the Board

5. As part of the goal to improve the quality of KPI reporting, and in response to new guidance from CIPA, some changes to the appendices have been made as explained below:
6. Appendix 1: Disclosure Regulations
Following a request from the Board, the Fund now includes an assessment against Disclosure legislation requirements. Whilst officers were working on an initial template for this information, CIPFA brought in guidance for Funds to publish a similar template and therefore officers have adopted the CIPFA template instead.
7. Appendix 2: tPR Measures
The Pension Regulator's Common Data percentage calculation (as at 21 February 2019). Officers have not included a measurement against the Conditional Data (Scheme Specific) measurement as the Scheme Advisory Board as only recently determined which data items should be included. However, conditional data measures will be included in future reporting.
8. Appendix 3: Administration Strategy Targets - Fund
 - a). Table 1 measures the Fund against its targets as currently set out within its Administration Strategy. The Administration Strategy targets are based on the Fund's self-determined, desired processing time and are not based on legislation.

Officers are currently reviewing the Administration Strategy which may result in changes to this table, in particular the targets.

b). Chart 1 illustrates the percentages of cases completed within the Administration Strategy targets.

c). Chart 2 illustrates the volumes of new cases across different periods.

d). Chart 3 illustrates the volumes of cases completed across different periods.

e). Chart 4 illustrates the volumes of cases outstanding across different periods.

9. Appendix 4: Administration Strategy Targets - Employers

Table 1 measures participating employers (collectively) against the targets set in the Administration Strategy. Employer submissions currently focus on just three areas but will be expanded over time in line with planned improvements in our reporting capabilities.

Conclusions

General comments

10. During the period, the rollout of My Wiltshire Pension, continuous IT issues, end of year work and vacancy in the structure have all contributed to lack of progress across some of the areas identified for improvement. Also, officers continue to work on delivering projects to improve the overall administration infrastructure which will give longer-term benefits to processing figures but will have limited short-term benefit.

11. The next stage of the My Wiltshire Pension, benefits statements and end of year work will continue in the present quarter but the vacancy referred to has now been filled and the new employee is now being trained. IT connectivity issues continue to be a major source of frustration and cause of disruption but appear to be a Council-wide without an easy fix. Officers are hoping that a new planned way to access the external service via a Virtual Private Network will improve the position.

12. The Fund has also appointed to a new role from within the existing structure although this creates another vacancy which needs to be backfilled (the vacancy is currently out for advert).

13. More specific comments relating to each section are covered in the sub-sections below:

Disclosure Regulations (Appendix 1)

14. The table in appendix 1 shows the Fund is generally performing well against these targets, which are more generous than our administration strategy targets, but further improvement is required against deferments and refunds. Improvement against deferments on the Disclosure Regulations basis, requirements both quicker submission by employers (see Appendix 4) and quicker processing by the Fund (see Appendix 3)

tPR Common and Conditional Data percentages (Appendix 2)

15. The Fund's Common Data percentage was 94.2% at the last date it was calculated. The main two causes of remaining failures are the processing of active to deferred status cases/refunds, for which the Fund already has a sub-plan in place to help improve the situation, and incorrect scheme member addresses which is an on-going issue that is difficult to resolve as the Fund relies on deferred and pensioner members telling us when they change address.

Administration Strategy KPIs – Fund (Appendix 3)

16. Table 1 shows the Fund is operating below its desired targets for most cases but Chart 1 shows some recent improvement in all areas except Refund of Contributions, which is due to the clearance of backlog cases coming through on to the graphs (see Charts 3 and 4).
17. Chart 3 shows a drop off in the processing volume of *Leaver to deferred* status backlogs, which is mainly a result of staff turnover but also the other issues identified above. Many of the remaining cases are becoming more difficult to resolve due to outstanding aggregation issues, which have become a gradually increasing issue since 2014 and are being reviewed as part of a project. Overtime work continues to take place to help tackle the backlogs while officers are mindful that additional measures, such as additional temporary staffing, may also need to be considered.
18. *Actives to Retirement* and *Deferred in to Retirement* are currently undergoing a process efficiency review with the desired outcome being to reduce down the average processing time. Part of this review will look to see if steps can be removed or changed in the process or if specific issues, for example delays with AVC providers, can be removed.

Administration Strategy KPIs – Employers (Appendix 4)

19. In the majority of cases, employers provide Retirement information before the date the member leaves with 84% meeting the target time. The submission time for leavers and refunds are significantly longer with over half the leavers being submitted over two months late, which contributes to the issues identified in the Disclosure KPIs (Appendix 1).

Environmental Impact

20. There is no environmental impact from this report.

Financial Considerations

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

Risk Assessment

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

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

24. There are no implications at this time.

Proposals

25. The Committee is requested to note the Fund's performance against the KPIs.

Andy Cunningham

Head of Pensions Administration and Relations

Report Author: Andy Cunningham – Head of Pensions Administration and Relations

APPENDIX 1: Disclosure Requirements (CIPFA template)

Benefit Administration Key Performance Indicators

Disclosure Regulations

Period

01/04/2019

to

30/06/2019

Process name		Disclosure Requirement	%	No. cases within Legal Timeframe
Deaths - initial letter acknowledging death		2 months	99.3%	120
Deaths - letter notifying amount of dependants pension		2 months	98.7%	119
Retirements - letter notifying estimate of retirement benefits	Active	2 months	n/a	n/a
	Deferred		n/a	n/a
	Total		98.2%	422
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	Active	2 months	89.5%	108
	Deferred		99.5%	185
	Total		94.5%	293
Deferment - calculate and notify deferred benefits		2 months	24.0%	66
Transfers in - letter detailing transfer quote		2 months	93.7%	24
Transfers out - letter detailing transfer quote		2 months	92.4%	79
Refund - process and pay a refund		2 months	36.2%	109
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	100.0%	60
Divorce settlements - letter detailing implementation of pension sharing order		3 months	50.0%	2
Joiners - notification of date of enrolment*		2 months		

*Officers are still developing a report to produce this information.

APPENDIX 2: tPR Data Quality scores

a). tPR Common Data Percentage Breakdown (At 21 February 2019)

Failure type\Status	Active	Status 2	Deferrred	Pensioner	Dependent	Awaiting Entry	Frozen Refund	Totals	Percentage of total records
Fail 1: Status	0	2845	0	0	0	2	0	2847	3.7%
Fail 2: NI Number	3	4	21	0	70	0	140	238	0.3%
Fail 3: Addresses	171	67	732	19	6	0	585	1580	2.1%
Totals	174	2916	753	19	76	2	725	4665	6.1%
Percentage of total records	0.23%	3.78%	0.98%	0.02%	0.10%	0.00%	0.94%		

Total score = 94.2%

Note: Each record either passes or fails and hence there is no distinction in methodology between a single or multiple failures on a record. This is why the total failure rate of 6.1% does not match the total score failure rate of 5.8%.

b). tPR Conditional Data Percentage

The Scheme Advisory Board has yet agree on a LGPS-wide methodology for this percentage. Once it does, the Fund will include these scores within this pack.

APPENDIX 3: Administration Strategy KPIs - Fund (Table 1)

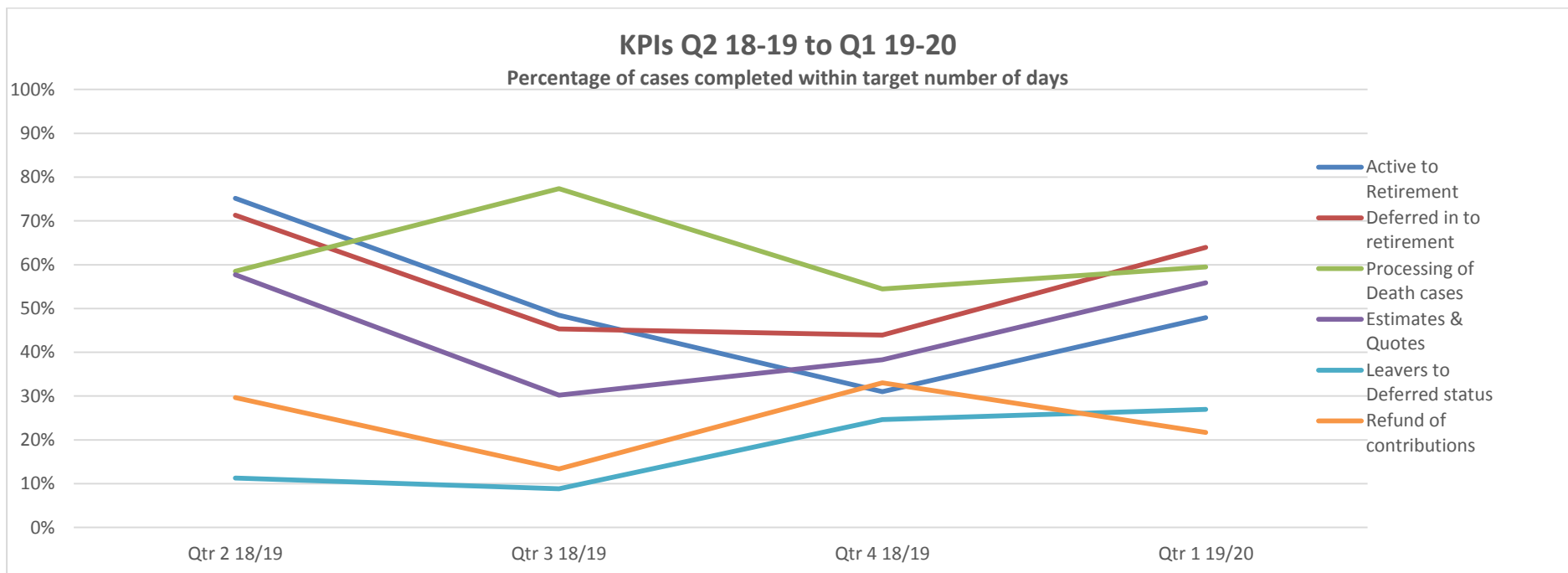
Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

