

# AGENDA

**Meeting:** Wiltshire Pension Fund Committee  
**Place:** Kennet Room - County Hall, Bythesea Road, Trowbridge,  
BA14 8JN  
**Date:** Tuesday 10 January 2023  
**Time:** 10.00 am

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## Membership:

### Voting Membership

#### Wiltshire Council Members:

Cllr Richard Britton (Chairman)  
Cllr Pauline Church  
Cllr George Jeans  
Cllr Gordon King  
Cllr Christopher Newbury

#### Substitute Members

Cllr Ernie Clark  
Cllr Sarah Gibson  
Cllr Gavin Grant  
Cllr Carole King  
Cllr Dr Nick Murry  
Cllr Ian Thorn  
Cllr Robert Yuill

#### Swindon Borough Council Members

Cllr Steve Heyes  
Cllr Kevin Small

#### Substitute Members

Cllr Vijay Manro

#### Employer Body Representatives

Tracy Adams  
Claire Anthony

### **Non-voting Membership**

#### Observers

Stuart Dark  
Mike Pankiewicz

## **Recording and Broadcasting Information**

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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  
details

## Items to be considered

Time

### PART I

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

1 **Apologies** **1000**

To receive any apologies for absence or substitutions for the meeting.

2 **Minutes of the Previous Meeting** *(Pages 7 - 12)*

To approve and sign as a true and correct record the Part I (public) minutes of the previous meeting held on

3 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Review of Actions** *(Pages 13 - 28)*

To review progress on any actions requested by the Committee in previous meetings.

To review the summary, recommendations and comments made by the Local Pension Board following its meeting on 27 October 2022.

6 **Public Participation**

The Council 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 on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on 7 December 2022 in order to be guaranteed of a written response. In order to receive a verbal

response questions must be submitted no later than 5pm on 9 December 2022. Please contact the officer named on the front 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 Committee members prior to the meeting and made available at the meeting and on the Council's website.

7 **Headlines and Monitoring Report** (Pages 29 - 72) **1005**

A report to enable the Committee's ongoing oversight of:

- Scheme, Regulatory, Legal and Fund Update
- Administration KPI update – 1 September to 30 November 2022
- Risk Register
- Fund Audits
  - a) Audit review 2022/23
  - b) Commissioning of the audit strategy 2023/24
- Good Governance Review
- Training update

8 **Training Update** (Pages 73 - 82) **1025**

The Senior Investment and Accounting officer will present refresher training on MiFID (Markets in Financial Instruments Directive) II.

9 **Business Plan 2022-2023** (Pages 83 - 88) **1035**

The Head of Wiltshire Pension Fund will present a report updating members on progress against the Plan's objectives.

10 **Cost of Living Review** (Pages 89 - 108) **1045**

The Head of Wiltshire Pension Fund will present an update to Members on the Fund's response to the cost-of-living crisis, including metrics, where required.

11 **Key Financial Controls** (Pages 109 - 118) **1055**

To receive a report from the Senior Investment and Accounting Officer, including Budget Monitoring 2022/23 and an update on Deloitte's external audit of the Annual Report and Accounts 2021/22.

12 **Data Retention Policy** (Pages 119 - 126) **1105**

A review of the Fund's data retention policy, seeking approval to various technical changes.

- 13 **Cessation Policy Methodology** (Pages 127 - 130) **1115**  
To approve the final methodology changes to low risk-basis cessations.
- 14 **Pension Payroll Database Reconciliation** (Pages 131 - 132) **1125**  
To receive an update report on the progress of this project.
- 15 **Forward Work Plan** (Pages 133 - 140) **1135**  
To review the work plan for the Committee 2022-23.
- 16 **Date of Next Meeting**  
To note the data of the next Committee meetings as follows:  
  
2 March 2023 – Investment focused meeting  
23 March 2023 – Administration focused meeting
- 17 **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.
- 18 **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 19-23 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.
- 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*
- 19 **Minutes of the Previous Meeting** (Pages 141 - 146)  
To approve and sign as a true and correct record the Part II (private) minutes of the previous meeting held on 17 November 2022.

20	<b><u>Cyber Resilience Update</u></b> ( <i>Pages 147 - 150</i> )	<b><u>1145</u></b>
	To receive a response from the Deputy Chief Executive on Aon's cyber security analysis and recommendations. In addition, to receive an update from Aon on questions posed by members.	
21	<b><u>Departmental Restructure</u></b>	<b><u>1155</u></b>
	To receive a response from the Head of Wiltshire Pension Fund on the recent departmental restructure.	
22	<b><u>Brunel Governance Update</u></b>	<b><u>1205</u></b>
	To receive a verbal update summarising the ongoing Brunel governance arrangements.	

## Wiltshire Pension Fund Committee

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**MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 17 NOVEMBER 2022 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Cllr Richard Britton (Chairman), Cllr Steve Heyes (Vice-Chairman), Cllr Pauline Church, Cllr Gordon King, Cllr Christopher Newbury, Cllr Kevin Small, Mike Pankiewicz, Tracy Adams and Claire Anthony

**Also Present:**

Cllr Nick Botterill

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205 **Apologies**

There were no apologies.

206 **Minutes of the Previous Meeting**

The minutes of the meeting held on 6 October 2022 were presented for consideration, and it was,

**Resolved:**

**To approve and sign the minutes as a true and correct record.**

207 **Declarations of Interest**

There were no declarations.

208 **Chairman's Announcements**

The Chairman announced there would be a Part II update regarding the Brunel Pension Partnership.

209 **Review of the Minutes of the Local Pension Board**

The minutes of the meeting of the Local Pension Board meeting held on 27 October 2022 were received. It was noted a recommendation from the Board would be considered at Minute 213 – Corporate Recharge.

It was,

**Resolved:**

**To note the minutes of the Local Pension Board.**

210 **Public Participation**

There were no questions or statements submitted.

211 **Triennial Valuation Results (and accompanying policies)**

Barry Dodds and Catherine McFayden presented a report on behalf of Hymans Robertson, the Pension Fund's Actuary, providing details of the formal triennial valuation required by the Local Government Pension Scheme Regulations. The last valuation was for data on 31 March 2019, with the current for data at 31 March 2022. The report also included proposed changes to a number of policies for consideration by the Committee as presented by Andy Cunningham, Pension Administrations Lead.

Details were provided of the methodology for the valuation, the process for circulation of results to each employer and discussion of specific circumstances, and development of provisional employer contribution rates based on the assumptions set by the actuary and other factors.

The valuation showed an improved funding level of 102% against 97% in 2019, should expected investment returns be delivered. The improvement in position had been driven by strong investment returns, and it was confirmed Covid-19 had had fairly minimal impacts.

During the presentation details were provided on Fund membership and its potential reduction of active members should local government staffing be reduced, discount rates, impact of current and near term high inflation, managing cashflow, valuation of assets, longer term impacts of Covid-19 on life expectancy, and other details as set out in the report.

The Committee discussed the presentation and report and sought further details, including on investment strategies, smaller employers active in the Fund, demographic assumptions, and the valuation process.

The Pensions Administration Lead (PAL) outlined a piece of feedback that officers had received from one employer in relation to the following new statement:

"If no single Scheme Employer guarantor exists and the likelihood of leaving or significantly reducing participation in the Fund in the next 10 years is high then the low-risk exit basis may be used as the funding target".

The employer had concerns with this statement and requested its withdrawal until such time as it could have a discussion with Fund officers and they wished for this viewpoint to be stated verbally at Committee (as papers had already been circulated by the time of the discussion). The PAL stated he would have the discussion with employer after the meeting.



Queries were raised on consultation with employers on the proposed policies, and discussion at a future employer forum, as well as how the cessation policy would operate. A committee member raised concerns that the introduction of a low risk basis cessation corridor could lead to employers targeting the lower end of the corridor. The actuary agreed to consider this point and to take it away to discuss it with officers.

At the conclusion of debate and discussion, it was,

**Resolved:**

- 1) **The Committee is asked to note the valuation results produced and the approach to releasing and agreeing employer results.**
- 2) **To approve the draft Wiltshire Pension Fund – Funding Strategy Statement 2022, as attached in the Appendix, subject to the period of consultation of employers not resulting in any material changes being deemed required by officers.**
- 3) **Cessation calculation methodology: To approve the revised methodology approach (noting the final details will be brought back to the December Committee), with the new approach to apply from 1 April 2023.**
- 4) **Prepayments and Contribution Review policies: To approve these new policies (to become effective immediately).**

212 **Responsible Investment Update**

Liam Robson, Pension Fund Accounting and Investment Officer, presented the report providing an update on responsible investment issues.

Details were provided on the successful application to sign up to the 2020 Stewardship Code, communication of responsible investment to Fund members, and training and engagement through the Brunel Pensions Partnership.

It was then,

**Resolved:**

**To note the progress made against the Responsible Investment Plan 2022/23.**

213 **Corporate Recharge**

The Chairman introduced a report and recommendation from the Chairman of the Local Pension Board, Mark Spilsbury.

It was noted that questions had been raised in relation to the recharging of services from the local authority for a number of years, and the Board

recommended the Committee request an update from the Chief Financial Officer for the next meeting.

It was then,

**Resolved:**

**To escalate the matter of the corporate recharge to the Chief Financial Officer and Deputy Chief Executive, requesting that a detailed basis for the recharge for support services to the Wiltshire Pension Fund for the 2023/24 financial year be provided as a priority, and the timetable for the production of a Service Level Agreement.**

214 **Taskforce on Climate-related Financial Disclosures (TCFD) Consultation Response**

Liam Robson, Pension Fund Accounting and Investment Officer, presented the report presenting a draft response to the “Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks” consultation.

The Committee discussed the details of the draft response, including the principles of being more climate focused and any associated costs, and the response being appropriately concise.

It was then,

**Resolved:**

**To approve the draft response to the consultation, subject to comments made at the meeting.**

215 **Date of Next Meeting**

The date of the next meeting was confirmed as 14 December 2022. The following meeting would be on 2 March 2023.

216 **Urgent Items**

There were no urgent items.

217 **Exclusion of the Public**

Following discussion of the reason for exclusion, it was,

**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 14 – 16 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.**

218 **Strategic Asset Allocation**

Jennifer Devine, Head of Wiltshire Pension Fund, and Kieran Harkin, Mercer, presented reports on the proposed new strategic asset allocation.

Details were provided on the reasoning for adjusting allocations, with a reduction in core infrastructure allocation and increases in listed equities, multi asset credit, renewable infrastructure and liquid loans. Some of the changes had been approved by the Committee in previous meetings.

The Committee discussed the proposals and sought additional information on financial impacts, modelling data, past and projected investment performance in specific classes. Given the already approved changes, it was stated that the overall proposals did not represent a significant adjustment, and the strategic nature of the allocations was noted.

At the conclusion of debate, it was,

**Resolved:**

- 1) **To approve the new strategic asset allocation.**
- 2) **To approve that officers work to implement the new strategic asset allocation, acknowledging that this may take some time, and that progress will be reported on a quarterly basis.**

*Councillor Christopher Newbury left the meeting at 1250 ahead of the vote on the item.*

*Councillor Pauline Church requested her vote in abstention be recorded.*

219 **Investment Quarterly Progress Update**

Chris Moore, Pension Fund Accounting and Investment Officer, presented the investment quarterly progress report.

Details were provided on the impact from global economic factors, monitoring of performance of Fund managers, appointment of a provider to investigate Brunel fee savings, and other investment matters.