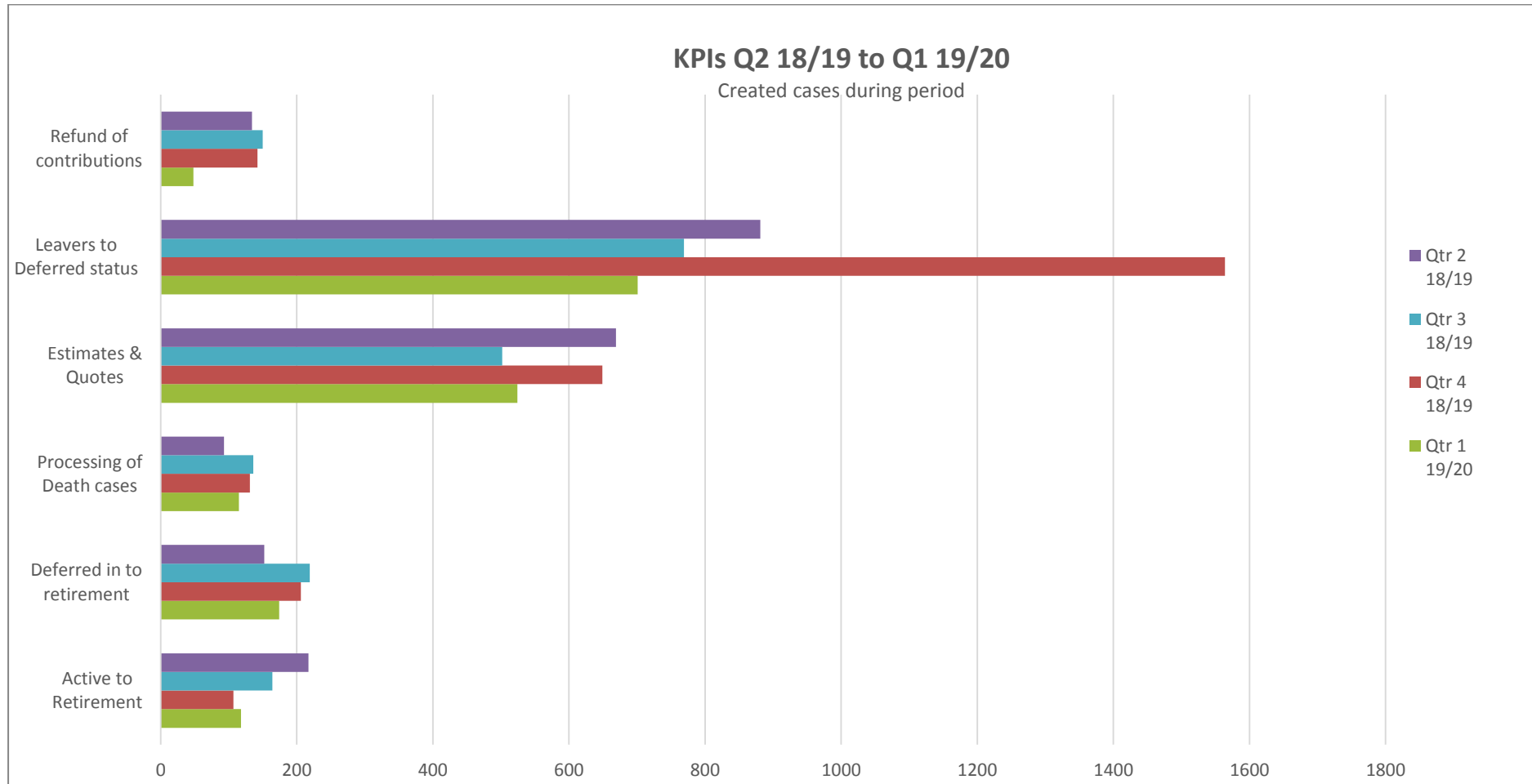
Period 01/04/2019 to 30/06/2019

Type of case	Created cases in period	Open cases at period end	Percentage against membership	Completed cases time to complete						Total	Timescales Admin Strategy	
				0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 + days		% on target	working days
Active to Retirement	118	94	0.4%	30	28	24	10	22	7	121	48%	10
Deferred in to retirement	174	54	0.2%	119	44	12	8	1	2	186	64%	5
Processing of Death cases	115	90	0.1%	72	26	6	5	10	2	121	60%	5
Benefit Estimates	524	67	0.3%	85	154	82	47	55	5	428	56%	10
Leavers to Deferred status	701	1855	8.2%	17	21	17	25	100	117	297	27%	20
Refund of contributions	48	142	0.6%	26	16	8	16	66	172	304	22%	20
Grand Total	1680	2302		349	289	149	111	254	305	1457		
Percentage				24%	20%	10%	8%	17%	21%			

APPENDIX 3: Administration Strategy KPIs - Fund (Chart 1)

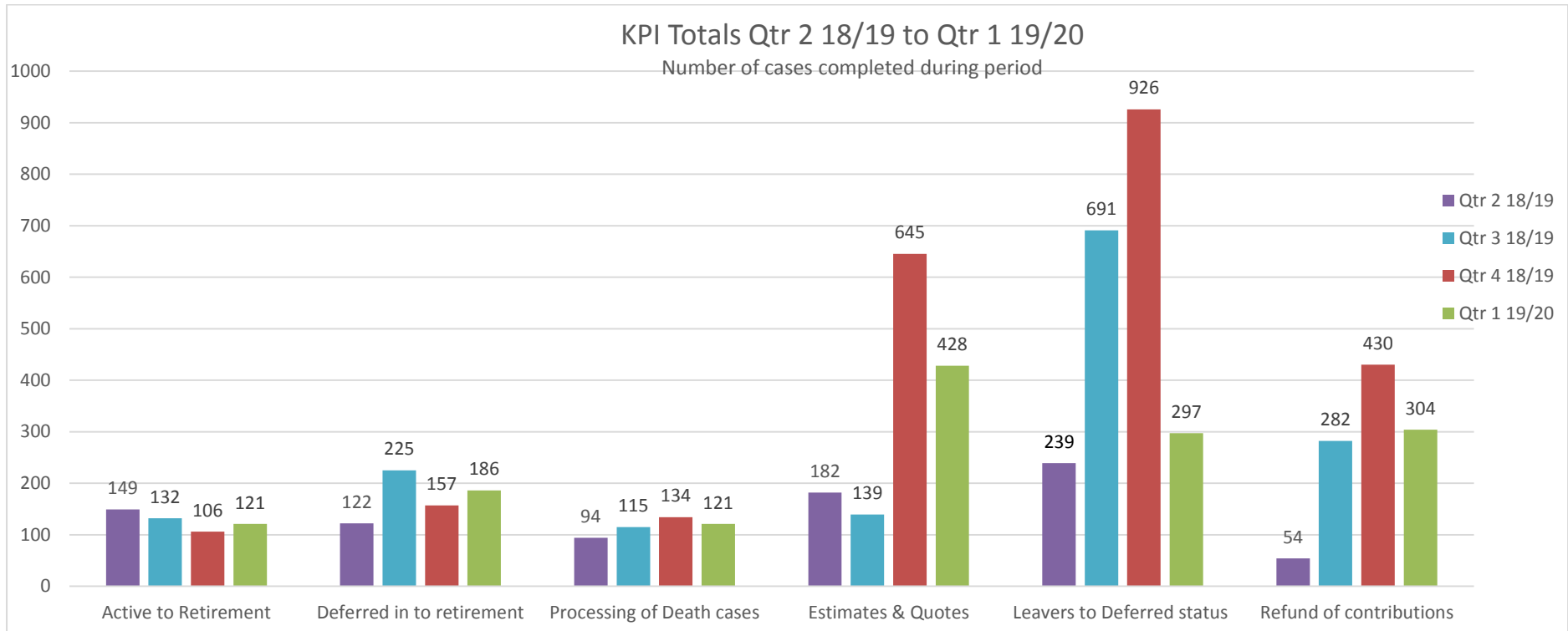


APPENDIX 3: Administration Strategy KPIs - Fund (Chart 2)

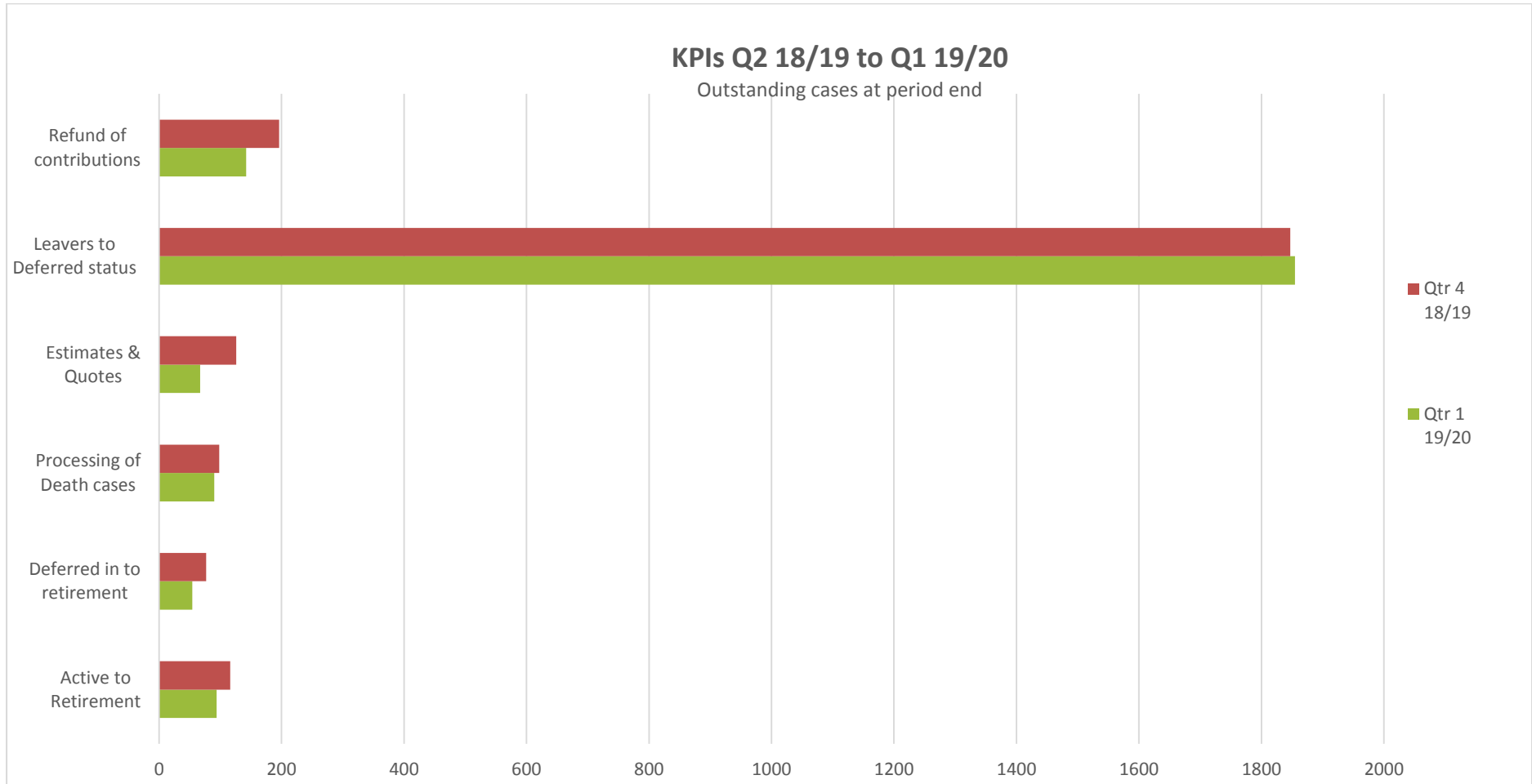


Note: Leaver to Deferred Status includes cases which will be later determined to be refund of contributions.

APPENDIX 3: Administration Strategy KPIs - Fund (Chart 3)



APPENDIX 3: Administration Strategy KPIs - Fund (Chart 4)



APPENDIX 4: Administration Strategy KPIs - Employers (Table 2)

Employer Key Performance Indicators

Administration
Strategy

Period 01/04/2019 to 30/06/2019

Type of case	Time to advise							Total	Timescales	
	In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		Admin Strategy	
									% on target	working days
<i>Retirement</i>	93	9	2	6	2	1	8	121	84%	5
<i>Leavers</i>	20	22	13	16	23	42	161	297	32%	20
<i>Refund of contributions</i>	19	13	20	12	23	73	144	304	29%	20
Grand Total	132	44	35	34	48	116	313	722		
Percentage	18%	6%	5%	5%	7%	16%	43%			

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 August 2019

PENSION FUND – LPB SAB SURVEY II

Purpose of the Report

1. The purpose of this report is to request Members feedback on the drafted second Local Pension Board survey commissioned by the Cost Management, Benefit Design & Administration Committee of the Scheme Advisory Board.