Following discussion, it was,

**Resolved:**

- 1) **To appoint a provider as set out in the report at a cost of £15k to undertake the review of Brunel Fee Savings.**
- 2) **Endorse the approach taken by officers to support Brunel to deliver the private markets portfolios in a sustainable and resilient way.**

220 **Brunel Governance Update**

An update was provided in relation to budget setting for the Brunel Pensions Partnership. The client group would be considering the budget proposal in December 2022.

(Duration of meeting: 10.00 am - 2.05 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

Press enquiries to Communications, direct line (01225) 713114 or email [communications@wiltshire.gov.uk](mailto:communications@wiltshire.gov.uk)

**Wiltshire Pension Fund Committee - Actions Log**

<b>Minute reference</b>	<b>Section</b>	<b>Meeting Action</b>	<b>Task owner</b>	<b>Target date for completion</b>	<b>Date completed</b>
24 (24/06/21)	Procurement (New Payroll System)	Updates on the integrated payroll and payments system project to be brought back to committee	AC	30/06/23	
100 (03/03/22)	Responsible Investment (SDG)	Agreed that the conclusions of the SDG investigative research be placed on hold until after the strategy review	LR	17/11/22	Awaiting minutes
107 (03/03/22)	Investment (Affordable Housing)	Officers & Mercer to work on a final tranche of committing affordable housing portfolio capital. A further updated is then to be provided to the Committee	JD	17/12/22	Awaiting minutes
152 (28/07/22)	Governance (Council Recharge)	A report concerning the Council's recharging arrangements with the Fund would be received by the Committee	CM	14/12/22	
157 (28/07/22)	Accounts (AR&As)	Requested an explanation be included within the Annual Report & Accounts 2021/22 setting out why the report would be published, although the accounts are expected to be unaudited	JD	17/11/22	Awaiting minutes
178 (05/09/22)	Investment (Climate update)	To approve the plans for reporting on climate risk via a single report in early 2023 and receive an update to that effect.	JD	02/03/23	
182 (05/09/22)	Investment (Quarterly Report)	To explore the feasibility of appointing external specialists to undertake a review of the estimated fee savings accrued through the creation of the Brunel Pension Partnership. To make an appointment, if appropriate and report back the findings of the fee savings.	JD	02/03/23	
203 (06/10/22)	Governance (Cyber Security)	The Committee requested that it receive a formal response on cyber security from the Council at the next administration focused meeting	AB	14/12/22	On agenda

203 (06/10/22)	Governance (Cyber Security)	Officers agreed to co-ordinate the receipt of questions from members after the meeting, so that responses could be provided by Aon in time for the Committee meeting in December	RB	14/12/22	On agenda
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**Wiltshire Council**

**Wiltshire Pension Fund Committee**

**14 December 2022**

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**Recommendations of the Local Pension Board 27 October 2022**

<b>Minute at Board</b>	<b>Recommendation</b>	<b>Committee Agenda</b>
Minute 153 – Finance (Corporate Recharge)	To recommend that the Committee raise the Corporate Recharge urgently with the Corporate Director of Resources and Deputy Chief Exec. & re-examine the matter at their 14 December meeting.	Item 11 – Key Financial Controls
Minute 155 – Administration (Data Retention Policy)	To recommend to the Committee that the changes to the Fund's Data Retention Policy are approved	Item 12 – Data Retention Policy
Minute 156 – SWAP Audit	To recommend to the Committee that the SWAP audit actions 2022 are reviewed and completed at their meeting on 14/12/22	Item 7 – Headlines and Monitoring – Internal Audit
Minute 157 – Risk Register Update	To note the Risk Register and to recommend the Committee accept the proposed changes as set out in the HAM Report.	Item 7 – Headlines and Monitoring – Risk Register

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**Wiltshire Council**

**Wiltshire Pension Fund Committee**

**14 December 2022**

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**Summary Comments for the Wiltshire Pension Committee from the Pension Board in relation to reports submitted to the 27 October 2022 meeting of the Board**

**Headlines and Monitoring Report**

**Administration Quarterly Report**

The Board believe that improvements in administration performance, especially in relation to the key performance indicators, are required. In this context, the Board strongly support the development of an improvement plan, which will include the implementation of a new work allocation system with staff productivity targets and monitoring.

One of the factors contributing to current performance levels appears to be staff absences from within the relatively small team which is responsible for the delivery of the majority of the key performance indicator tasks. The Board was assured that this issue was being addressed, and new arrangements will be included within the improvement plan.

The Board hopes to receive this improvement plan at the next meeting in February 2023, and will continue to monitor this area in detail, to ensure that the required improvements are delivered.

**Key Financial Controls Report**

The Board has already raised the concerns regarding the transparency of the corporate recharge to the Pension Fund for support services provided by Wiltshire Council. This issue needs urgently to be concluded for implementation for the 2023/24 recharge.

It is recommended that the Committee should examine this issue again at the meeting on 14<sup>th</sup> December 2022.

**Audit Update**

Following a recommendation from the Board to the Pension Committee, the implementation dates for some of the key actions emanating from the audit report on key controls had been revised to allow for the effective implementation of the changes required.

In response to questions on this issue, the Board was assured that, where outstanding actions were within the control of Fund Officers and not 3<sup>rd</sup> parties, they would all be fully actioned by 31 December 2022.

It is recommended that the Committee monitor these actions at the meeting on 14<sup>th</sup> December 2022.

### Risk Register

The Board supported the proposed recommendations to the Pension Committee, and also recommended that risk PEN011 regarding the expertise of officers be re-examined to see if it could now be reduced from amber to green.

### **Business Plan Update 2022/23**

The Board considered the updates as at the end of September 2022, and confirmed that it was generally content with the progress made.

The Board believes that improvements in administration performance against key performance indicators are required, and will monitor, in detail, the delivery of the actions set out in the high priority Administration related actions at items 3 to 7 in the Business Plan.

### **Responsible Investment Plan**

No concerns were raised by the Board in relation to the reported progress.

### **Data Retention Policy**

Only minor changes are being made to the policy. It is being submitted to the Pension Committee purely because it is a change to a formal policy of the Fund.

### **Cyber Security Update**

The Board noted the assessments given, and the fact that no high risk issues had been identified in relation to each provider. It was also noted that all of the recommendations made had resource implications, and hence may not all be achievable in this on-going high risk area.

One member of the Board felt that the out of hours service should be pursued.

**MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 27 OCTOBER 2022 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.**

**Present:**

Mark Spilsbury (Chairman), Marlene Corbey (Vice-Chairman), Laura Fisher, Asifa Ashraf, Mike Pankiewicz and Juliet Weimar

**Also Present:**

Cllr Richard Britton

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**143 Apologies and Membership**

There were no apologies.

It was confirmed that Full Council had ratified the appointment of Juliet Weimar at its meeting on 18 October 2022.

**144 Minutes and Action Tracking**

The public minutes of the meeting held on 18 August 2022 were presented for consideration. The action log was noted, in particular in relation to the recharging of services from Wiltshire Council.

It was then,

**Resolved:**

**To approve and sign the minutes as a true and correct record.**

**145 Declarations of Interest**

There were no declarations.

**146 Chairman's Announcements**

The Chairman updated the Board on discussions held with the Chairman of the Wiltshire Pension Fund Committee and officers on actions to further strengthen the working relationship between the Board and Committee. This would include the Board Chairman providing a brief comment- summarising the minute where a Board recommendation had also been made.

**147 Public Participation**

There were no questions or statements submitted.

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

The public minutes of the Wiltshire Pension Fund Committee meeting held on 5 September 2022 were received for any comment. The minutes of the meeting of the Committee held on 6 October 2022 were included in Agenda Supplement 1, and would be formally noted at the next meeting, due having been published the day prior to the Board meeting.

It was then,

**Resolved:**

**To note the minutes of the Wiltshire Pension Fund Committee meeting held on 5 September 2022.**

149 **Scheme, Legal, Regulatory and Fund Update**

A written update was received on Scheme, Legal, Regulatory and Fund matters.

Minor changes were included as detailed in the agenda papers, and it was noted that the Department for Work and Pensions, Pension Dashboard project had now been pushed back to September 2024 because of more time being needed to resolve issues for public service pensions arising from the McCloud legal judgement.

**Resolved:**

**To note the update.**

150 **Business Plan 2022-2032**

The Head of Wiltshire Pension Fund, Jennifer Devine, presented an update on the Business Plan. Progress was reported against most items, as detailed in the agenda papers, however an action on implementing integrated payments was now expected to take place during the next financial year due to resolving software issues.

The Board discussed the update, and details were sought on development of an improvement plan in relation to action 3, in respect of achieving key performance indicator targets. It was stated data was being analysed, and a plan was expected to be completed in 2022, to be presented at the next meeting in February 2023.

Details were also sought on the customer service excellence review, and collaboration with partner funds on defining the future direction of the Brunel Pensions Partnership.

**Resolved:**

**To note the updated Business Plan 2022-32.**

151 **Training Update**

The Head of Wiltshire Pension Fund, Jennifer Devine, presented an update on the Business Plan. Progress was reported against most items, as detailed in the agenda papers, however an action on implementing integrated payments was now expected to take place during the next financial year due to resolving software issues.

The Board discussed the update, and details were sought on development of an improvement plan in relation to action 3, in respect of achieving key performance indicator targets. It was stated data was being analysed, and a plan was expected to be completed in 2022, to be presented at the next meeting in February 2023.

Details were also sought on the customer service excellence review, and collaboration with partner funds on defining the future direction of the Brunel Pensions Partnership.

**Resolved:**

**To note the updated Business Plan 2022-32.**

152 **Administration Quarterly Key Performance Indicators and Data Improvement Plan**

The Board received an update from Andy Cunningham, Pension Administration Lead.

The Board discussed the report and update, seeking detail of backlogs of work, outsourcing, and monitoring volumes of remaining tasks. The improvement in high level key performance indicators was noted, but worsening in the percentage for medium priority tasks. It was also confirmed the Board would still receive detailed reports in future as well as more high level presentation of the key data.

It was,

**Resolved:**

**To note the report.**

153 **Key Financial Controls**

Jennifer Devine, Head of Wiltshire Pension Fund, presented a report on Key Financial Controls.

Details were provided the external audit, and further delays to the council's accounts being signed off. It was reported the remaining pensioner payroll reconciliation work was being outsourced, which would reduce the open cases moving forward.

The Board discussed the reports. Dissatisfaction was expressed with a lack of updates from the council regarding reviewing the calculation for charging the Fund for council services. It was noted that the council was beginning its budget setting for the next year, and the Committee should raise the matter urgently with the Corporate Director, Resources at its next meeting.

Further details were sought on the payroll reconciliation, where over or underpayment occurred due to discrepancy between the pension administration system and SAP.

At the conclusion of discussion, it was,

**Resolved:**

**To note the report.**

154 **Responsible Investment Plan**

A report was received from Liam Robson, Pension Fund Accounting and Investments Officer, on updates relating to the Responsible Investment Plan.

The report provided updates on training and engagement, that all actions scheduled for quarters 2 and 3 2022 had or were due to be completed, and gave details of events such as a climate stocktake with Brunel to discuss priorities and for Brunel to update on progress and development of its own climate policy.

The Board discussed the update, asking questions on how Hymans tested strategies to determine the effect of different responses to climate scenarios on the Fund

Details were sought on the Employer Strategic Focus Group, which was a growing group of employers which looked at funding and investment issues as well as engaging on responsible investment.

At the conclusion of discussion, it was,

**Resolved:**

**To note the progress made against the Responsible Investment Plan 2022/23.**

155 **Data Retention Policy**

The Board received an update from Andy Cunningham, Pension Administration Lead on the Data Retention Policy. Changes set out in the report were stated to be mostly minor, with changes including to deletion of membership data dates.

After a short discussion, including noting the allocation of resources to transition to new Sharepoint systems, once higher priority actions had been completed.

It was then,

**Resolved:**

**To endorse the Data Retention Policy.**

156 **Audit Update**

A report was received updating the Board on the progress of 2022/23 audits commissioned by the Wiltshire Pension Fund Committee, and the actions log of SWAP key financial controls audit March 2022.

Details were presented as set out in the report. The Board discussed revised dates for actions 2-7 as set out in appendix 1 of the report and if these would remain on track for the end of December 2022. These actions relating to Contribution & Projects were discussed and officers felt confident that the deadlines could be achieved. With regard to the other actions it was noted that officers also felt confident that those target dates could be achieved too, where these outstanding actions were within the control of Fund officers and not 3<sup>rd</sup> parties. Queries were also raised on reductions in the operational backlog. In this respect officers confirmed that 3<sup>rd</sup> party service providers had now been appointed in respect of both the identified backlog areas. In addition, further discussions would be held with SWAP at part of their 2022/23 key financial controls audit, which would include revisiting the recommendations made during their 2021/22 audit.

Regarding audits and self-assessments commissioned by the Committee for 2022/23, officers confirmed that the following were in current stages of progress:

- a) Pension Payroll Reconciliation
- b) TPR self-assessment
- c) Statutory Returns: &
- d) Brunel Cost Savings

Officers would report to the Committee and the Board on the progress and outcomes of those audits and self-assessments as they arose.

**Resolved:**

**To note the audit update.**

## 157 **Risk Register Update**

A report was received on the risk register and officers proposed changes for consideration by the Wiltshire Pension Fund Committee, and the Board's recommendation regarding those risks.

The Board supported the proposed changes, though sought details of potential risks from unanticipated outcomes from the cost-of-living crisis or geopolitical situation on the Fund. Officers responded to the term "unanticipated outcomes" stating that this largely revolved around changes in human behaviour, where that be scheme members, employer staff or the Fund's own staff. A watching brief would be maintained around such matters like an increase in scheme members opting out of the scheme. The Board also recommended reviewing risk PEN011 regarding expertise of officers, to see if this could be changed from amber to green. Officers agreed to take this recommendation forward to the Committee.

The Board also received a presentation on the development of a newly formulated and formatted risk register, which was designed to be embedded in the Fund's operational practices. This new risk register would enable easier analysis of tasks, but also retain the capability to monitor strategic activities and other matters by appropriate dates and by level of risk.. Operational risks would be funnelled into 20 risk themes to make it easier for Board and Committee members to assess. Noting that the current dynamically driven risk register had grown in size significantly in the last 3 years making it difficult to review.

It was,

### **Resolved:**

**To note the risk register and recommend the changes as set out in the report and as detailed above.**

## 158 **Employer Compliance and Performance**

A report was received on the officer strategy in relation to the monitoring of employer compliance and performance. The terms of reference for the Board included oversight of compliance from employers. A scorecard was being developed which would aim to notify employers on how they fared in relation to compliance and performance requirements. This was to be implemented in 2023.

The Board reviewed the update, seeking details on available monthly data to enable monitoring, improving partnership between the Fund and contributing employers, and any impact on resourcing for the Fund or employers, with as much automation as possible. Queries were raised on where membership data or payments could be incorrect. Officers responded, indicating that whilst it was inevitable that there would be an initial level of resource which would be needed, it was the longer term intention that this regular communication with



employers and in turn the Committee and Board would operate in a low impact way concerning the resource requirements devoted to it.

Officers also agreed to consider the points raised by members concerning the development of this scorecard. In particular;

- a) How its introduced and how scheme employers should respond to it
- b) A clear strategy of who at the employer should receive this information: &
- c) How any correction to the scorecard would be managed, if an employer's compliance changed during a reporting period.

At the conclusion of discussion, it was,

**Resolved:**

**To note the progress made in overseeing employer compliance and performance.**

159 **Urgent Items**

There were no urgent items.

160 **Date of Next Meeting and Forward Work Plan**

The date of the next meeting was confirmed as 1 February 2023.

The updated Forward Work Plan was received. It was stated the audit commissioning arrangements for the 2023/24 scheme year had been moved to the February meeting, as well as updates on a training plan and effectiveness review which were currently in progress.

161 **Exclusion of the Public**

It was,

**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 162-165 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.**

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

The private minutes of the Wiltshire Pension Fund Committee meeting held on 5 September 2022 were received for any comment.

It was then,

**Resolved:**

**To note the minutes of the Wiltshire Pension Fund Committee meeting held on 5 September 2022.**

163 **Cyber Security Update**

The Board received reports from AON on cyber security assessments undertaken in respect of the systems of Wiltshire Council and Heywood Pensions Technologies, as well as details of a presentation they had provided to the Wiltshire Pension Fund Committee.

The Chair presented the reports noting the assessment had been excellent for Heywood's and acceptable for Wiltshire Council. Aon recording a reasonable level of cyber maturity and hygiene. A number of recommendations had been made in respect of Wiltshire Council systems, although these had resource implications. Reassurance had been provided that there were no high-risk areas identified. The council's Director of Resources would be responding formally to the update at the Committee's meeting in December 2022.

The Board discussed the update, noting the importance of being compliant with any Regulator guidance. Questions were raised in relation to available resourcing and response plans on systems concerning an out of hours service. Where required, Fund officers would raise questions with Aon in relation to clarifications around the reports and the Fund's associated compliance.

**Resolved:**

**To note the update.**

**Officers to contact Aon with questions raised by Committee and Board members**

164 **Minutes of the Previous Meeting**

The private minutes of the meeting held on 18 August 2022 were provided for consideration, and it was,

**Resolved:**

**To approve and sign the minutes as a true and correct record.**

165 **Urgent Items**

The Board received and discussed a report from South West Audit Partnerships (SWAP) on the pensioner payroll reconciliation programme.

The Board also received an update from the Head of Wiltshire Pension Fund on actions taken on monitoring staff productivity, and career grading.

(Duration of meeting: 10.00 am - 12.25 pm)

The Officer who has produced these minutes is Kieran Elliott of Democratic Services, direct line 01225 718504, e-mail [kieran.elliott@wiltshire.gov.uk](mailto:kieran.elliott@wiltshire.gov.uk)

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**Wiltshire Council**

**Wiltshire Pension Fund Committee**

**14 December 2022**

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## **Headlines and Monitoring Report**

### **Purpose of the Report**

1. The purpose of this report is to provide the Committee with information in relation to various standard issues, to enable the Committee to fulfil its monitoring role.
  - a) Scheme, Regulatory, Legal and Fund Update
  - b) Key Performance Indicators (KPIs) – Period – 1 September 2022 to 30 November 2022
  - c) Risk Register
  - d) Audit update
    - 1) SWAP Audit review 2022/23
    - 2) Commissioning of the audit strategy 2023/24
  - e) Good Governance Review
  - f) Training update
2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

### **Report from Head of Wiltshire Pension Fund**

3. This section summarises key events across the Pension Fund over the last quarter.
  - a) Investment performance for the quarter to Sep-22 was -1.4%, compared to a benchmark return of +0.5%. The fund value at the end of Sep-22 was just under £3bn. Performance has continued to be challenging over the third quarter of 2022, in large part due to extreme market responses to the controversial “mini-budget” towards the end of September.
  - b) Although much of the “mini-budget” was reversed, gilt yields are still at elevated levels. As the actuarial discount rate for the future liabilities is based on gilt yields, this has meant that the present value of the Fund’s liabilities has fallen by more than the value of the assets has fallen (due to poor investment performance), and the funding level is currently around 127% (based on a roll-forward of the 2019 funding level).
  - c) Work on the Actuarial Valuation is close to completion. Officers are currently in the process of circulating individual results to employers.
  - d) The backlogs project is now running, and we have signed a contract with a provider for the pensioner payroll rec project.
  - e) We have appointed a provider of a new liquidity solution to maximise investment returns in line with the Fund’s strategy, via a liquidity solutions portfolio, called the Strategic Allocation to Liquid Asset-Matching Investments (SALAMI).
  - f) The Pension Awareness Week campaign ran during nearly November, and was hugely successful, with a significant amount of engagement from the members.
  - g) We have been invited to participate in the Pensions Management Institute project “Purposeful Pensions”, and have made a short film for inclusion in the wider project.
  - h) From an operational perspective, a new team structure has now been announced, and we are in the process of mapping people to the new structure. There are more posts in the new structure, so recruitment will begin shortly.

- i) Significant progress has been made against other Business Plan 22/23 actions, covered in full detail elsewhere on this agenda.

### **Scheme, Regulatory and Legal Update (Appendices 1, 1a and 1b)**

4. As mentioned at previous Committee meetings, Aon were commissioned to provide some advice on McCloud and pensions dashboards, to give a summary of what work a standard LGPS fund should have completed to date in order to be prepared. These reports have now been received, and officers have reviewed the reports. Officer summaries of progress against key milestones are included in Appendix 1a (McCloud) and Appendix 1b (Dashboards). Next steps will include reviewing resourcing to deliver against these projects.
5. Other than this, there are no material changes in this area but officers have added minor updates to the appendix.

### **Administration KPIs (Appendix 2)**

6. Overall, the Admin KPI picture is similar to the last quarter. The high priority administration KPIs remain relatively high with refunds in green, retirements and deaths in amber, however this has coincided with a worsening picture for medium priority cases.
7. Officers have introduced a work allocation system (called IWAS), which operates off the back of the standard KPI dashboard produced by our Systems provider, in their new reporting software (Insights). This new system also provides us with useful 'outlook' information on cases already overdue or nearly overdue. Officers can see that the outlook information is improving which indicates the KPIs should improve over the next couple of months across both the high and medium category (other than backlog areas) should this pattern continue. However, there are still technical complications which need to be investigated to ensure the tolerable performance levels are met (i.e. to reach 'green' levels rather than 'amber').

### **Risk Register (Appendices 3, 4 & 5)**

#### *LPB Recommendation – Minute 157*

8. The former risk register has been stood down. An operationally focused design has replaced it, which retains the strategic capability to mitigate non-operational risks. Appendix 3 introduces the new risk register design which was presented to the Board at their meeting on 27 October.
9. Under the new risk register a "Yes" or "No" operationally embedded approach to risk scoring has been implemented. In effect, a "Yes" or "No" monthly, quarterly, or annual review is completed by officers in relation to each activity undertaken, indicating whether it has been completed. These activities carry a risk weighting relative to their wider relationship to all other risks identified by the Fund's management and a warning flag is recorded where an activity has not been fulfilled. The Compliance, Risk & Operational Controls (CROC) Group then review the ratings recorded and determine whether the overall risk rating has been correctly assessed. These moderated ratings then feed into one of the risks submitted to the Local Pension Board and Committee for their consideration.

10. To accompany the CROC Group's assessment, a note will be included in the final column of the new risk register to highlight any additional key factors involved in that risk's assessment.
11. As part of the transition from the former risk register, officers have migrated any heightened risks from that register to the new risk register including the October risk changes recommended by the Board. A complete list of those heightened risks is included in Appendix 4.
12. Appendix 5 illustrates the reviewed risks by the Board at their meeting on 27 October. The recommended changes by the Board have been included within the new risk register and are ready for consideration by the Committee.