Background

2. The Investment, Governance & Engagement committee has prepared & published a second survey to assess the continuing effectiveness of LPB's since the first survey in 2017.

Considerations for the Board

3. To review the draft responses prepared in respect of the 50 questions set out in the survey & determine whether those responses fairly reflect the view of the Board as a whole.

Conclusions

4. Subject to the Board members agreement that the drafted responses fairly reflect the view of the Board, the survey will be submitted to the Investment, Governance & Engagement committee.

Environmental Impact

5. There is no environmental impact from this report.

Financial Considerations

6. There are no immediate financial considerations.

Risk Assessment

7. There are no risks identified at this time.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no implications at this time.

Proposals

10. The Board is asked to approve the draft responses prepared by Officers on behalf of the Chairman of the Board.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

Item 7 Paper B

LOCAL PENSION BOARD SURVEY II

1. The national LGPS Scheme Advisory Board (SAB) is preparing to publish a second survey in summer 2019 to assess the continuing effectiveness of local pension boards since the first survey was undertaken in summer 2017. A copy of the draft 2019 survey is attached at Annex A.

2. The members of the LPB are invited to comment on the draft response below. The final response will be cleared by the Chair of the LPB before submission to the SAB.

DRAFT LOCAL PENSION BOARD SURVEY 2019

Please complete and return to your response to this survey by [date].

Please ensure that one survey response is submitted in respect of each Fund's Local Pension Board. If not completed directly by the Local Pension Board members, the survey response should at least be approved by the Chairperson of the Board, and preferably also agreed by all Board members. However, individual Board members may submit their own responses where they wish to include alternative responses to some questions.

List of definitions and terms:

- **"Required"** - this means something that is a prerequisite within the Board's terms of reference
- **"Scheme manager"** - the Administering Authority e.g. the Council
- **"Scheme manager officers"** - the officers who are responsible for the management of the pension fund, including the section 151 officer.
- **"Board"** - Local Pension Board
- **"Pension Committee"** - the section 101 committee which has delegated responsibility for pension fund matters, or where there is no formal committee, any equivalent advisory committee or panel.

Q1a. Is the Board constituted under regulation 106 of the Local Government Pension Scheme Regulations 2013? **YES**

Q1b. If the answer is No under what power is the Board currently constituted? **N/A**

Q2. Who is responsible for recruiting and appointing Board members? **THE ADMINISTERING AUTHORITY**

Q3. How often is the Board required to meet? **4 TIMES PER ANNUM**

Q4. How often did the Board meet in:

- a) 2015/16 - **3**
- b) 2016/17 - **4**
- c) 2017/18 - **4**
- d) 2018/19 - **3**

Q5. What is the required number of employer representatives? - **3**

Q6. How many employer representatives were vacant on the 1st April 2019? - **1**

Q7. What is the required number of member representatives? - **3**

Q8. How many member representative's roles were vacant on the 1st April 2019 - **0**

Q9. Is the Chair of the Board selected by:

- a) the scheme manager's officers? **YES**
- b) Board members? **NO**
- c) Any other (please describe)? **N/A**

Q10. Is the Chair independent? **YES**

Q11a. Excluding reimbursement of direct expenses:

- i) is the Chair of the Board remunerated? **YES**
- ii) are other Board members remunerated? **NO**

Q11b. If the answer "YES", explain below the level of remuneration, in relation to what period, i.e., per meeting or per annum and any restrictions?

- i) Chair of the Board - **£9,216.00 PA SET IN 2015**
- ii) Other Board members **N/A**

Q12. Are expenses paid to Board members? **YES**

Q13. On a scale of 1 (very difficult) to 5 (very easy), how easy has it been to recruit and appoint new employer representatives? - **1**

Q14. On the same scale of 1 to 5, how easy has it been to recruit and appoint new member representatives? - **2**

Q15a. Does the Board have terms of reference or equivalent that sets out the roles and responsibilities of the Board and how it operates? **YES**

Q15b. If the answer is "YES", were the terms of reference approved by the scheme manager? **YES**

Q16. If the answer is "NO", explain below who approved the terms of reference. **N/A**

Q17. Are Board members subject to a conflicts of interest policy that is:

- a) Local Pension Board Policy **YES**
- b) Pension Fund Policy **NO**
- c) Other ñ please explain **N/A**

Q18a. Have all Board members completed a declaration of their potential conflict of interests? **YES**

Q18b. If the answer is "YES", when did this last happen? **TO BE CHECKED**

Q19. Are Board members provided with a copy of the Fund's procedures for identifying and managing pension's breaches of the law? **YES**

Q20. Are Board members provided with or have access to a copy of the Fund's record of breaches of the law? **YES - FROM AUGUST 2019**

Q21a. In 2018/19 did the Board itself identify any breaches of the law? **NO**

Q21b. If the answer is "YES", describe them below including how they were identified
N/A

Q22. Are Board members provided with or have access to a copy of the Fund's risk register? **YES**

Q23. Does the Board have a training or knowledge and skills policy? **YES**

Q24. On average, how many hours of training per Board member were completed in:

- a) 2015/16 – **4 MINIMUM SOME MEMBERS MORE**
- b) 2016/17 – **3 MINIMUM SOME MEMBERS MORE**
- c) 2017/18 – **2 MINIMUM SOME MEMBERS MORE**
- d) 2018/19 – **2 MINIMUM SOME MEMBERS MORE**

Q25a. Have Board members been asked to complete any form of self-assessment of their knowledge and skills? **YES**

Q25b. If the answer is "YES", when did this last happen? **OCTOBER 2018**

Q26. Where "YES" has been given to Q17, Q20, Q22, Q24 and Q25, on a scale of 1 (very poor) to 5 (excellent), how would you evaluate:

- a) The terms of reference - **4**
- b) Conflict of interest policy - **4**
- c) The register of breaches - **4**
- d) The risk register, and - **4**
- e) The knowledge and skills policy - **4**

Q27. Is specialist Local Pension Board personal liability or indemnity insurance provided to Board members? **YES**

Q28. Give up to three examples of significant achievements by the Board: **REVIEWING STRATEGIC FUND DOCUMENTS, INTERNAL & EXTERNAL AUDIT REVIEWS & COMPLIANCE MONITORING**

Q29. Give up to three examples where the Board is working well: **DETERMINING KEY AREAS FOR COMPLIANCE CHECKS & DEVELOPING KPI REQUIREMENTS**

Q30. Give up to three examples where the Board could improve what it does: **EMPLOYER COMMUNICATIONS & MONITORING INVESTMENT COSTS/SAVINGS FROM ASSET POOLING**

Q31a. Do you think the Board is restricted in any way in carrying out its responsibilities? **YES**

Q31b. If the answer is “YES”, give the reasons below: **THE LPB IS NOT INDEPENDENT OF THE FUND AND THE DEPTH OF WORK IT CAN DO IS LIMITED BY THE AMOUNT OF OFFICER TIME/BUDGET MADE AVAILABLE TO IT BY THE FUND TO PERFORM ITS STATUTORY DUTIES**

Q32a. Has the Board ever reviewed the scheme manager’s compliance against TPR’s Code of Practice 14? **YES**

Q32b. If the answer is “YES”, when? **ANNUALLY AND LAST TIME WAS JULY 2019**

Q33. On a scale of 1(very poor) to 5 (excellent), how would you evaluate:

- a) The relationship between the scheme manager officers and the Board - **4**
- b) The relationship between the pension committee and the Board - **3**
- c) The Board’s ability to identify non-compliance with legal requirements - **3**
- d) The Board’s ability to make recommendations to the scheme manager officers and/or pension committee where non-compliance has been identified - **3**
- e) The scheme manager officer/pension committee’s response(s) to such recommendations, if any - **3**
- f) The Board’s ability to identify areas of improvement in the effective and efficient administration and governance of the scheme manager - **2**

Q34. Other than scheme manager officers supporting the Board (e.g. the Board secretary), does the scheme manager in any other capacity regularly attend Board meetings? **YES**

Q35. Who is responsible for setting the agenda for Board meetings? **BOARD CHAIRMAN & ADMINISTERING AUTHORITY**

Q36. Were any scheduled Board meetings in 2018/19 non-quorate or became non-quorate and if so, how many? **NONE**

Q37. Who drafts the section about the Board for including in the scheme manager’s Pension Fund Annual Report required by regulation 57 of the 2013 Regulations and CIPFA Preparing the Annual Report Guidance? **FUND OFFICERS**

Q38. During 2018/19 did the Board prepare a Local Pension Board annual report? **YES**

Q39a. Does the Board have a web page(s)? **YES**

Q39b. If the answer is “YES” is the web page part of the scheme manager’s website or elsewhere? **PART OF THE SCHEME MANAGER'S WEBSITE**

Q40. Does the web page(s) include the following?

- a) Board Agenda **NO BUT THERE IS A LINK TO COUNCIL DEMOCRATIC SERVICES PORTAL**
- b) Board reports **YES**
- c) Board minutes **NO BUT THERE IS A LINK TO COUNCIL DEMOCRATIC SERVICES PORTAL**
- d) Board terms of reference **YES**
- e) Board members' identities **YES**
- f) How stakeholders can contact a member of the Board **YES**
- g) The latest Board annual report **YES**

h) The Board's Conflicts of Interest Policy **YES**

Q41a. During 2018/19 was a review of the effectiveness of the Board undertaken? **YES**

Q41b. If the answer is "YES", who undertook the review: **THE LPB PERFORMED AN INTERNAL SELF ASSESSMENT AND EXTERNAL CONSULTANTS ALSO DID AN ASSESSMENT ON BEHALF OF THE ADMINISTERING AUTHORITY**

Q42a. Are Board members able to attend pension committee meetings other than as a member of the public? **YES**

Q42b. If the answer is "YES", are they able to attend Part 2 of the committee meeting? **YES**

Q42c. If the answer is "YES", are Board members able to participate in pension committee meetings? **YES**

Q43a. Does the Board have a budget? **YES**

Q43b. If the answer is "YES":

- i) What was the size of the budget for 2018/19? - **£27,400 pa**
- ii) How much of that budget was spent in 2018/19? **£21,700 pa**
- iii) Can it be used to access independent external advice? **YES**

Q43c. If the answer to the last point is "YES" give examples below where such advice has been commissioned: **THE ADMIN AUTHORITY USED THE BOARD'S BUDGET TO CONDUCT EXTERNAL EFFECTIVENESS REVIEW**

Q44. On average, how much time as a percentage is spent at each Board meeting on the following topics;

- a) Governance? - **30%**
- b) Administration and Communications? - **50%**
- c) Other? - **20%**

Q45. During 2018/19, did the Board consider any aspect of the governance of asset pooling? **YES**

Q46. Describe below ways in which the relationships between the Board, scheme manager officers and pension committee could be improved: **MORE CLEARLY DEFINING THE ROLES BETWEEN THE ADMINISTERING AUTHORITY AND THE FUND MANAGEMENT, WHICH IN TURN WOULD MORE CLEARLY DEFINE THE ROLES OF THE OFFICERS, COMMITTEE AND BOARD**

Q47. Use the space below to comment on any other aspect of the governance arrangements that you consider to be relevant: **FOR THE PENSION COMMITTEE TO BE HAVE THE SAME LEGALLY REQUIRED TRAINING, KNOWLEDGE & UNDERSTANDING REQUIREMENTS AS THE BOARD**

Submission details

Name of Pension Fund – **WILTSHIRE PENSION FUND**
Person submitting this: Name – **HOWARD PEARCE**

Role within Pension Fund – **CHAIRMAN OF THE BOARD**
Email address – "**howard.pearce@hotmail.co.uk**"
Telephone contact number – **07768-278421**

If person submitting is not Local Pension Board Chairperson, please confirm this submission has been agreed by the Board Chairperson **N/A**

Has this submission been agreed by the Local Pension Board as a whole? **YES**

If no, why not? **N/A**

Date - 22ND AUGUST 2019

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
22 August 2019

PENSION FUND – GOOD GOVERNANCE IN THE LGPS

Purpose of the Report

1. This report presents the results of a review commissioned by the Scheme Advisory Board (SAB) & published by Hymans Robertson in July 2019 examining the effectiveness of the current LGPS governance models and considers the alternatives or enhancements which can strengthen LGPS governance going forward.