#### **Internal Audit update (Appendix 4)**

##### *LPB Recommendation – Minute 156*

13. Audit review 2022/23 – SWAP Audit recommendations:
  - a) Appendix 6 sets out Fund officer progress against the recommendations made by the SWAP auditor in March 2022 in relation to their Key Financial Controls audit:
  - b) As highlighted with the LPB, officers have completed the outstanding actions where they have control over the completion of those actions. Consequently, actions 1,2,4,5 & 9 set out in Appendix 6 have been closed. The key issues relating to actions not closed are set out below:
  - c) Action 3 – Lumpsum payments – Officers are concluding testing prior to implementing the “Immediate Payments” software, which has been delayed due to the rescheduling of the Council's Evolve project. In addition, there is still some embedding of the spot-checking of work arrangements by officers:
  - d) Action 6 – Monitoring – Officers are concluding workflow housekeeping to enable an accurate assessment of outstanding casework. In addition, officers are finalising a new KPI template and installing the new “Paygate” software. The first two points have been subject to resourcing limitations & technical delays with 3<sup>rd</sup> parties and the delay regarding the installing of “Paygate” relates to a licencing matter:
  - e) Action 7 – Projects – The implementation of i-Connect onboarding continues. A monthly review of progress will be drafted and circulated and will enable an escalation process to begin with the Fund's Scheme Employers, where required:
  - f) Action 8 – Operational backlogs – A backlog plan with Hymans is nearing completion. Completion of this plan is subject to the workflow housekeeping item highlighted in Action 6: and
  - g) SWAP is currently preparing their report based on their internal audit for the scheme year 2022/23. As part of that report, they will be reviewing the completion of recommendations made their 2021/22 audit.
14. Audit strategy commissioning 2023/24
  - a) The strategy seeks to cover both the Fund's internal & external audits, giving consideration to the Administering Authority's core auditor appointments, namely, Deloitte, for the completion of the Annual Report & Account's (AR&A) & the South-West Audit Partnership (SWAP) for the completion of internal audits such as the Fund's key financial controls. In addition, it seeks to enable a dynamic audit strategy by which the oversight of new practices and innovations can also be monitored.
  - b) For the Scheme Year 2023/24 the proposed plan of audits recommended are:

<b>Audit</b>	<b>Proposed auditor</b>	<b>Proposed completion date</b>	<b>Comments</b>
<b>Standard Annual Audits – 2023/24</b>			
Annual Report & Accounts	Deloitte	31/07/2023	For sign off and publication by 1 <sup>st</sup> December 2023
Key Financial Controls	SWAP	31/09/2023	Review the Fund's internal controls, including outsourcing progress, McCloud & Dashboard readiness
BPP Cost Transparency	Clearglass	31/03/2023	Considers the costs savings expected from the migration of assets
TPR Effective System of Governance	Self-assessment & SWAP	31/12/2023	Implementation of the requirements of the new Code of Practice.
<b>Audits targeting Fund innovations, progress improvements &amp; new regulations</b>			
Payroll Migration	SWAP	31/03/2024	An audit on the project management and transition arrangements to Oracle and then Altair
Investment governance	Self-assessment	30/09/2023	Holistic review of investment governance arrangements including TCFD

### **Good Governance Review (GGR)**

15. Progress on the Actions log based on the Phase III consultation document (Appendix 7):
- a) The Scheme Advisory Board commissioned Hymans to undertake a review in April 2019 to examine the effectiveness of current LGPS governance models and consider alternatives or enhancements to the existing models
  - b) The final regulations are expected to be published in April 2023
  - c) It should be noted that the focus of the GGR aims to improve governance in the LGPS whilst the Pension Regulator's new Single Code of Practice will seek to improve governance for the whole pensions industry
  - d) The basic features of the review seek to create an outcomes-based approach, clarify roles and responsibilities, and introduce independent governance reviews, encourage training of key officers, enable better signposting and through guidance and create a workplace resourcing strategy: &
  - e) The actions log in Appendix 7 demonstrates the progress the Fund has achieved to date against those objectives.

### **Training update**

16. Please note the following reminders.
- a) It is anticipated that the results of Hymans National Knowledge Assessment will be presented to the Board in February, along with member feedback in relation to the effectiveness review: and
  - b) Members are encouraged to complete the modules provided by Hymans on-line Academy. The service offers up to date guidance on a wide variety of pension fund related subjects.

### **Financial Implications**

17. No direct implications.



## **Legal Implications**

18. There are no known implications from the proposals.

## **Environmental Impacts of the Proposals**

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

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

20. There are no known implications currently.

## **Proposals**

21. The Committee is asked to:

- a) use the information in the report as a basis for monitoring the Fund's core activities
- b) to approve the changes to the Risk Register recommended by officers and the Board:
- c) to approve the commissioning of proposed audits for the scheme year 2023/24.

## **JENNIFER DEVINE**

### **Head of Wiltshire Pension Fund**

Report Authors: Richard Bullen (Fund Governance & Performance Manager), Andy Cunningham (Pension Administration Lead) and Jennifer Devine (Head of Wiltshire Pension Fund)

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

## **Appendices:**

Appendix 1 – Scheme, Legal, Regulatory and Fund updates

Appendix 1a – McCloud update

Appendix 1b – Dashboards update

Appendix 2 – Administration KPIs

Appendix 3 – Full risk register

Appendix 4 – List of migrated risks from the old risk register

Appendix 5 – LPB risk recommendations 27 October meeting

Appendix 6 – SWAP Audit Actions log

Appendix 7 – Good Governance Review actions log

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## Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	<a href="#">Public Sector Exit Payments: a new controls process for high exit payments - GOV.UK (www.gov.uk)</a>  <a href="#">Return of the £95k cap - News   Barnett Waddingham (barnett-waddingham.co.uk)</a>	Updated	<p>After a brief period of 'going live', the Restrictions on Public Sector Exit Payment Regulations were revoked in early 2021</p> <p>On 8 August 2022 HM Treasury published a consultation on Administrative Controls Process for Public Sector Exits, seeking views on a "new administrative control process for public sector exit payments over £95,000". The consultation closed in October 2022 and we are waiting to hear further information. Initially, the changes will not apply to Councils/most LGPS employers may it may be a sign of things to come. The major difference on the revised proposal is that rather than the employee receiving capped benefits (after the employer made a decision), the cap applies to the stage before (i.e. the employer approval). Therefore, if the costs are going to be above £95,000 then the employer needs approval to go ahead. From a pensions perspective, such an approach would quite possibly avoid nearly the issues from the initial implementation approach although it may well still be unwelcome for employers in other respects.</p>	PEN021
DLUHC	McCloud	<b>Please see Appendix 1a for more information</b>	No (material) change since the last meeting	<p>The Fund's software provider continues to release software updates in stages in anticipation of the final remedy legislation being laid before parliament. Primary legislation is currently being finalised but no draft changes to the LGPS Regulations have been released.</p> <p>It is anticipated that the remedy legislation will apply from 1 October 2023, with backdated effecting across the remedy window of 1 April 2014 to 31 March 2022.</p> <p>In preparation of this, as part of i-Connect onboarding, officers continue to update part-time hours histories for active staff. Officers have also requested part-time hour history for all other employers which are not currently on i-Connect. Correcting part-time hours histories remains a Fund priority but is also problematic due to some employers having incomplete records covering the remedy period.</p>	PEN042

Organisation	Subject	Link	Status	Comments	Risk Ref
	Fair Deal Consultation	<a href="https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection">https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection</a>	No change since the last meeting	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. Due to the Parliamentary backlog, further progress may not be seen until 2022 or 2023.	PEN040
	Education Sector reforms & <i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i>	<a href="#">Sixty Second Summary - Education sector in the LGPS - Hymans Robertson</a>  <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf</a>	No change since the last meeting	<b>Education sector reforms:</b> These are outlined in the helpful 'sixty second summary' link to the left. Some of these discussions related to point 5 of the Consultation outlined below. One positive area being considered by Government is the introduction of guarantee to protect Funds against FE Colleges defaults.  <b>Scope:</b> 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. <i>Nothing further has been heard on this. As contribution rates are currently being set for the period 2023-2026, it is likely that any changes would not take place for a number of years.</i> 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. <i>As above.</i> <b>3). Proposals for flexibility on exit payments.</b> <b>4). Proposals for further policy changes to exit credits</b> <i>Legislation has been introduced in relation to 3) &amp; 4) and is embedded in the Fund's cessation policy.</i> 5). Proposals for policy changes to employers required to offer LGPS Membership (allowing further education, sixth form colleges to close entry to new employees) <i>The Fund is unaware of any further developments in this area.</i>	PEN044

Organisation	Subject	Link	Status	Comments	Risk Ref
	Consultation: Taking action on climate risk	<a href="https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations">https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations</a>	Updated	<p>DLUHC have released the consultation, and WPF has responded (as approved by Committee on 17 Nov 22).</p> <p>The Fund is in a good place here as the Committee has already done significant work to address this risk, via modelling, education (both of Committee members and the wider scheme membership), transparent reporting and meaningful actions.</p>	PEN041
The Department of Work and Pensions (DWP)	Pension dashboard project	<a href="https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/">https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/</a>  <b>Please see Appendix 1b for more information</b>	Updated	<p>DWP consulted on draft regulations earlier this year, and the consultation closed on 13 March 2022. A further consultation was issued in June 2022, and this closed on 19 July 2022.</p> <p>The consultation raises some issues due to the different rules that apply in the LGPS in comparison to other schemes. Such as: excluding deferred refunds, issues around missing starter notifications and the value of benefits if the vesting period is not met etc.</p> <p>The public sector staging date has been pushed back by 5 months and is now targeting <b>September 2024</b>.</p> <p>The Fund's software provide, Aquila Heywood, is designated as an 'Integrated Service Provider' and is part of the national working party to help deliver the Pensions Dashboard. The Fund intends to work with Aquila Heywood to provide the data required.</p>	PEN038

Organisation	Subject	Link	Status	Comments	Risk Ref
Financial Reporting Council	Proposed revision to the UK Stewardship Code	<a href="https://www.frc.org.uk/investors/uk-stewardship-code">https://www.frc.org.uk/investors/uk-stewardship-code</a>	Updated	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on <b>24<sup>th</sup> October 2019</b> which sets substantially higher expectations for investor stewardship policy and practice.</p> <p>During April 2022, officers submitted an application to gain signatory status of the new Code, to the FRC, and signatory status was confirmed in September 2022. The Fund will need to make an annual submission to retain signatory status.</p>	
Scheme Advisory Board (SAB)	Goodwin Case		No change since the last meeting	<p>With some similarities to McCloud, another discrimination case affecting public service schemes including the LGPS, this time on the grounds of sexual orientation whereby it has been shown that it is discriminatory for female partners of members who are in a same sex or opposite sex marriage to receive different survivor benefits from one other.</p> <p>Although the funding costs will be small, this will be a further administration and communication burden to address.</p> <p>Little information has still been provided of the impact on the LGPS, but the DfE has started a consultation in relation to the Teacher's Pension Scheme to start the process of altering the scheme rules. It is expected MHCLG will undertake a similar process for the LGPS in due course.</p>	PEN056
	Good Governance Project (formerly known as the Separation Project)	<a href="http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf">http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf</a>	Minor change	<p>Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations.</p> <p>Hymans Robertson and SAB are now moving towards Phase III of the project and a proposal is going to MHCLG to implement the proposals.</p> <p>Implementation is likely in 2023.</p>	PEN039

Organisation	Subject	Link	Status	Comments	Risk Ref
The Pension Regulator (tPR)	Single code of practice		Minor change	<p>tPR have released a consultation concerning its intention to produce a single code of practice covering all pension schemes (rather than over 15 at the moment).</p> <p>Whilst some of the exercise is merely one of administrative consolidation, tPR have also used this as an opportunity to make some changes.</p> <p><a href="#">Implementation is likely in 2023.</a></p>	PEN050
Fund updates	Evolve programme – which involves the Council changing the pensioner payroll system and Fund accounting system			The target system implementation date is 1 April 2023 but officers understand from the project team that the target date is now in doubt and it is possible the new systems will not be implemented until later in 2023.	PEN059
Post Fiscal Event Update				A verbal update will be provided at the meeting due to the dynamic/ever-changing position.	

In December 2018 the Government lost a Court of Appeal case (the 'McCloud/Sargeant' judgement) which found that the transitional protection arrangements put in place when the judges/firefighters' pension schemes were reformed, which applied to all active members who were within 10 years of their Normal Pension Age on 1 April 2012, amounted to illegal age discrimination. The Government's application to the Supreme Court for permission to appeal the Court of Appeal judgement was subsequently denied on 27 June 2019.

Government accepted that any changes would need to apply to all public service schemes with these protections and in July 2020, MHCLG (now DLUHC) consulted on changes to the LGPS in England and Wales. On 13 May 2021 MHCLG confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, principally the extension of the final salary underpin (better of both promise) to all qualifying members in active service on 31 March 2012 with post-2014 career average benefits. The Public Service Pensions and Judicial Offices Act 2022 sets out the framework for scheme regulations and confirmed that the new final salary underpin will apply to membership from 1 April 2014 to 31 March 2022. It also extended the qualification criteria for the LGPS to qualifying members in active service on or before 31 March 2012 (not just in active service on 31 March 2012). A full consultation response from DLUHC is not expected until later this year and final LGPS Regulations are not expected to be come into force until 1 October 2023.

Although there is still some time before the Regulations are expected to be in place, implementing the McCloud judgement is expected to take up significant time and resource at administering authorities due to the need to:

- collect data from employers relating to members active between 1 April 2014 to 31 March 2022 which is required to calculate final salary benefits for that period
- plan for the calculation of the underpin benefits and potential rectification of benefits for members leaving since 1 April 2014 (up to the date the Regulations are in place)
- plan for the necessary updates to the administration system to enable the new underpin to be calculated where required for future benefit calculations
- communicate with stakeholders, including members and employers and including updating all template letters etc
- monitor the progress of the project to ensure regulatory requirements are met

A recent update from Technical Group suggested around 60% of the c50 administering authorities who responded have collected over half of the additional data required to calculate the new underpin and over a third of respondents have loaded that data to the pensions administration system. In addition, 80% have communicated with scheme members and 98% with employers about McCloud; over 60% have recruited or intend to recruit extra resource to help implement McCloud and nearly 15% have outsourced or plan to outsource implementation.

Aon has suggested that the Fund should move forward with its own preparations as soon as possible, and not only collect data when employers are onboarded onto i-connect. They recommend:

- establishing an Implementation Project with strands including a project charter, consideration of risks and mitigation, roles and responsibilities, workstreams required to implement McCloud and their key deliverables and planning for when draft regulations are available
- identifying how much data has already been collected and widening the data collection process to all employers as soon as possible (having regard to the i-connect roll-out programme)



- validating and uploading data to the pensions administration system in respect of the remedy period
- considering what resources/budget will be needed to successfully implement McCloud and how that might be achieved, i.e. in-house or outsourced (bearing in mind that the data collected will need to be validated before uploading onto Altair)

### **Dashboards – more info**

The Pensions Dashboard is a Government initiative first announced in the Budget 2016. The idea behind the Dashboard is to allow all UK pension savers the ability to view all of their pensions, including state pension, via a single platform. DWP first consulted on the proposal in early 2019, asking for views on the potential phased introduction of the pensions dashboards as well as on the architecture, funding and governance arrangements. The Pension Schemes Act 2021 provides the legal framework for implementing the dashboard and a further consultation on regulations closed on 13 March 2022 which clarified that public sector pension schemes are expected to onboard between October 2023 and April 2024. A consultation response is expected before recess (so later this month) although DWP unexpectedly issued a further consultation on 28 June 2022 on (i) the period between dashboards becoming law and the requirement for them to be up and running and (ii) proposals to enable the Money and Pensions Service and Pensions Dashboard Regulator to share information relating to dashboards.

The Pensions Regulator has recently published guidance strongly advising schemes to start preparing as soon as possible, regardless of their connection deadline, noting that they will typically need to work with several organisations to get connected. Wiltshire Council as administering authority is ultimately accountable for ensuring connection, and we will need to work with our suppliers including Heywood to progress the work needed. TPR's guidance highlights the need for scheme managers to set the criteria for matching data and taking any steps necessary to ensure they have sufficient confidence in the accuracy of their data. Our recent decision to outsource our aggregation backlog should support us in our preparation for Dashboards but we need to put in place plans to ensure we will be ready on time. TPR states that it will take action if it sees intentional or reckless non-compliance.

A recent LGA survey suggested around 45% of funds who responded have recruited or intend to recruit extra resource to help implement dashboards; just over half have engaged with an integrated service provider to connect to the dashboard system and nearly 60% have cleansed their data in preparation for pensions dashboards.

Aon has suggested that the Fund should move forward with its own preparations as soon as possible, including specifically considering or confirming:

- Whether there are any procurement implications of connecting via the Heywoods ISP solution (this is potentially a slightly grey area so will need to be properly checked).
- That all key data fields are populated within Altair (such as Date of Birth, National Insurance Number, Address, Employer Name, Date Joined Fund, Date Left Fund).
- Data matching convention – the consultation suggests schemes can select which data items are used to identify members.

- That the timeframe for addressing the backlogs fits with the Dashboard timetable. (if a member whose deferred benefit has not been calculated logs in to the dashboard and MaPS realise there is a benefit pending the Fund will have 10 days to calculate the benefit and notify the member or we could face fines.)
- What resource/budget we may need to ensure we can comply with the requirements. (we will need to check what Heywoods are going to be charging for dashboard activity and ensure this is included in the business plan for 2023/24.)

# McCloud

## Introduction

The LGPS changed from a final salary scheme to a career average re-valued earnings (CARE) scheme on 1 April 2014. From that date, administering authorities were no longer required to collect certain data that used to be needed to calculate benefits built up in a final salary scheme.

The protections introduced for older members of other public service pension schemes when the Schemes were reformed in 2015 were judged to be unlawful on the grounds of age discrimination in 2018. The Government confirmed that they will make changes to all public service pension schemes to remove the discrimination.

Administering authorities will need to re-create notional final salary membership in the remedy period for those members in scope of protection by the new underpin. The remedy period runs from 1 April 2014 to 31 March 2022.

## Project Planning

The Fund have a full project plan scoped out with the project objective and purpose together with a breakdown of the workstreams, milestones, risks, issues, and decisions.

Regular monthly meetings have also been set up to review both the overall status of the project and the individual workstreams ensuring attendance from all parties concerned.

## Workstreams

There are four separate workstreams and this paper intends to summarise the current position of each.

- **DATA COLLECTION**
- **COMMUNICATIONS**
- **BENEFITS RECTIFICATION**
- **ONGOING ADMINISTRATION AND SYSTEMS**

## Data Collection

Financial data needs to be obtained from each employer for all active members that were part of the scheme within the remedy period in order to effectively calculate the new final salary underpin.

### Percentage of full time working

The Fund needs to know the dates of any changes in working hours and the percentage of full time the member started working on that date

AON have identified that only 60% of Funds have collected half of the data required to calculate the underpin.

Current status: **In progress**

#### **Active members**

Stage 1 - Obtaining data

The Fund have contacted all employers to provide this data. 156 employers have provided the data. The data for 134 employers has been uploaded to the pension database.

We are working alongside the employer to obtain the data for 17 employers, and we have escalated the issue with 9 employers who we are struggling to engage with.

#### Stage 2 – Validating data

We are undertaking a full analysis of the data that has been received and uploaded to ensure there are no gaps in the data required. This is ongoing work that will continue throughout the project.

Any data that is missing will require further communication with the employers.

#### Stage 3 – Missing data

The Fund are in regular communication with our local representative on the McCloud Missing Data Scoping Group who are advising on the options available where employers either no longer exist and/or no longer have access to the information required.

#### **Deferred members**

The Fund have provided an estimate of the number of members impacted and will collate this data as part of the [benefits rectification](#).

#### [Unpaid service breaks](#)

The employer must supply the start and end dates of any unpaid service breaks. They must also inform us if the member had chosen to pay extra to buy back the pension 'lost' during an authorised unpaid break.

Current status: **In progress**

This data is being collected alongside the percentage of full time working and being updated concurrently.

#### [FTE pay at age 65](#)

A member's underpin date is their normal pension age under the 2008 scheme, or earlier if they leave before then. This is age 65 for most, but age 60 for a limited number of members. Employers must supply full time equivalent (FTE) salary at age 65 (or 60) for all employees who remain active members after that age.

Current status: **Not started**

No progress to date on historic data. Heywoods are currently implementing additional functionality to i-Connect to capture this data for future members reaching age 65 (or 60, where applicable).

#### [Full time equivalent \(FTE\) salaries at 31 March each year](#)

FTE salaries are required where a member aggregates previous membership that started before 1 April 2012.

Current status: **Complete**

Wiltshire Pension Fund have collected FTE salaries for all members in scope of the underpin as they joined the LGPS before 1 April 2012 and therefore have final salary membership. The FTE salary at 31 March each year was needed to produce an annual benefit statement and calculate a member's annual allowance.

## Communication

The Fund has provided regular high-level updates to members on the McCloud changes in our newsletters and as part of the last two annual benefit statement mailings.

Any further communication providing detail on the changes to regulations and benefits will be a targeted communication to those members impacted.

Business as usual correspondence will be updated when the regulations come into force (1 October 2023).

The Fund are also working with Heywoods to ensure that the Annual Benefit Statements are compliant in terms of the visibility of any potential underpin.

Current status: **In progress**

## Benefits rectification

There will be members who have ceased to be active members of the Fund since 1 April 2014, e.g. deferred, death, retirement, transfer out, aggregation and will require their benefits to be recalculated at the underpin date and/or underpin crystallisation date as the underpin impacts on the amount of benefits that should have been paid and/or put into payment.

There are three steps to this rectification process

- *Identifying members in scope*
- *Calculating and recording the change*
- *Communicating with members*
- *Applying and paying backdated benefits*

Current status: **In progress**

We are currently identifying members in scope and believe that the following are within a specific tolerance that will require further investigation and a potential recalculation of their benefits:

Event Type	Number of members
Deferred	81
Retirement (from active)	96
Retirement (from deferred)	191
Transfer Out	1
Death	2

Aggregation	TBC
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The Fund are considering an appropriate approach to completing these rectification cases. Heywoods are looking at a recalculation function to simplify the work involved but it will still require specialist knowledge of the Fund and benefit structure to be able to review these cases.

## Ongoing administration and systems

The Fund are the South West and Wales representatives for the Joint Pensions Group where the group have been working with Heywoods on engaging and agreeing proposals for McCloud changes.