Background

2. The last decade has seen the introduction of tPR oversight, Local Pension Boards & LGPS pooling amongst other changes, all of which have served to make LGPS governance more complicated. Consequently, whilst this report seeks to maintain the strong link of SAB's principle of local democratic accountability it also seeks to analyse the effectiveness of the existing LGPS governance models in their current environment.
3. To achieve this Hymans Robertson focused on the criteria/characteristics of Standards, Consistency, Representation, Conflict Management Clarity of Roles & Responsibility and Costs. Four governance models were then used to determine a qualitative recognition of the characteristics identified, which were Improved Practice, Great Ringfencing, Joint Committee & a separate Local Authority.
4. To establish the governance characteristics Hymans Robertson undertook a process of fact-finding, on-line surveys & other engagement processes such as conference workshops to produce their report, seeking input from all interested stakeholders including Board & Committee members, s151 officers, Employers, Pension Fund officers & other parties such as the Trade Unions.

Considerations for the Board

5. To note the report, notably the Executive Summary & Section 4 entitled "Survey themes", which interprets the results of Hymans Robertson's findings. Section 6 then sets out the proposals Hyman's Robertson have made to SAB.
6. To note that the first two models preferred by most respondents (more than 70%), were Improved Practice & Great Ringfencing as it was recognised that whilst the focus should be on the greater specification of required governance outcomes, the need to develop standards, have independent reviews & ensure consistency, there were still significant advantages to being part of a Local Authority structure.

Conclusions

7. Hymans Robertson highlighted that there should not be a one size fits all approach in their proposals, rather that there should be a framework of best practice governance strategies employed within which all LGPSs could operate.
8. Fund officers have reviewed the report and consider it to be a fair assessment of the current LGPS governance arrangements. It is also noted that whilst this report has been

submitted to SAB, there is still an opportunity for Board Members to contribute to the review should they wish to do so.

Environmental Impact

9. There is no environmental impact from this report.

Financial Considerations

10. There are no immediate financial considerations.

Risk Assessment

11. There are no risks identified at this time.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no implications at this time.

Proposals

14. The Board is asked to note the report prepared by Hymans Robertson.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

Good governance in the LGPS

July 2019



Addressee

This report is addressed to our client, the Scheme Advisory Board for the Local Government Pension Scheme in England and Wales (SAB).

This Report has been prepared for the benefit of our client, the SAB. As this Report has not been prepared for a third party, no reliance by any third party may be placed on the Report. It follows that there is no duty or liability by Hymans Robertson LLP (or its members, partners, officers, employees and agents) to any party other than the SAB. If this report is shared with any third party, it must be shared in its entirety.

Thanks to contributors

We are indebted to all those who responded to the survey and engaged in interviews and events that helped inform this report. We are grateful to you for being generous with your time and expertise, for your confidence in sharing your experiences openly and for responding so constructively and creatively.

Your views on current best practice, areas for improvement and creative and practical ideas for further strengthening governance in the LGPS are reflected in the proposals we present to SAB here.

We hope that your contribution will help further strengthen and future-proof governance in the LGPS.

Contents

Executive summary	1
1. Introduction.....	3
2. Process.....	4
3. Survey results.....	6
4. Survey themes.....	9
5. Examples of best practice	13
6. Proposals	14
<i>Appendix A: Scheme Advisory Board Good Governance Survey.....</i>	<i>22</i>
<i>Appendix B: Abbreviations</i>	<i>29</i>

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Executive summary

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.

Given the unique nature of the LGPS, guaranteed by administering authorities and funded to a large degree by tax-payers, a criterion specified by SAB is that any models considered must maintain strong links to local democratic accountability.

Process

We engaged extensively with all stakeholder groups and all fund types via an online survey (140 respondents), one-to-one conversations through interviews and seminars (153 respondents), speaking engagements, a workshop with the Association of Local Authority Treasurers (ALATS), and discussion with the CIPFA Pensions Panel and the Society of County Treasurers (SCT).

We focussed on the following criteria for assessing governance arrangements; Standards, Consistency, Representation, Conflict Management, Clarity of Roles and Responsibilities and Cost. We were asked by SAB to consider how existing and alternative governance models fared against these criteria.

We considered four governance models:

- **Model 1:** improved practice
- **Model 2:** Model 1 plus greater ring-fencing
- **Model 3:** joint committee; and
- **Model 4:** separate Local Authority body.

These models were described in qualitative terms with the recognition that some of the characteristics attributed to one model could also be replicated in another model and that the final solution may draw on the features of more than one model.

Results and themes from survey responses

The online survey responses indicated a first preference for governance Model 2 (greater ring-fencing) followed by support for Model 1 (improved practice). Respondents recognised that governance models along these lines may need independent monitoring to add bite and ensure consistency of application. »



140 respondents to our online survey



one-to-one conversations



153 attendees at interviews and seminars



discussions with CIPFA and SCT

Respondents favour developing a set of standards that all funds are required to achieve...

Model 2 was also the clear preference in additional surveys at the PLSA conference in May* and other events (*Models 1 and 2 between them had more than 70% support).

Few respondents supported Model 3 (joint committee) citing no benefits over existing arrangements and considerable added complexity as the main reasons. Some respondents could see value in Model 4 (separate LA body), including one trade union for whom a version of this was the favoured model. However, for most this value was outweighed by concern about weakening relationships with councils who are key sponsors of the scheme and a belief that establishing this model would incur disproportionate cost to any benefits that could be delivered.

Through the written responses, interviews and other engagement, many stakeholders pointed out that their existing models provided many of the features and benefits of Models 1 and 2. Many had found good solutions to some of the challenges faced within the current structure and welcomed the opportunity to share these with peers and learn from others' experiences. This process enabled us to identify

- i. Some best practice within current governance arrangements that is delivering good outcomes and may have potential for wider application across the LGPS; and
- ii. Additional ideas for further strengthening governance within the current regulatory framework.

We have included these in the report.

Conclusions

- It is clear from survey responses that governance structure is not the only determinant of good governance. Funds with similar governance models deliver different results and good examples exist across a range of different set ups.
- Survey respondents were also clear that establishment of new bodies is not required, although this should be facilitated for funds who wish to pursue other arrangements voluntarily. Instead, the focus should be on greater specification of required governance outcomes from within the existing structures, and a process to hold funds to account for this.
- Respondents favour developing a set of standards that all funds are required to achieve, drawing on current best practice and not imposing disproportionate burden on administering authorities or disrupting current practices that deliver good outcomes already.
- Respondents emphasised that independent review is needed to ensure consistency in application of standards.

Key proposals

- 1 **'Outcomes-based' approach** to LGPS governance with minimum standards rather than a prescribed governance model.
- 2 **Critical features of the 'outcomes-based' model** should include:
(a) robust conflict management including clarity on roles and responsibilities for decision-making;
(b) assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget;
(c) explanation of policy on employer and scheme member engagement and representation in governance; and
(d) regular independent review of governance – this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
- 3 **Enhanced training requirements** for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
- 4 **Update relevant guidance and better sign-posting.** This should include 2014 CIPFA guidance for s151s on LGPS responsibilities and 2008 statutory guidance on governance compliance statements. This guidance pre-dates both TPR involvement in LGPS oversight, local pension boards and LGPS investment pooling.

We also set out suggested actions for implementing these proposals if agreed by SAB.

1. Introduction



Governance in the LGPS is evolving to accommodate developments in the last decade...

Context, purpose and scope

Governance in the LGPS is evolving to accommodate new developments in the last decade, including oversight by The Pensions Regulator, introduction of Local Pension Boards, increasing complexity in the scheme benefits and administration, local government funding cuts and pooling of LGPS investments which has changed the role of local pensions committees and the way LGPS administering authorities work with one another.

The purpose of the survey, undertaken for SAB, was to identify ways of further strengthening LGPS governance in the face of these new challenges, setting a bar for standards that all funds should achieve, drawing on current best practice and not imposing additional unnecessary burden on administering authorities or disrupting current practices that deliver good outcomes already.

Given the unique nature of the LGPS, guaranteed and funded to a large degree by council tax-payers, a critical condition specified by the SAB was that any proposals must maintain strong links to local democratic accountability.

In developing the proposals made in this report, we consulted with many LGPS stakeholders. As expected, there were many different views and suggestions made to improve the governance arrangements in the LGPS. We have reflected many of these views in the body of the report, particularly where a view or proposal was articulated by several parties, and where possible we have indicated why some of these views or suggestions have not been taken forward in the final proposals. The proposals submitted to SAB in this report are those we believe would deliver improved governance at proportionate cost and reflect a consensus across most stakeholders.

We recognise that there are a small number of administering authorities (such as London Pensions Fund Authority and the Environment Agency) with unique arrangements. While we engaged with both of these funds to understand their perspectives and approaches to governance we recognise that some of the potential governance models as set out in the survey may not be appropriate, or even possible, for these bodies.

2. Process

The aim of the work we have undertaken was to deliver proposals to the Scheme Advisory Board that:

- Identify and address any actual or perceived issues within current LGPS governance arrangements, including conflicts for LGPS host authorities;
- Are based on a wide consultation to increase the likelihood of stakeholder support;
- Are proportionate and can be readily implemented; and
- Maintain local democratic accountability.

Process

The process we used is described below:

- 1. Fact-find phase:** We carried out interviews based on an open-scripted questionnaire with a diverse range of experienced officers, elected members and other stakeholders in order to identify any issues within current LGPS governance arrangements. The outcome and conclusions were shared with SAB in order to assist in developing the governance models which were consulted on in the online survey.
- 2. Online survey:** We conducted a wider consultation in the form of an online survey on the governance models identified by SAB. Input was sought from all relevant parties including s151 officers, s151 officers of non-administering authorities, pension fund officers, elected members, pension board members including scheme member and employer representatives as well as other interested parties and organisations.
- 3. Other engagement activities:** In addition to the survey, we engaged stakeholders through other activities such as interviews, seminars and speaking events to capture as wide a view as possible.
- 4. Report:** This report sets out the outcomes of our consultation activities including a full analysis of the key issues and proposals for addressing these issues, including commentary on any required legislative or guidance changes were these would realise significant benefits.