Heywoods have developed and implemented the remedy for the McCloud judgement ready for these to be switched on from 1 October 2023.

Current status: **In progress**

# Pensions Dashboard

## Introduction

In the 2016 Budget the government committed to a Pensions Dashboard that would enable pension savers to view all their details in one place.

Getting ready to connect to the Pensions Dashboard and ensuring accuracy of the Fund data and calculations could be a significant task.

## What is the Pensions Dashboard?

The Pensions Dashboard is complex and for various reasons does not operate in the way that many would expect.

There is no central database within the Pensions Dashboard that holds personal information supplied by users or schemes. Instead, it acts like a giant switchboard, connecting users with their pension schemes.

The following is a simplified description of how the Dashboard works to help understand the process.

**Step 1:** A member will register on the Pensions Dashboard by providing various information to enable verification.

**Step 2:** The 'Pension Finder Service' will search every connected scheme in the country for a match and send this information back to the Pensions Dashboard. The responses will be one of the following:

- Full Match – member will be approved to view their data
- Partial Match – member will be asked to contact the scheme to establish whether they have a record

**Step 3:** For each Full Match the Pensions Dashboard will request and receive the data from the scheme and display to the member

The draft regulations indicate the staging date for Wiltshire Pension Fund is 30 September 2024. Schemes must connect to the Pensions Dashboard infrastructure during a one-month window leading up to their allocated staging date. The Pensions Regulator will write to schemes 12 months prior to their staging date.

## Project Planning

The Fund have a full project plan scoped out with the project objective and purpose together with a breakdown of the workstreams, milestones, risks, issues, and decisions.

Regular monthly meetings have also been set up to review both the overall status of the project and the individual workstreams ensuring attendance from all parties concerned.

## Workstreams

There are potentially eight separate workstreams and this paper intends to summarise the current position of each.

- **TECHNICAL AND COMPLIANCE BUILD**

- **MEMBER COMMUNICATIONS**
- **MATCHING RULES**
- **FIND AND VALUE DATA READINESS**

## Technical and Compliance Build

The Wiltshire Pension Fund need to ensure that we can connect to Pension Dashboard in line with requirements.

Heywoods are building an Integrated Service Provider (ISP) service to act as an intermediary between Altair and the Pensions Dashboard. This ISP will do all the work with the millions of matching requests that come from the Pension Finder Service matching engine and transferring data to the Dashboard.

Heywoods are heavily involved in the Pensions Dashboard project and have been part of the software providers working group since June 2020. Heywoods were also announced as an alpha provider in the Pensions Dashboards Programme's test phase and are working closely to bring solutions to life.

Current status: **In progress**

## Member Communication

The Pensions Dashboard represents a further step change in the pension schemes engagement with members. As a Fund that has worked hard to develop our digital engagement and digital presence in recent years we feel that the Pensions Dashboard has the potential to be hugely positive.

The Pensions Dashboard will promote the use of online facilities to engage individuals with their retirement planning and while there are no direct links to our self-service portal, this is something we may be able to piggy-back on.

Current status: **Not started**

We need to consider how the Pensions Dashboard will fit into our Communications Strategy and what communications will be needed over the next few years.

## Matching Rules

The Wiltshire Pension Fund will need to determine the matching criteria used when faced with a request from the Pensions Dashboard. This will involve a balance of the requirements to protect member data with the new regulations for Pensions Dashboards that state schemes must make every effort to match a member and provide the data where possible.

### Partial Matches

The Fund also requires setting criteria for Partial Matches, where there are matches but only on some of the criteria. With a Partial Match we are required to provide contact information so that the member can contact us and establish whether the match is genuine or not.



When determining this definition, we need to ensure we are not overwhelmed with partial matches, which then need to be investigated. Experts are estimating 5 million dashboard users a year, so even a tiny percentage of those searches as possible matches could generate additional time and costs for the Fund.

Current status: **In progress**

The matching criteria may be made clear when we look at if we are data ready.

We are also looking at ways to automate this partial matching process to minimise the additional work by re-directing members to MSS or an online resource.

## Find and Value Data Readiness

We are continually looking at data and ensuring it is cleansed particularly as a result of our Common and Conditional Data reporting and our data is generally in a good state. However, the data requirements for the Pensions Dashboard are different.

### Find Data

The 'find data' is the data that is sent to the Pension Finder Service to establish whether the scheme has a record for an individual.

The following are 'find data' categories that we would be able to match on:

- Forename and surname
- Alternative forename and surname
- Date of birth
- National Insurance number
- Address and postcode
- Email address
- Mobile number

Where we may hold data for individuals it is ensuring that it matches third party services, i.e. we hold a record for Mr Lloyd Webber but third party services hold Mr Lloyd-Webber. This would result in a partial match and additional work for the Fund.

Current status: **Not started**

Heywoods are offering a Data Readiness service, which is an end-to-end service to ensure the data is ready for the Pensions Dashboard. The first part of this is a free data accuracy report to validate Fund data against 3<sup>rd</sup> party services to help us determine an optimal method of matching and what work may be required. The Fund are intending to instruct them to run this report in early 2023.

### Value Data

The 'value data' is the data that members will see about their pension when they log onto the Pensions Dashboard. The following information is required:

#### Active members

- Accrued pension and automatic lump sum (estimated pension based on current pay and service to a date within the last 12 months)
- Projected pension and automatic lump sum (estimated pension based on current pay and service to normal retirement age)

#### Deferred members

- Accrued pension and automatic lump sum (pension at leaving the scheme revalued to current date in line with scheme rules)

Current status: **In progress**

The Fund need to analyse that all value data exists and where there are any gaps.

Once gaps have been identified we need to agree action to resolve. Work has already begun with the outsourcing of the aggregation and leaver backlog to Hymans.

# Appendix 2: Admin KPIs

## 1. tPR Data performance measures

Measure	Score	Change since last period
Common Data	98% (at 1 Nov 2022)	-1% since Nov 2021
Conditional (Scheme Specific) Data	96% (at 1 Nov 2022)	+1% since Nov 2021
Annual Benefit Statement production rate	98.7% (at 31 Aug 2022)	-0.8% from 2021
Pension Saving Statements	100%	No measure

**Performance commentary for the year**

The **common and conditional scores** for this year have remained close to last year.

The Fund is already above average and some of the remaining gap to 100% is hard to fill due to factors outside of the Fund’s control.

For the Common Data metric, virtually all the remaining data issues relate to missing postal addresses, where the member has failed to keep us up to date when they have changed address. Furthermore, as the Fund’s main form of communication is now electronic, the member’s postal address is becoming less important and it is more difficult to identify if it is correct.

For the Scheme Specific measure, many of the errors are of a technical nature due to the way the metric is calculated but these require further review.

The **active Annual Benefit Statement** score (98.7%) for this year is slightly short of the target of 99%. Most of failures relate to Swindon Borough Council employees, due to their ongoing administrative difficulties following their change of payroll system early this year. Most of the remaining failures are resolved but officers are still liaising with Swindon Borough Council to clear the last remaining issues.

However, this score is still relatively high compared to 2018-2020, albeit lower than 2021.  
 2021: 99.5%  
 2020: 96.9%  
 2019: 95.0%  
 2018: 93.9%.

All **Pension Saving Statements** were sent on time despite a number of delays with receiving data from certain employers (in particular, Swindon Borough Council). All active members were analysed (c23,000) to see whether they exceeded the annual allowance limit and the final exercise resulted in 90 statutory statements being sent and 36 members being likely to need to pay a tax charge.

***Explanatory – background to the measures above.***

*The Pension Regulator (tPR) helps regulate each LGPS's Fund compliance with various legislation. It has various enforcement powers such as setting improvement plans and fining.*

*In respect of administrative performance, tPR focuses on two types of measures as explained separately below. The Fund is required to submit its scores against these measures each year as part of its Scheme Return.*

*tPR target is for all of these scores is 100% although there is an informal acceptance that scores are likely to often be slightly less.*

***a). Common and Conditional/Scheme Specific data scores***

*Common data scores test the Fund's data quality (existence and accuracy of data) against various data measures it expects all Pension Funds to hold (e.g. name, address etc). Conditional/Scheme Specific data scores are those data types which are needed for the administration of that specific scheme. For the LGPS, the Scheme Advisory Board (SAB) has determined the relevant data items.*

*Note: It was somewhat onerous and costly to do this analysis so at present the Fund only revisits these scores annually, normally in August-October, in order to complete its annual return to the tPR.*

***b). Active Annual Benefit Statement (ABS) production***

*The Fund is required under the LGPS Regulations to produce active ABSs by the 31 August of each year (related to the member's pension as at 31 March of that same year). The Fund currently uploads all ABSs to the MSS member portal (My Wiltshire Pension). It only sends out paper statements to members who have opted in to receiving paper statements.*

***c). Pension Saving Statements***

*The Fund is required to send pension saving statements (relating to annual allowance tax charges) to all affected members by the 6 October each year.*

## 2. Internally set targets (Fund)

The Fund's internally set administration targets are set to help met the goals of the Fund's business plan. The Fund also must meet certain disclosure targets but these will now only be monitored on an exceptions basis (i.e. if we are failing).

### a). Administration payment processing scores (higher priority administrative tasks)

The following table shows the Fund's process times against the timeframes set out in the administration strategy. It covers the high priority tasks, processing data on lower priority administrative tasks (such as deferrals and aggregations) will be shared at a later date. The tasks which are deemed as higher priority are the ones which relate to making a payment to the member (or a beneficiary). Members are now able to instantly access benefits estimates and therefore there is no longer a disclosed target related to this.

**Table 1: Performance over October-November 2022**

Performance over the period 1 October to 30 November 2022

Priority Category	Process	SLA (Working days)	Tolerable Performance	Cases Open at Start	Cases received	Cases processed	Cases open at end	Case Change	Completed on target	KPI change
High	Deaths	5/10/20 days	95%	340	223	157	406	▲	62%	▼
High	Retirements	10/20 days	95%	500	524	473	551	▲	77%	▼
High	Refunds	10 days	95%	1	126	104	23	▲	99%	▶
Medium	Transfers Out	10/20 days	90%	205	221	190	236	▲	22%	▼
Medium	Transfers In	10/15/20 days	90%	27	27	21	33	▲	19%	▼
Medium	Aggregations	23 days - 1 year	90%	3461	602	519	3544	▲	81%	▲
Medium	Leavers	23 days - 46 days	90%	3608	1740	1791	3557	▼	33%	▼
Medium	Divorce	20 - 25 days	90%	11	37	30	18	▲	53%	▼

**Table 2: Monthly breakdown of completion on target percentage**

Priority Category	Process	SLA (Working days)	Tolerable Performance	October	November
				Completed on target	Completed on target
High	Deaths	5/10/20 days	95%	51%	71%
High	Retirements	10/20 days	95%	73%	80%
High	Refunds	10 days	95%	100%	99%
Medium	Transfers Out	10/20 days	90%	34%	16%
Medium	Transfers In	10/15/20 days	90%	17%	20%
Medium	Divorce	20 - 25 days	90%	75%	45%
Medium	Aggregations (BACKLOG)	23 days - 1 year	90%	83%	79%
Medium	Leavers (BACKLOG)	23 days - 46 days	90%	25%	46%

**Table 3: 'Ready to go' aging analysis (as at 31 August)**

Priority level	Age analysis (working days) - 'ready to go' cases. How long since received?						Total
	1-5.	5-10.	10-15.	15-20	21-40	2+ months	
High	99	58	32	13	5	21	228
Medium	118	105	189	144	1047	5058	6661

**Table 4: 'In office' tasks within 6 days off the target date (excluding backlog areas) as at 30 November 2022**

	High priority	Medium priority	Total
In office tasks	35 (-33)	73 (-58)	108 (-91)

The comparison date is to 14 October 2022.

**Commentary:**

The introduction of a new Work Allocation System (IWAS) is gradually having the impact of improving high priority task KPIs but initially worsening the medium priority cases (after an initial dip when older cases were resolved). Therefore, to ensure that the Fund is scoring highly on all tasks, officers are putting a plan in place to improve efficiency and consider whether additional resource is required.

The key indicator of likely, future KPI performance is the volumes of tasks in table 4.

**Table 4:** This table acts as an 'early indicator' to show whether the processing teams (in the non-backlog areas) are sufficiently up to date with processing work. The goal is for the numbers to be zero, or close to zero, to ensure that work is picked up with sufficient time available to complete it with the target time.

Since monitoring of this metric began, the figures have typically remained between 200 and 250, but in recent weeks there has been a steady decrease.

**Table 1 & 2:** All high priority cases are remaining between 71%-99% although two of them are below threshold. Some of the failures were linked to key staff absences which have now been resolved. Furthermore, other failures are due to work initially leaving the office over target and therefore it is still a failure if processing quickly on its return. There are also some technical issues causing 'false failures' and some expected failures due to complex cases.

The lower percentage scores for medium priority tasks are due to the figures remaining high in table 4. The numbers in table 4 need to reduce for the medium priority KPI scores to improve.

The leaver and aggregation scores are reliant on bringing case numbers down first and therefore the existing KPI target scores are likely to worsen while older cases are cleared.

**b). i-Connect onboarding progress (31 August 2022) – (Not updated to provide more recent figures due to staff absences)**

The following table shows the progress in onboarding employers on to i-Connect. The long-term target is now to onboard all employers on to i-Connect as soon as possible.

	Number onboarded	Number left to onboard	Completion rate
Active members	13816 (-300)	c9,000 (total =c 23,000)	61.6%
Employers	133 (-1)	47 (total = 180)	73.9% (+0.3%)

The comparison figure is to 17 July 2022.

Outstanding employers updates (major employers):

\*Swindon Borough Council (SBC) and FS4S (a payroll provider), Wiltshire Police and New College (which collectively cover over 90% of remaining active membership not already onboarded). In all cases, their onboarding has been complicated by changes they have made to their payroll system.

Officers are supporting each of these organisations but will also be escalating matters to more senior staff should good progress not be made soon.

**c). MSS (My Wiltshire Pension) take up**

RECORDS	
ACTIVE	1 December 2022
Registered	11,038*
Total	22,074*
Percentage	<b>50.0%*</b>
DEFERRED	
Registered	13,060*
Total	30,588*
Percentage	<b>42.7%*</b>
TOTAL	
Registered	24,098*
Total	52,662*
Percentage	<b>45.8%*</b>

*\*Excludes members with password resets or disabled account.*



## 4. Internal targets - Employers

**(Not updated to provide more recent figures due to staff absences)**

**a). i-Connect submission performance**

**Note:** Newly onboarded employers are not included with the performance statistics as typically more support is needed in the initial months and therefore the normal deadlines do not apply.

**Timeliness measure of submissions**

All employers onboarded on to i-Connect are required to submit their return by the 19<sup>th</sup> of the month following the month the data relates to.

Month		Jun 2022			Jul 2022			Aug 2022		
		On-time	Late	% on time	On-time	Late	% on time	On-time	Late	% on time
i-Connect Submissions	Large (250>)	6	0	100%	6	1	86%	6	0	100%
	Medium (50-250)	24	1	96%	26	1	96%	24	2	92%
	Small (10-50)	31	0	100%	31	0	100%	31	1	97%
	X Small (<10)	50	0	100%	56	2	97%	50	1	98%
<b>Total</b>		<b>111</b>	<b>1</b>	<b>99%</b>	<b>119</b>	<b>4</b>	<b>97%</b>	<b>111</b>	<b>4</b>	<b>97%</b>

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## Risk Register - Appendix 4

Cross referencing of the old risk register to the new risk register				
Old Ref	Old Description	Old rating	Migration comment	New Risk Section
PEN062	Failure to consider the implications on the Fund of the Cost of Living crisis and the geopolitical energy situation.	Medium	Last reviewed LPB 27/10/22. Proposed status: New Amber risk Reason: Concern over potential outcomes, namely member, staff and employer behaviours. Plus investment returns, power cuts & continuity of service.	Projects
PEN042	Significant retrospective legislation changes related to the McCloud case	High	Last reviewed: LPB 27/10/22. Proposed status: To remain Red until facts known Reason: Final guidance due October 2023.	Compliance with Regulations
PEN060	Failure to complete the review into potential conflicts of interest between the Fund and its Administering Authority	Medium	Last reviewed: WPFC 05/04/22. Reason: Concern that the corporate recharge for the 2023-24 financial year won't be implemented in time	Financial Management
PEN059	Service disruption is created during the implementation of the Council's Evolve Programme - Pension Payroll software	Medium	Last reviewed: WPFC 30/09/21. Reason: ) A potential lack of co-ordination between the Evolve & Altair payroll project management timetables	Systems Management
PEN041	The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy	Medium	Last reviewed: WPFC 16/12/21. Reason: Significant progress has been made concerning the Fund's policies, disclosures and strategy, although work is ongoing.	Climate Risk
PEN037	Failure to implement a strategy to address the administration backlogs	Medium	Last reviewed: LPB 27/10/22. Proposed status: From Red to Amber Reason: Implementation of backlog strategy, appointment & of TPA to clear backlog. Improvement plan expected shortly.	Projects
PEN034	Failure to implement Lean process review	Medium	Last reviewed: LPB 05/05/22. Reason: As at April 2022, work continues to be ongoing. It has taken longer than expected due to considerable change management.	Projects
PEN022	The rectification of records with both GMP and non GMP issues is time-consuming, costly & causes reputational damage.	High	Last reviewed: LPB 27/10/22. Proposed status: To remain Red Reason: To review status when outsourcing to Aon takes place.	Projects
PEN018	Failure to set in place appropriate Cyber Security measures	Medium	Last reviewed: LPB 27/10/22. Proposed status: From Red to Amber Reason: Aon report gave assurance that WC had reasonable level of cyber & hygiene maturity .	Systems Management
PEN055	Failure of the Brunel Pension Partnership to properly address shareholders concerns via the governance review	Medium	Last reviewed: WPFC 30/09/21. Reason: Governance arrangements by which BPP will operate have been set out in a terms of reference. Wiltshire along with all the shareholders are satisfied with the breadth and depth of the resulting changes	Investment
PEN054	Failure to maintain an investment portfolio, private markets, or multi asset credit arrangements, as required	Medium	Last reviewed: LPB 27/10/22. Proposed status: From Green to Amber Reason: Departure from BPP Private Equity team has left Brunel without cover, for a second time in Private Markets.	Investment
PEN048	The transition to pooling of LGPS assets with BPP fails to deliver the projected savings	High	Last reviewed: LPB 27/10/22. Proposed status: To remain Red Reason: To review status when further 2022 audit is completed.	Investment
PEN030	Failure to procure & contract manage service providers appropriately	Medium	Last reviewed: WPFC 28/07/22. Reason: A likelihood that this risk is not being appropriately rated, when considering against the potential failure of oversight of services provided by the AA.	Fund Governance
PEN026	A lack of effectiveness of Committee meeting due to the impact of MiFID II Regulations	Medium	Last reviewed: WPFC 30/09/21. Reason: Changes to the Committee and the consequential loss of knowledge have increased the risk of the Committee's effectiveness	Compliance with Regulations
PEN025	Further academisation of Schools, the possibility of MAT breakups and cross fund movements.	Medium	Last reviewed: WPFC 06/10/22. Reason: If schools were to convert then the number of employers in the Fund could jump significantly	Employer Management
PEN023	Further resources of officers and Members to meet the expansion of business items	Medium	Last reviewed: WPFC 06/10/22. Reason: Difficult for officers to thoroughly consider issues and to deliver concise agenda papers for the benefit of members, who want smaller meeting packs	Resourcing
PEN017a	A lack of knowledge and expertise on the Pension Fund Committee	Medium	Last reviewed: LPB 05/05/22. Reason: Results of Hymans 2021 external knowledge assessment presented. To review on receipt of 2022 assessment.	Fund Governance
PEN017b	A lack of Committee Member compliance with all regulations	Medium	Last reviewed: LPB 05/05/22. Reason: Results of Hymans 2021 external knowledge assessment presented. To review on receipt of 2022 assessment.	Fund Governance
PEN012	Over-reliance on key officers	Medium	Last reviewed: WPFC 28/07/22. Reason: A likelihood that there may be gaps in officer expertise, placing an over-reliance on certain officers to cover for colleagues	Resourcing
PEN010	Failure to keep pension records up-to-date and accurate	Medium	Last reviewed: u/k but not since at least Sept. 2017. Reason: Team constantly working to improve data quality & data validation checks.	Performance
PEN009	Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018)	Medium	Last reviewed: WPFC 28/07/22. Reason: Increased to reflect progress concerning the execution of the Fund's data retention and system access practices	Compliance with Regulations
PEN005	Loss of funds through fraud or misappropriation	Medium	Last reviewed: LPB 05/05/22. Reason: Internal Audit regularly test that appropriate controls are in place and working	Fund Governance
PEN002	Failure to collect and account for contributions from employers and employees on time	Medium	Last reviewed: WPFC 17/12/20. Reason: 2020 SWAP internal audit report highlighted this as a Priority 2 risk	Financial Management