Who we consulted

In conducting our wider consultation, we engaged directly with all stakeholder groups and all fund types via:

- Online surveys which were sent to all relevant contacts on SAB's and Hymans Robertson's databases. These were also sent to any individual or organisation that requested them out with the initial mailing lists. In total, 140 responses were received to our online surveys by the closing date.
- One-to-one interviews were carried out with individuals or organisations by request or where further clarification of online responses were sought. Organisations included PSAA, NAO, CIPFA, SLT, Unite and Unison.
- Some organisations, such as CIPFA and PIRC, provided their own written submissions.

- Three seminars were held with open invitations to collate feedback from larger group.

There are 87¹ funds within the LGPS in England and Wales. We had direct feedback from representatives at 76 of these split across the various designations used by SAB in their annual report (see **Table 1**).

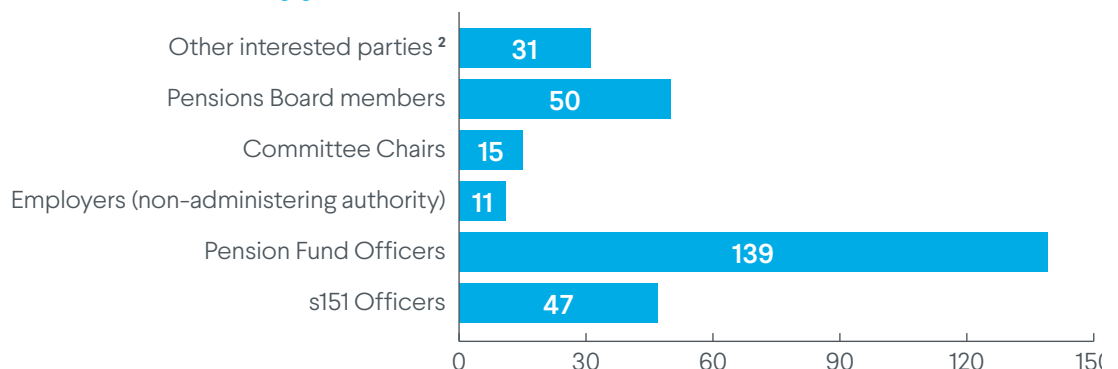
We engaged with a wide variety of stakeholders as set out in **Chart 1** below.

In addition, we have presented and collected feedback at key events over the period including the PLSA conference, CIPFA Pensions Panel, meetings of the Society of County Treasurers, Society of Welsh Treasurers and ALATS. Our findings and proposals reflect feedback from all of these.

Table 1: Respondents from LGPS funds in England and Wales, as designated by SAB annual report

	Universe	Responses	Interaction through	
			Survey	Interview
Unitary Authorities	12	11	24	17
London Boroughs	31	22	20	25
County Councils	27	26	64	55
Welsh Funds	8	8	15	14
Metropolitan Boroughs	6	6	8	17
Other	3	3	2	3
Independent responses			7	22
TOTAL	87	76	140	153

Chart 1: Stakeholders we engaged



¹ Excluding admission body funds, passenger transport funds and the environment agency closed fund.

² Including trade union representatives.

3. Survey results

The online survey issued as part of the consultation is set out in **Appendix A**. We sought views on four potential governance models SAB chose to consult on. All were assessed by respondents against criteria agreed with SAB. This was done through a combination of numerical scoring and free form commentary.

A summary of the numerical scores are set out below for each of the four structures:

- **Model 1 (Improved practice)**
Introduce guidance or amendments to the LGPS Regulations to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.
- **Model 2 (Greater ringfencing)**
Clearer ringfencing of pension fund management from the host authority, including budgets, resourcing and pay policies.
- **Model 3 (Joint committee)** Responsibility for all LGPS functions delegated to a joint committee comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes joint committee responsible for recommending budget, resourcing and pay policies.
- **Model 4 (New Local Authority Body)**
An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act 1972 provisions.

In carrying out the survey, respondents were asked whether each of the models shown would have a positive or negative impact on each of the following criteria:

1 Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
2 Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
3 Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such as budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
4 Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
5 Representation	The model allows for appropriate involvement in decision-making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
6 Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.



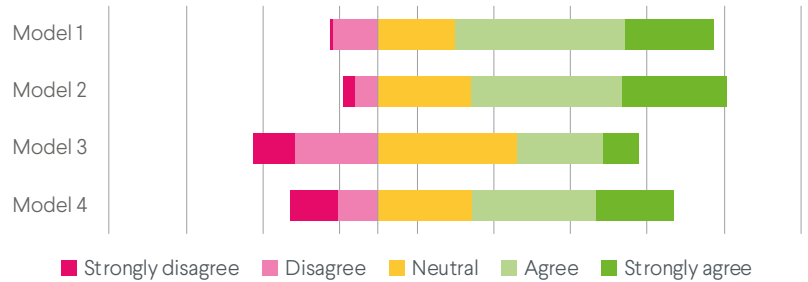
2. Survey results (continued)

The following charts summarise the extent to which respondents agreed that each model delivered against the six criteria. The further to the right the line appears, the more strongly respondents favoured the model against the criteria.

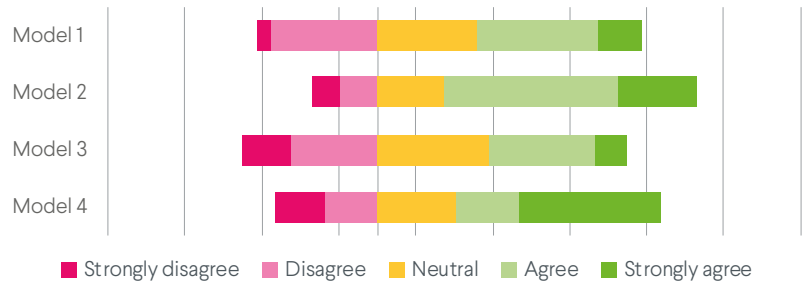
Comments on survey responses

- Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.
- Model 4 scored reasonably well on questions relating to criteria 1 to 4. A minority of respondents supported this model or some variation on it. For example, one of the trade unions favoured a variant of Model 4 with a changed role for local councillors because they believe that it could reduce potential governance conflicts they see in the role of local councillors who must act in the best interests of scheme members and at the same time in the interests of local tax-payers. However, the majority of respondents raised concerns over the question of appropriate involvement in decision making. These respondents felt that democratic accountability may be weakened in this model or the influence of the lead local authority, who is the guarantor of last resort for the fund, would be diluted. The model also scored very poorly on cost or value for money with a majority of respondents feeling that the model would be very expensive and disruptive to implement.
- Model 3 received weakest support overall. Respondents felt that the model would be complex to set up and manage and would deliver no perceived improvements in governance outcomes.
- The sentiment reflected within the commentary in the responses was also strongly in favour of Models 1 and 2, with many respondents identifying features of Models 1 and 2 that are already delivered in their current structure.
- However, responses also recognised that in order to achieve governance improvements through Models 1 and 2, the governance regime needs to include independent monitoring or review of local fund arrangements to ensure that everyone attains a minimum standard and that those beyond that level seek continuous improvement.

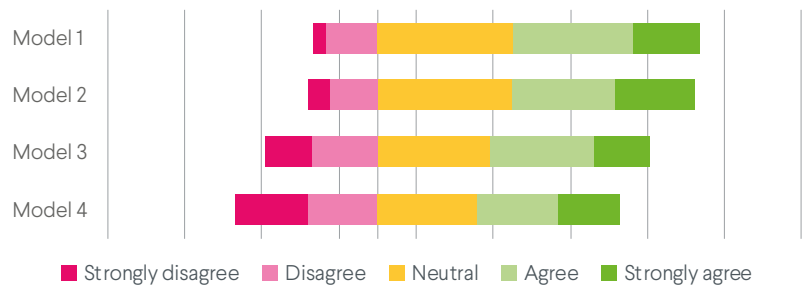
The model enables funds to meet the required standards



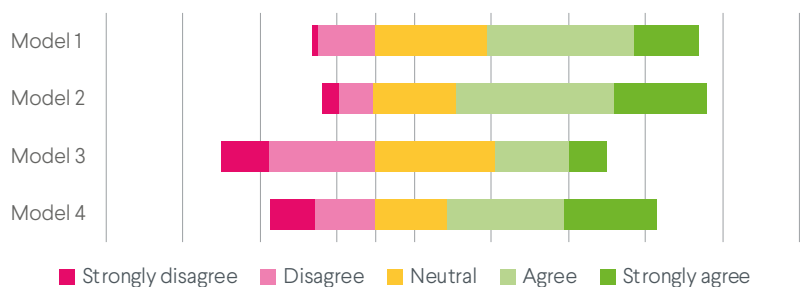
The model minimises conflicts between the pension function and the host local authority



The model allows for appropriate involvement in decision-making for key stakeholder

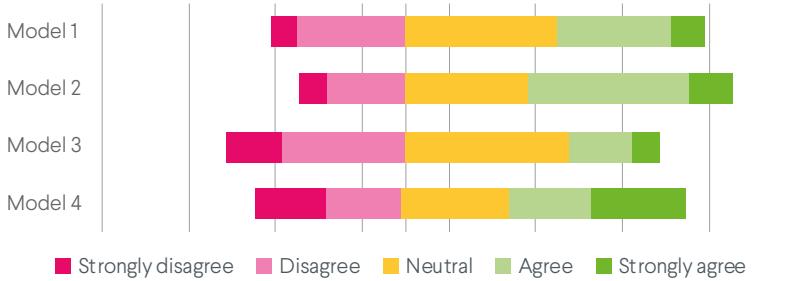


The model delivers clarity of accountability and responsibility for each relevant role

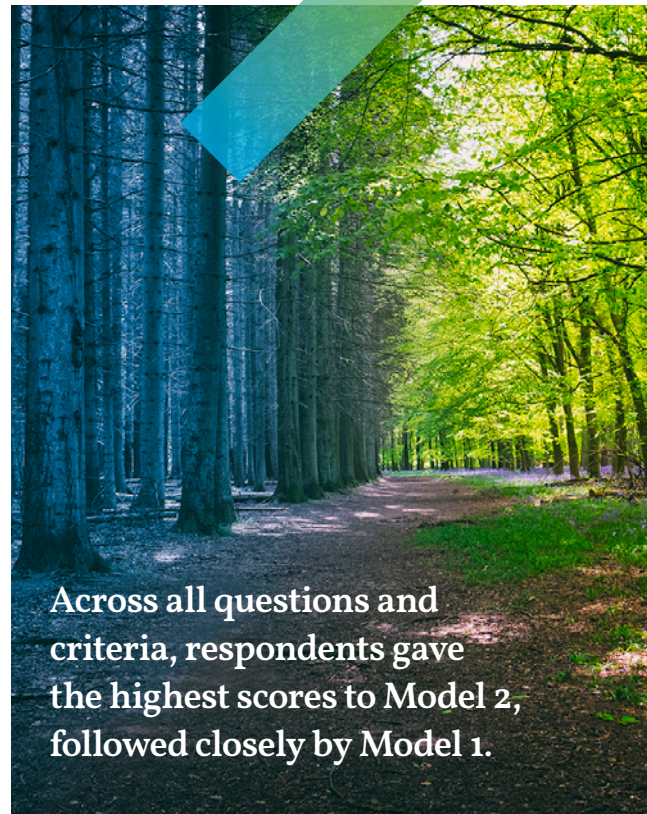
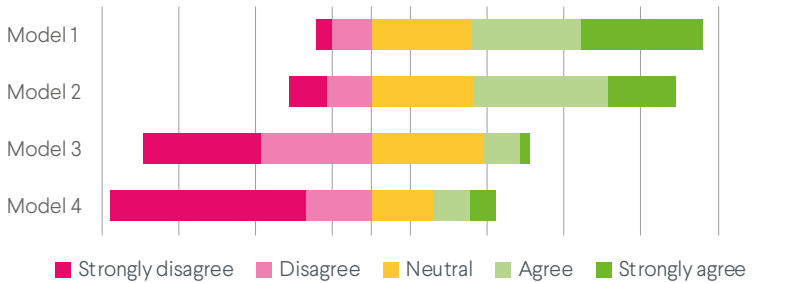


2. Survey results (continued)

The model minimises dependence on professionalism and relationships to deliver statutory responsibilities



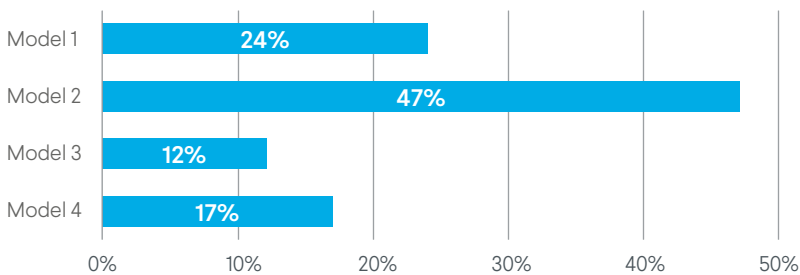
The cost of implementing and running the model is likely to be worthwhile versus benefits delivered



Across all questions and criteria, respondents gave the highest scores to Model 2, followed closely by Model 1.

PLSA

Which structural governance model do you prefer from the four models discussed?



Additional survey data

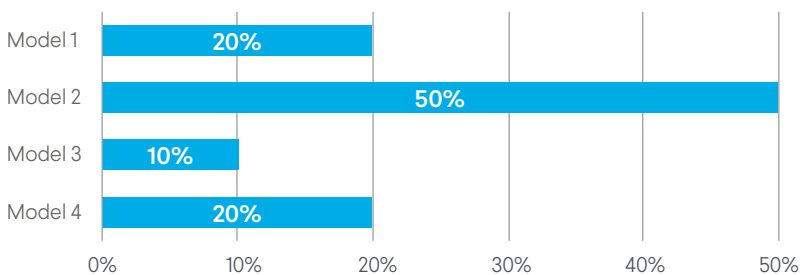
In addition to the online survey, we asked attendees at our PLSA session and other events a set of questions on their preferences.

Around 70% of respondents favoured Models 1 or 2.

Very similar results (from a smaller sample size) were recorded at our webinar.

Webinar

Which structural governance model do you prefer from the four models discussed?



4. Survey themes

The following section reflects some of the views raised during various conversations. Direct quotations reflect a specific point made by an individual which we judged to be representative of views of a number of respondents. Comments not in quotations are our expression of views expressed by a significant number of respondents.

Key:

CC	County Council
Met	Metropolitan
LB	London Borough
TU	Trade Union

Standards

1. There was an almost unanimous view that there should not be a single model of LGPS governance imposed on all funds.
2. The view 'one size does not fit all' was frequently stated by respondents from all categories of respondent.
3. There was a strong view from respondents that members of pension committees should be mandated to have the same level of training as local pension board members.
4. A small minority expressed the view that this would lead to problems getting elected members to sit on pension committees.
5. The fact that pension committee members can change due to elections or being moved around can cause problems with consistency and maintaining knowledge and skills.

“It is a perversion that LPB members require a higher degree of training than elected members.”

Officer, LB

“[The] biggest issue is stability at elected member level. Too much turnover.”

Officer, LB

6. Several respondents said that guidance from several sources caused confusion as to which was current, which was relevant and what are 'musts' (mandatory) and 'shoulds' (guidance or best practice):

“Funds are currently pulled in too many directions by lots of guidance – CIPFA, SAB, TPA etc.”

Officer, CC

“[Guidance from numerous sources] muddies the waters between what is statutory guidance and what isn't.”

Independent Advisor

7. The idea of extending the existing concept of peer challenge to include pensions was mentioned by some respondents. (Committee Chair CC, s151 CC and officers Met)

Clarity of decision-making

1. Some respondents felt that there was already a clear framework around decision making within their authority but other reported that there was very little clarity around where key decisions were made.
2. Two funds suggested that it was unclear who was responsible for decisions around outsourcing the administration function; was it the pension committee, s151 officer, full council?
3. One fund reported it very difficult for the council's constitution to be updated - the updates required for pooling have still not been made.
4. Greater clarity around decision-making is a good idea: **"Some decision-making conventions are lost in the mists of time."**

Officer, CC



Consistency

1. Commentary on Models 1 and 2 recognised that some sort of monitoring, enforcement or independent review would be needed to ensure that the required standards and governance outcomes are delivered.
2. There was strong support for the professionalism of s151 officers and the role they play.
3. A few respondents noted that the work pressures on s151 officers is greater than ever before and worried about their scope to devote the necessary time to the fund.

"My s151 is incredibly supportive and helpful but I accept s151s at other funds are not as engaged or are engaged in the 'wrong way'".

Officer, CC

"Separation would actually push s151s away from the fund, leading to less responsibility and engagement with the fund, leading in turn to less expertise and worse decisions. Better to get s151s more closely involved so they understand the requirements of the LGPS and make better decisions."

Officer, CC

4. A number of respondents stated that "Statutory/ fiduciary duty clarity would be useful."



Conflicts

1. Most respondents felt that there was acknowledgement of the potential conflict faced by elected members and officers and that those potential conflicts were managed well.
2. However, it was not unusual for respondents to suggest that there needed to be better distinction between the employer and administering authority role.

“No one in the council understands the difference between the ‘council’ function and the ‘pension’ function.”

Officer, LB

“The make-up of panel/committees is not working – too much political interference.”

LPB Chair

On conflicts:

“I don’t see abuses. The ability is there for there to be abuse but it doesn’t happen.”

Officer, CC

“LGPS is full of conflict, s101 committees are beholden to the council who are mainly focused on council tax-payers.”

TU

3. Some pointed out that concentrating on conflicts missed some of the advantages of LGPS funds being part of local authorities.

“[This review] should address the many advantages and benefits of working for a large, well-run and modern council.

s151 CC

“[s151] role involves tensions, not conflicts. Tension can’t always be seen as a bad thing.”

Officers, Met

Budgets and resourcing

1. There was a range of approaches when it came to budget setting. In some instances, the budget available to the pension fund was determined as part of the wider council budget setting process with little or no input from pension officers and no role for the pension committee. Other funds reported that budget setting and in-year management of the budget was the responsibility of pension officers and that the local authority’s s151 was ‘kept informed’.

“It hadn’t occurred to me that the [pension] committee could get involved with budget setting. Guidance on that would be good.”

Officer, LB

“Potential problems include transparency in the AA of its costs. Recharges of time. Costs recovered by the AA via the PF.”

LPB Chair

2. There was also a split in terms of whether funds had the ability to set their own staffing or whether they were subject to recruitment freezes or downsizing exercises that apply to the main council.

“[There should be] resourcing such that there is the quality and competence to deliver their statutory duties”

s151, CC

One s151 expressed **“disbelief that blanket hiring bans and pay policies affected the pensions section. s151’s should be flexible enough to understand how to ‘spend’ resources. If they need to pay differently for pensions to get the right experience/quality.”**

s151, CC

When it comes to budgeting and workplans

“...the s101 committee decides including requests for extra resource if required.”

Chair of Committee. CC

Representation

1. Most respondents felt that there was a role for some sort of scheme member presence on pension committees, although there was a difference of opinion about whether this should be a voting role or an observer role. A number of funds suggested that the scheme member role should not be limited to trade union representative. All agreed that the majority representation must lie with the administering authority.

“Less than 50% of our members are in a union.”

s151, CC

“Representation is key – members must have a say”

TU

“Other employers reps and member reps should have voting rights [on the committee]. That’s right and should happen.”

Chair of Committee, CC

“We are warm towards the idea of an independent advisor/trustee who sits on committees.”

s151, CC

“We want to improve things for our members in terms of governance, transparency and representation.”

TU

2. There were strong views on both sides about the value that local pension boards bring. Some feeling that they increased bureaucracy without adding value while for others they had become a useful part of the fund’s governance arrangements.

“I welcome the involvement of the Pension Board it adds value, second opinion.”

Chair Committee, CC

One respondent believed that joint committee and local pension boards **“give scheme members and other employers a voice and avoids duplication.”**

s151, CC

“Many administering authorities see boards as threats rather than opportunities. There are still boards who are dictated to. Need administering authorities to release tight control.”

Chair of LPB

3. There were a range of practices in how funds engaged with employers:

“As s151 of a non-admin authority, I didn’t feel engaged in the pension fund, it was something that was dictated to me every few years.”

s151 speaking of their time in a non administering authority

“Employer liaison is tricky as your participating employers often don’t see it as a priority.”

s151, CC



5. Examples of current best practice

It was apparent during our conversations that many funds exhibited excellent examples of good governance but that practices across funds were not consistent. This section captures some of the examples of best practice that we identified.

Regular governance reviews

A number of funds confirmed that they use internal audit to provide assurance on administration and governance matters. Some reported an annual programme of work with different aspects of delivery being assessed each time.

Other funds had commissioned external governance reviews in order to receive an independent assessment of their current arrangements.

Committee membership and effectiveness

A large number of funds stated that they required pension committee members to attain the same level of knowledge and expertise as local pension board members. This was achieved through training policies which set out clearly how the fund will deliver training and assess its effectiveness.

One fund reported how members of the pension committee are required to sign a declaration stating that they will act in the interests of the fund and not be influenced by party political matters. One view is that councils should waive the requirement for political representation on committees to allow the most appropriate members to sit, rather than allocate places according to political party.

Most funds have some sort of scheme member representation on pension committees and a small number allow scheme member representatives to vote.

Independence

A number of funds reported that there was a clear understanding of, and separation between, the functions of the pension fund and the local authority which recognised the specialist nature of the LGPS. This was typically achieved through one or more of the following features:

- A dedicated Head of Pensions role which was at an appropriately senior level within the authority's structure.
- A recognition by elected members serving on the pension committee that, when carrying fund specific business, they were acting on behalf of scheme members and all of the employers in the fund, not simply their own local authority.
- Independent business planning and resourcing decisions made by pension fund officers and signed off by the pension committee and s151. This allows the pension fund to plan and resource appropriately to deliver its strategic objectives.
- Pension fund not subject to same recruitment freezes or restructuring exercises applied at a council level. Some funds reported using market supplements to attract appropriately skilled staff, where a strong business case could be made.

Focus on quality of service to scheme members

Some funds were prepared to 'go the extra mile' in terms of the quality of service delivered to scheme members. This might involve encouraging face-to-face interaction between pensions staff and scheme members (particularly when considering complex or emotive matters), producing a range of communications aimed at active, deferred and pensioner members or holding annual member meetings to raise awareness of current issues.

6. Proposals

The proposals we set out for consideration by SAB are informed by feedback from stakeholders. Many are things which well-run funds already do.

- **Table 1** shows the proposals in summary.
- **Table 2** sets out the rationale for each proposal and, if SAB agrees with proposals, suggested actions to implement.

Table 1: Summary of proposals

1	'Outcomes-based' approach to LGPS governance with minimum standards rather than a prescribed governance structure.
2	Critical features of the 'outcomes-based' model to include: <ol style="list-style-type: none"> Robust conflict management including clarity on roles and responsibilities for decision making. Assurance on sufficiency of administration and other resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance - this should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.
3	Enhanced training requirements for s151s and s101 committee members (requirements for s101 should be on a par with LPB members).
4	Update relevant guidance and better sign-posting.

Table 2: Rationale for proposals and suggested actions

	Proposal	Why	Suggested actions
1	'Outcomes-based' approach to LGPS governance rather than a prescribed governance structure.	<p>We observe (and the survey evidences) that different administering authorities with the same governance structure can have different outcomes in terms of quality and standards of governance. All the governance models in the SAB survey can deliver good or bad governance outcomes. Focussing on the desirable traits and outcomes expected of LGPS governance will enhance governance in a more reliable and cost-effective manner than prescribed changes in structure.</p> <p>Further, we do not believe it is appropriate to impose a 'one size fits all' approach.</p>	<ol style="list-style-type: none"> SAB should consult on: <ul style="list-style-type: none"> Desirable features and attributes of LGPS governance arrangements; The outcomes governance arrangements should be expected to deliver; and How each administering authority might evidence that its own governance model displays the required attributes. Once identified and agreed through consultation, the desirable features and expected outcomes should be set out in statutory MHCLG guidance (replacing the 2008 CLG guidance).



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2	<p>Critical features of the ‘outcomes-based’ model to include:</p> <ol style="list-style-type: none"> Robust conflict management. Assurance on sufficiency of administration resources (quantity and competency) and appropriate budget. Explanation of policy on employer and scheme member engagement and representation in governance. Regular independent review of governance. 	<p>The detailed specification of the desirable features and expected outcomes of an ‘outcomes-based’ model are beyond the scope of this project and should be determined in a second stage of work and through consultation.</p> <p>However, based on responses to the survey we propose a small number of critical elements to ensure this approach is effective. These proposals are shown below under 2(a) – (d).</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>
2a	<p>Robust conflict management.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> Published conflicts policy. Protocols for setting and managing budgets. Schemes of delegation. Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers. 	<p>Elected councillors and s151 officers have multiple competing statutory responsibilities, within their roles in the LGPS and in wider council responsibilities. High professional standards and experience help them to navigate. Additional measures specific to their LGPS duties can help reduce conflicts and perception of conflicts.</p> <p>Many administering authorities already have a conflicts policy or alternative arrangements to help reduce the risk of conflicts including, for example, schemes of delegation or well defined and documented roles and responsibilities.</p>	<p>SAB should consider making this a mandatory feature of any ‘outcomes-based’ governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
2b	<p>Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.</p> <p>This will require a transparent approach to setting and managing budgets.</p> <p>Administering authorities should be able to decide locally how they will evidence this requirement including for example:</p> <ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. <p>Administering authorities may need freedom to use market supplements to attract and retain staff and should not be tied to council staffing policies such as recruitment freezes.</p>	<p>The administrative burden on the LGPS has increased significantly due to increasing complexity (pre- and post-Hutton benefits) and the massive growth in employer numbers.</p> <p>At the same time, there is increased scrutiny from TPR and risk of fines and other regulator interventions.</p> <p>It is critical that pension administration teams are sufficiently well resourced with competent personnel and appropriate administration systems.</p> <p>This aim must be supported by transparent processes for setting appropriate budgets.</p> <p>Pensions administration is a specialist role and, at the current time, it is difficult to attract and retain staff.</p> <p>Many administering authorities already have pay and recruitment policies relevant to the needs of their pension functions rather than being tied to the general policies of the council.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>
2c	<p>Explain policy on employer and member engagement and representation in governance.</p> <p>At the current time, employer and member representation (with or without voting rights) should be encouraged but not compelled. Decisions on the approach to member representation should remain a local matter but administering authorities should explain their approach.</p>	<p>Most administering authorities have non-administering authority employer and scheme member representatives.</p> <p>Non-administering authority employers are often chosen to represent certain employer constituencies (e.g. academies, FE, charities and housing associations).</p> <p>In some cases, scheme member representatives have voting rights.</p> <p>»</p>	<p>SAB to consider making these features mandatory but determining other aspects of the detailed specification of features and expected outcomes in a further phase of work (as per Proposal 1).</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
		<p>Many survey respondents support greater encouragement to include scheme member reps on s101 committees.</p> <p>However, administering authorities prefer some local flexibility on this, including how representatives are selected and whether they have voting rights. Importantly, administering authorities should retain majority voting representation because of the statutory responsibilities they bear.</p>	
2d	<p>Regular independent review of governance to assess effectiveness of administering authority's governance arrangements in the context of the desirable features and expected outcomes set out in guidance on an 'outcomes-based' model. This should be based on an enhanced governance compliance statement which should explain how the required outcomes are delivered.</p> <p>Guidance should not prescribe the approach but could set out acceptable methods which may include:</p> <ol style="list-style-type: none"> i. Internal or external audit assessment; ii. Scrutiny by LPBs; iii. A peer review process. 	<p>It is important that any 'outcomes-based' approach is policed.</p> <p>Self-assessment is insufficient. Independent review is required for a more objective assessment.</p> <p>We discovered that some funds do this on a regular basis already using a variety of approaches including internal and external audit and other external experts and advisors.</p>	<p>SAB should consider making this a mandatory feature of any 'outcomes-based' governance model.</p>



Table 2: Rationale for proposals and suggested actions (continued)

	Proposal	Why	Suggested actions
3	<p>Enhanced training requirements for s151s and s101 committee members. This is to include all s151 officers, not just those currently with administering authority responsibilities.</p>	<p>s151s: Current CIPFA training does not have specific pensions modules. CPD for those at or close to s151 level would be more effective and have impact sooner than changes to exam syllabus, although the latter would also have longer term benefit. Greater understanding of the LGPS amongst the wider s151 community may also reduce perception of conflicts.</p> <p>s101 committees: Currently the training requirements for Local Pension Board members (which are statutory) are more onerous than those for s101 committee members. Survey respondents felt this inconsistency was unacceptable and that s101 training should be on a par with LPB requirements.</p>	<ol style="list-style-type: none"> i. CIPFA to develop a CPD module for s151 practitioners in the LGPS. ii. SAB / MHCLG statutory guidance to require training for s101s to be on a par with members of Local Pension Boards.
4	<p>Update relevant guidance and provide better sign-posting.</p> <p>It would also be helpful to provide greater clarity to officers and elected members on their statutory and fiduciary obligations.</p> <p>As well as sign-posting, there should be clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice)</p>	<p>The main guidance relevant to governance includes:</p> <ol style="list-style-type: none"> i. CIPFA guidance for s151s in respect of LGPS responsibilities (2014); and ii. CLG's statutory guidance on governance of governance compliance statements (2008). <p>Both pre-date PSPA 2013, involvement of TPR in LGPS governance and investment pooling.</p> <p>Both must be updated.</p>	<ol style="list-style-type: none"> i. CIPFA to review and update guidance for s151s in respect of LGPS governance. ii. MHCLG to review and update statutory guidance on governance. In particular, this should put greater emphasis on non-investment aspects of governance such as administration. iii. SAB should consider commissioning legal input to give greater clarity on statutory and fiduciary responsibilities of s151 officers and s101 elected members. iv. SAB or MHCLG should provide greater clarity on the status of current and future guidance (e.g. statutory and therefore compulsory or best practice.)

Table 3: Other ideas considered but rejected or out of scope

	Proposal	Reason for non-recommendation
1	Separate s151 for pension fund.	<ul style="list-style-type: none"> • A benefit would be specific focus on LGPS matters and therefore greater depth of understanding. • However, this is unlikely to help reduce conflicts (the pension fund s151 still has fiduciary responsibility to local tax-payers and may report to council s151) and may not be practical for smaller funds with greater resource constraints.
2	Compulsory benchmarking.	<ul style="list-style-type: none"> • Concerns because benchmark data not like for like (e.g. same cost per member but different service); and (ii) risk this drives lowest common denominator results instead of innovation in service delivery • We recognise that benchmarking has a place and would welcome the development of more sophisticated forms of benchmarking that focus on the quality of the service delivered.
3	Legal separation of pension fund accounts.	<ul style="list-style-type: none"> • Requires change in primary legislation. • Pension fund accounts already separated, audited and shown in Pension Fund Annual Report (annual report is a statutory requirement). • It is unclear what additional benefit there is in legal separation of PF accounts from administering authority/council.
4	Mandating extension of audit to include an opinion on suitability of LGPS governance arrangements.	<ul style="list-style-type: none"> • Some funds commission an external (or internal) audit view voluntarily. • NAO has confirmed that this could only be mandated through legal separation of pension fund accounts (see above). • Concerns on some external auditors' lack of LGPS knowledge and lack of continuity due to changing personnel. • Preference to allow flexibility in approach to independent assessment of governance arrangements and their efficacy.
5	Removing s151 from decisions around admin budgeting due to conflicts.	<ul style="list-style-type: none"> • s151 has statutory responsibility.
6	Merger of funds to facilitate different governance models.	<ul style="list-style-type: none"> • Weakened link to local democratic accountability. • Outside of the scope of the project.

Table 4: Suggested follow up work beyond the scope of this report

	Suggested follow up work	Why
1	SAB to consult on detailed specification of desirable features and expected outcomes from an 'outcomes-based' model.	<ul style="list-style-type: none"> • Important to get buy-in and support for the practical details of an 'outcomes-based' governance model.
2	CIPFA and MHCLG to update existing guidance.	<ul style="list-style-type: none"> • Existing guidance is out of date.
3	Commission legal work to provide greater clarity on statutory versus fiduciary obligations (s151 and s101 committee members).	<ul style="list-style-type: none"> • Statutory responsibilities take precedence. • Currently unclear.
4	SAB to consider a 'Good Administration' review.	<ul style="list-style-type: none"> • Survey respondents expressed interest in some work to set out what good administration looks like, examples of current best practice, good approaches to meeting the needs of scheme members and employers, and greater clarity on what standards will be required to satisfy TPR. • This will help administering authorities to be clear what standards they must achieve in order to provide 'assurance' that administration resources are sufficient in quantity and competency, identify any gaps and determine what practical steps they might take to address those gaps.
5	SAB to consider a review of the role of Pension Boards in LGPS.	<ul style="list-style-type: none"> • Very mixed reports on the role and success in working with Pension Boards in the LGPS.



Table 5: 'Outcomes-based' model – concept illustration

	Outcome: examples	How to demonstrate that your governance model complies: examples
1	Robust conflict management.	<ul style="list-style-type: none"> • Conflicts policy. • Scheme of delegation or decision matrix setting out who makes what decisions. • Transparent process for approving budgets. • Documented roles and responsibilities of elected members on s101 committees, s151 officers and pension fund officers.
2	Assurance administration and other resource (quantity and competency) sufficient to meet regulatory requirements and budget appropriate.	<ul style="list-style-type: none"> • Benchmarking. • External expert advice. • Internal or external audit. • Review by LPB with appropriate expert advice. • Process for setting administration budget. • Policies in respect of recruitment and market supplements to attract and retain staff.
3	Explain policy on employer and member engagement and representation in governance.	<ul style="list-style-type: none"> • Set out approach to employer and member engagement e.g. communication plan, AGM, employer liaison and support. • Set out approach to participation of non-administering authority employers in governance of fund e.g. representatives of academies, admitted bodies, FE, charity sector, etc. • Set out approach participation of scheme members in governance (e.g. observers, voting members, how selected, etc.) and rationale for approach.
4	Regular independent assessment of governance arrangements.	<p>State method e.g.</p> <ul style="list-style-type: none"> • Internal or external audit assessment; or • Scrutiny by Local Pension Board; or • External expert / consultant; or • Peer review process. <p>Describe scope and approach e.g.</p> <ul style="list-style-type: none"> • Reviewing policies, meeting minutes. • Reviewing committee efficacy in decision-making, etc.

Appendix A

Scheme Advisory Board: Good Governance Survey

The following pages replicate the online Good Governance survey on governance models for the LGPS. The survey closed on 31 May 2019.

Introduction

The Scheme Advisory Board has commissioned Hymans Robertson to review LGPS governance structures and practices. This survey is part of a key part of the project and we are keen to collect views from as wide a range of stakeholders as possible. Further details on the scope and background to the project can be found on the SAB website.

To help inform this survey and the options for governance change presented for feedback, views were sought from a representative range of LGPS stakeholders (including pension fund officers, section 151 officers, trade unions and other advisors) in order to understand the issues and challenges that the current LGPS governance arrangements present.

Examples of issues cited by respondents included:

- **Clarity:** There is sometimes lack of clarity over roles and responsibilities.
- **Conflicts:** A number of stakeholders raised the issue of perceived conflicts of interest between the fund and the council, in particular for the section 151 of the administering authority given his or her responsibilities for the financial management of other council functions. It was suggested these could manifest themselves in terms of the strategic decisions taken by the fund in respect of funding (contribution rate decisions) and investment or in respect of allocating resource to the pension fund.
- **Consistency:** It is widely recognised that there are many examples of good practice within the LGPS and that section 151s and pension funds manage these conflicts well. However, it was noted that this good practice largely relies on the professionalism and good will of individuals and the ethos of the authority. There is very little regulation or guidance that would safeguard the situation if such high standards were absent.
- **Representation:** The issue of appropriate representation was raised, in particular for non-administering authorities. Some respondents suggested that there could be improvements in the way administering authorities engage with the other employers in the fund on administration resourcing as well as funding, contributions and investment matters.
- **Standards:** It was also noted that LGPS funds evidence varying levels of compliance with the standards for administration, funding and investment set out in statutory legislation, relevant guidance and the TPR Code of Practice 14.
- **Miscellaneous:** Other issues raised included lack of continuity in committee members; shortage of in-house skills, expertise and subject matter knowledge in investment and funding; and restrictions on recruitment and pay policy for the pensions function.

Please use the box below to provide details of any additional issues which you believe the Board should address as part of this exercise.

Comment box provided.



The criteria

Based on the issues raised by stakeholders, the Board has agreed 6 criteria which will be used to assess any proposed changes to LGPS governance arrangements.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.
Consistency	The model minimises dependence on the professionalism of individuals and existing relationships to deliver statutory responsibilities.
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.

Please use the box below to provide details of any additional criteria which you believe the Board should consider as part of this exercise.

Comment box provided.



Governance models in this survey

The Scheme Advisory Board would like to hear your views on four governance models set out below.

Option 1 – Improved practice: Introduce guidance or amendments to LGPS Regulations 2013 to enhance the existing arrangements by increasing the independence of the management of the fund and clarifying the standards expected in key areas.

Option 2 – Greater ring fencing of the LGPS within existing structures: Clearer ring-fencing of pension fund management from the host authority, including budgets, resourcing and pay policies.

Option 3 – Joint Committee (JC): Responsibility for all LGPS functions delegated to a JC comprising the administering authority and non-administering authorities in the fund. Inter-authority agreement (IAA) makes JC responsible for recommending budget, resourcing and pay policies.

Option 4 - New local authority body – an alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

It is recognised that a one size fits all approach may not be appropriate.

Final recommendations by SAB could be variations on the models described here, taking account of your feedback. Any regulation changes needed will be fully assessed before SAB makes final recommendations. We have not provided detailed costing of each of the models presented in the survey. The cost of implementation would in any case vary across different funds, but, generally, the effort and cost to implement increases as we move from Option 1 to Option 4. Detailed costing of any recommendations emerging from this exercise would be undertaken prior to implementation.

In the next section we set out a brief description of each of the options along with the opportunity for you to provide your views on how well each option compares against the agreed criteria.

For brevity the option descriptions have been included on the next two pages, followed by the response form (which was identical for all four options).



Option 1 - Improved practice

Features

- SAB guidance on minimum expected levels of staffing and resourcing;
- SAB guidance on representation on pension committees and expected levels of training for those on pension committees and officers with an LGPS role. Additional guidance could also be considered on the best practice for pension boards.
- Legal clarification on the fiduciary and statutory duties of key individuals within LGPS funds.
- LGPS regulations set out enhanced process for consulting on FSS and ISS to ensure greater voice for the full range of employers in the fund.

Option 2 - Greater ring fencing of the LGPS within existing structures

Features

- The pension fund budget is set at the start of the financial year with reference to its own business plan and service needs.
- Any charges to the fund in respect of support services provided by the host authority, for example legal support, HR and procurement is included in the budget up front.
- Pension fund related expenditure then comes directly from the fund. This removes the common practice whereby pension fund expenditure is paid through the host authority's revenue account to be recharged at a later date.
- The section 151 of the administering authority would retain responsibility for the pensions function but recommendations on budget (including administration resources required to meet TPR standards) would be made by a pension fund officer to the pensions committee which would be responsible for agreeing the budget. (Alternatively, the pension fund could have a separate s151 officer to reduce conflicts currently faced by s151s.*)
- The pension committee would be responsible for agreeing the budget as well as approving any changes to that budget during the financial year.
- The cost of staffing would be met through the fund including any additional costs such as market supplements or redundancy strain.
- Changes to the Audit and Accounting Regulations 2015 could be considered to make the fund accounts legally separate and subject to a separate audit.

In addition to the budget related aspects outlined above further steps could be taken which would give funds greater autonomy over employment policies. The model is analogous to the fund being treated as an internal business unit of the council.

- Staff will continue to be employed by the host council but polices over certain HR matters such as recruitment and the payment of market supplements will be delegated to the pension committee.
- Decisions over other matters pertinent to the fund, for example investment in new administration technology, would also lie with the pension committee.
- Decisions around the structure of the pension function would be for the fund's management team to make with the approval of the pension committee.*

* Further consideration is required as to whether these practices could simply be encouraged by regulatory bodies or whether it is possible and/or desirable to find a mechanism by which these could be mandated.



Option 3 - Use of new structures: Joint Committees (JC)

Features

- The scheme manager function and all LGPS decision making, which currently sits with the administering authority, would be delegated to a section 102 JC. The committee would comprise all the local authorities who currently participate in the fund as employers.
- Consideration could be given to the representation of other employers and scheme members on the JC.
- Assets and liabilities still sit with the existing administering authority.
- Employment of staff and contractual issues dealt with through a lead authority or a wholly owned company. This could be codified within an Inter Authority Agreement (IAA).
- The IAA would stipulate that the budget will be agreed by the JC. s151s of the constituent local authority employers retain a fiduciary duty to the local taxpayer but the IAA would distance them legally from budget setting responsibilities in respect of the pensions function.

Option 4 - New local authority body

Features

An alternative single purpose legal entity that would retain local democratic accountability and be subject to Local Government Act provisions.

This might be through a combined authority route or through a public body established by statute.

- The new body must retain a strong link to democratic accountability.
- Employment of staff and contractual issues dealt with by the new body.
- Assets and liabilities transferred to the new body.
- Separate accounts based on CIPFA guidance.
- Funded by an element of the contribution rate and by a levy on constituent authorities.
- Officers in the new body are responsible only for the delivery of the LGPS function.



Please use the voting buttons to indicate to what extent moving from existing arrangements to Option (1, 2, 3 or 4) would achieve each of the criteria.

Standards	The model enables funds to meet good standards of governance across all areas of statutory responsibility including TPR requirements.	Strongly disagree 1 2 3 4 5 Strongly agree
Conflict	The model minimises conflicts between the pension function and the host local authority, including but not limited to s151 officer conflicts (in operational areas such budgets, resourcing, recruitment and pay policies and in strategic areas such as funding and investment policy).	Strongly disagree 1 2 3 4 5 Strongly agree
Representation	The model allows for appropriate involvement in decision making for key stakeholders (including administering authority, non-administering authorities, other employer and member representatives).	Strongly disagree 1 2 3 4 5 Strongly agree
Clarity	The model delivers clarity of accountability and responsibility for each relevant role.	Strongly disagree 1 2 3 4 5 Strongly agree
Consistency	The model minimises dependence on professionalism and relationships to deliver statutory responsibilities.	Strongly disagree 1 2 3 4 5 Strongly agree
Cost	The cost of implementing and running the model is likely to be worthwhile versus benefits delivered.	Strongly disagree 1 2 3 4 5 Strongly agree

Please provide any comments you may have regarding Option 1/2/3/4 in the box below.

Comment box provided.

Finally, respondents were asked:

Are there any alternative governance structures not covered between Option 1 – Option 4 which you believe the Board should consider?

Comment box provided.

Appendix B

Abbreviations

Abbreviations

ALATS	The Association of Local Authorities' Treasurers Societies
CIPFA	The Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government (former name of MHCLG)
CPD	Continuous Professional Development
FE	Further Education
JC	Joint Committee formed under s102 of the Local Government Act 1972
LA	Local Authority
LGPS	Local Government Pension Scheme
LPB	Local Pension Board
MHCLG	Ministry of Housing, Communities and Local Government
NAO	National Audit Office
PF	Pension Fund
PIRC	Pensions and Investment Research Consultants Ltd
PLSA	Pension and Lifetime Savings Association
PSPA 2013	Public Service Pensions Act 2013
PSAA	Public Sector Audit Appointments
s101	A committee established under s101 of the Local Government Act 1972
s151	An officer with responsibilities under s151 of the Local Government Act 1972
SAB	Scheme Advisory Board for the Local Government Pension Scheme in England and Wales
SCT	Society of County Treasurers
SLT	Society of London Treasurers
SWT	Society of Welsh Treasurers
TPR	The Pensions Regulator



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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