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## Appendix 5

### WILTSHIRE PENSION FUND RISK REGISTER

#### Local Pension Board risk recommendations – 27 October 2022 meeting

1. The evidence-based review of the register identified the following risks had changed or need to be recategorized.
  - **PEN011: Lack of expertise of Pension Fund Officers and Service Director, Finance** (Amber to Green) The Board determined at their meeting on 27 October that officer expertise had improved. *(New Risk Register Ref: Resourcing ST107)*
  - **PEN018: Failure to set in place appropriate Cyber Security measures:** (Red to Amber) Following the presentation by Aon Consulting at the Committee meeting in October, several recommendations concerning Wiltshire Council's cyber security arrangements were made. It was noted that the Council had a reasonable level of cyber & hygiene maturity and consequently it is recommended that this risk rating is reduced. It was felt that Committee members were reassured, noting that a further response would be received from Wiltshire Council ICT Department at their meeting in December. *(New Risk Register Ref: Systems Management SY109)*
  - **PEN037: Failure to implement a strategy to address the administration backlogs:** (From Red to Amber) Good progress has been made against the findings of the SWAP audit report published in March 2022. Implementation of the administration backlog strategy in line with the Fund's business plan has taken place with the appointment of 3<sup>rd</sup> party service provider. Monitoring the clearing of the backlog over the next 12 months can now take place, accompanied by the introduction of an improvement plan by officers. *(New Risk Register Ref: Projects PJ104)*
  - **PEN054: Failure of Brunel to maintain an effective operating model for Private Market Investment Portfolio's:** (From Green to Amber) A recent departure from the Private Equity team has left Brunel without cover, for a second time in Private Markets. Officers will monitor BPP in relation to any appointments, as well as how they manage this team. *(New Risk Register Ref: Investment IV102)*
2. Risks remaining "red", high risk:
  - **PEN022: Rectification of records with GMP and non GMP issues – Time-consuming, costly & may causes reputational damage:** (Red) Potentially incorrect liabilities being paid by the Fund because of GMP and other pension component values missing, incorrectly recorded, or incorrectly valued. Consequently, progress with the Pensioner Payroll Database reconciliation project may impact on the Fund's liabilities and its reputation. It is anticipated that the recent outsourcing of this work may reduce this risk moving forward. *(New Risk Register Ref: Projects PJ103)*
  - **PEN042: Significant retrospective legislation changes related to the McCloud case:** (Red) Following the release of the Government's consultation document in July 2020 analysis of the Scheme's members who may be affected was undertaken. Indications suggest that potentially c27k members may be affected, as well as increasing the work on several supplementary administrative tasks. The impact actuarially speaking is likely to be minimal. Final regulation is expected by October 2023 and officers have put in place a project plan to gather the data required to fulfil the regulations. Members requested that it be kept as a red risk until the administrative impact is completely clear. *(New Risk Register Ref: Compliance with Legislation PJ101)*
  - **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** (Red) Progress and updates should continue to be regularly reported to Committee. An independent audit was conducted in 2021 and has been presented to the Board & Committee for consideration. A further audit has been commissioned for 2022. *(New Risk Register Ref: Investment IV102)*
3. It is recommended that the following risk is moved from the risk register.
  - **PEN044: Change to valuation cycle:** (Green) This is based on the evidence that no activity has occurred on this subject since DLUHC's consultation document in May 2019. *(New Risk Register Ref: Strategic ST105)*

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## Appendix 6:

**Table 1 – Key Controls Report March 2022 - Progress against outstanding internal audit recommendations:**

No	Priority score	Issue	Recommendation	Agreed management action	Agreed management timescale	Est. Progress	Progress at 19 October 2022
1	2	New Enrolments	<p>1 new joiner spreadsheet received from an employer outside of i-Connect had not been saved in the SharePoint repository. Another 2 were entered into the Altair system after the expected SLA deadline.</p> <p>12 new joiner enrolments were sent activation keys and new joiner letters after the expected SLA deadline</p> <p>Reconciliations should be signed off by the Employer Services and Systems Manager</p> <p>Reconciliations could be time-consuming, taking up to 2 weeks to complete</p>	<p>We will remind staff to ensure new joiner spreadsheets are saved in the SharePoint repository.</p> <p>We will monitor the timeliness of the distribution of new joiner letters and activation keys and take further action if this is not improved.</p> <p>We will ensure reconciliations are appropriately signed off. We will also review the reconciliation process itself to see if efficiency improvements can be made.</p>	31 May 2022 Revised 31 Mar 2023	<b>100% COMPLETED</b>	<p><b>Spreadsheet storage</b></p> <ol style="list-style-type: none"> <li>1) All staff have been reminded to consistently save spreadsheets in the appropriate place.</li> <li>2) The new pensioner reconciliation process is now being signed off, as recommended, by the Employer Services and Systems Manager.</li> <li>3) The possibility of evidencing the consistent saving of spreadsheets &amp; sign-off via an exceptions report was considered as not viable. Note: It is anticipated that this process will be superseded with the full introduction of i-Connect, but in the interim Managers will make periodic checks.</li> </ol> <p><b>New Joiner process</b></p> <ol style="list-style-type: none"> <li>4) The starter process has been updated.</li> <li>5) Evidence of completion of the new joiner process was provided via the CIPFA KPI table and submitted to Board/Committee. Managers will now monitor compliance and report to the Board/Committee on an exception's basis.</li> <li>6) Although a new report is being designed, it was noted that evidence of new starter disclosures were already in place under the CIPFA reporting template.</li> </ol> <p><b>Pensioner reconciliation</b></p> <ol style="list-style-type: none"> <li>7) The new pensioner reconciliation process has been altered to speed it up and now takes 1-2 days. This process will not be necessary once an integrated payroll system is in place, so no further action is planned.</li> <li>8) A reconciliation with control totals is in place. Part of this process is for the Admin Lead to sign off monthly reports. The Admin Lead is working with Accounts to ensure this occurs. The creation of workflows will track this work.</li> </ol>

2	2	Contributions	<p>Finalise the process which states the contribution rates each employer should pay and develop a mechanism to ensure the correct rates are recorded and controlled going forward</p> <p>No clear ownership within the Fund for resolving contributions issues</p>	<p>We will ensure the employer contribution rates schedule is finalised and procedures are put in place to make sure it is well controlled going forward.</p> <p>We will discuss roles and responsibilities with the team to ensure there is clear ownership with raising and resolving issues.</p>	31 May 2022 Revised 31 Dec 2022	<b>100% COMPLETED</b>	<p><b>Employer contribution rates</b></p> <p>1) A mechanism is in place to ensure the correct contribution rates are shared amongst all relevant team members. The procedural mechanism is in the form of a meeting minute template along with an agreed accurate schedule in conjunction with Actuarial updates. New employers will be added to the bottom of this schedule.</p> <p><b>Resolving issues</b></p> <p>2) A process for resolving issues has been agreed as part of the review of the Administration Strategy. The appendix covering the escalation policy, clearly sets out the roles and responsibilities of each party.</p>
3	2	Lumpsum Payments	<p><b><u>Death Payments:</u></b> Supporting information letters &amp; final payment authorisations issued after the SLA deadline A death grant decision form not on file &amp; 1 payment sign off processed by the same person involved in the calculation</p> <p><b><u>Transfers Out:</u></b> Letters of calculation were generated after the SLA deadline &amp; letters of calculation were not peer reviewed</p> <p><b><u>Retirements:</u></b> Members were contacted after the SLA deadline &amp; payments were not followed up in a timely manner when documents had not been received from the member. In addition, payments were authorised by the same person involved in producing</p>	<p>We will monitor the timeliness of processing lumpsum payments and take further action if this is not improved.</p> <p>We will remind staff of the importance of saving necessary documentation to support transactions on members files.</p> <p>We will review the payments approval process and structure to ensure payments are always approved independently by someone who has not been involved in calculating the payment.</p> <p>We will investigate the bug in the My Wiltshire Portal which is preventing members from submitting documents and ensure any forms received from members via email are signed.</p>	31 October 2022	<b>90%</b>	<p><b>Saving documentation</b></p> <p>1) All staff have been reminded to save all required supporting documentation. Staff will be monitored to ensure adherence to the requirement.</p> <p><b>Timeliness</b></p> <p>2) SLA/KPI deadlines has been identified in the Business Plan and various actions are underway to make improvements. Weekly KPI reporting has been introduced.</p> <p><b>Independent payment approval</b></p> <p>3) We have reviewed the approval process and advised staff to not peer review and authorise the same case. Key policies have also been signed-off to support this approach. Note: It is recognised that the introduction of the immediate payments' module probably in January 2023 will resolve any monitoring constraints.</p> <p>4) A new workflow has been created to monitor the spot checking of work, including the possibility of a RAG report to highlight the quality of peer review. Spot check arrangement have been enhanced; however further monitoring is required.</p> <p><b>My Wiltshire Pension</b></p> <p>5) The issue with the My Wiltshire Pension portal has been resolved. Further improvements are planned over the next few months.</p>



			<p>the actual calculation or peer reviewing it.</p> <p>My Wiltshire Portal - Form filled out and returned to the Fund via email, unsigned, however the payment was still processed.</p> <p>Plus, bank details will soon be auto populated to the Altair database, but this is not yet in place. It isn't clear what date should be used for retirement calculations, the retirement date, or the date payable.</p>	<p>We will advise staff which date should be used when processing retirement payments and update process notes accordingly</p>			
4	2	Transfers into the Fund	<p>Money received from members previous funds is recorded in the SAP system on the general ledger as an asset, but the corresponding liability is not always recorded on the members file in the Fund's Altair system. This can result in a false representation of assets and liabilities in the Fund's accounts.</p>	<p>We will carry out a reconciliation to identify transfers in that have been processed in the SAP system but not in Altair. We will ensure Altair is updated with any missing liabilities and embed the new process to monitor transfers in are accurately processed going forward.</p>	<p>31 May 2022 Revised 31 Dec 2022</p>	<p><b>100% COMPLETED</b></p>	<p><b>Transfer-in allocations to Altair</b></p> <ol style="list-style-type: none"> <li>1) Quarterly financial reconciliations are carried out and reported to the Local Pension Board and Committee. (At the end of Sept '22 outstanding TV-in allocations fell to c£1.2m from about £5m)</li> <li>2) A new process has been developed and implemented by team members.</li> <li>3) Workflows exist to track the completion of the administration. Monitoring of the work indicates that it has returned to a BAU situation, and that the process has been fully embedded.</li> </ol>
5	2	Amendments	<p><b><u>Name change</u></b> Name changes did not have a marriage certificate saved on the file to evidence the name change.</p> <p><b><u>Nomination change</u></b> Nomination changes were processed after the expected SLA deadline.</p> <p><b><u>Address change</u></b> Address changes were processed after the expected SLA deadline.</p>	<p>We will remind staff of the importance of saving evidence to support any changes made in Altair.</p> <p>We will monitor the timeliness of processing amendments and take further action if this is not improved.</p>	<p>31 October 2022</p>	<p><b>100% COMPLETED</b></p>	<p><b>Saving documentation</b></p> <ol style="list-style-type: none"> <li>1) All staff have been reminded to save all required supporting documentation. Managers will make periodic checks, to ensure evidence of changes are being properly saved. Discussed with the Member Services Manager.</li> </ol> <p><b>Timeliness</b></p> <ol style="list-style-type: none"> <li>2) Staff deployed to high priority casework. As this is classed as low priority casework which Members can complete themselves through a 'self-serve' arrangement adherence to SLA timeframes are currently less stringent.</li> <li>3) A review of the Administration Strategy has been undertaken to reflect the Members 'self-serve' arrangement.</li> </ol>

			Target notifications occasionally not saved on the members file as evidence.				4) Spot checking of process completion is underway and will be taken forward under Action 3, above.
6	1	Monitoring	<p>Workflow backlog tasks go back to 2013, see further details under finding H below. The Fund was unable to quantify how much work was in the backlog or clarify if the status of tasks was correct. This makes managing deadlines difficult and prevents the Fund from producing forward looking KPIs.</p> <p>A monthly performance dashboard needs to be finalised and updates should be reported to the Pensions Committee. A one-off payments module should be purchased so BACs payment runs can be directly produced out of the Altair system. In our previous reports we have raised actions to carry out a full reconciliation between Altair and SAP, this has not been done.</p> <p>No quality assurance over the Fund's processing is conducted by management to ensure work is carried out correctly.</p> <p>The Fund maintains its own operating budget. Some services are provided by the Council and then recharged to the fund. However, the Fund</p>	<p>We will review the process of distributing tasks to team members and ensure there is a robust process to monitor SLAs and team capacity / backlog. KPIs will be reported to the Pensions Committee regularly.</p> <p>We will finalise the monthly performance dashboard and report updates to the Pensions Committee regularly.</p> <p>We will carry out a full reconciliation between Altair and SAP and ensure this is done on a regular basis.</p> <p>We will consider if the one-off payments module in Altair should be purchased.</p> <p>We will review and embed the formal quality assurance process to help ensure work is carried out by the team correctly.</p> <p>We will liaise with the Council to obtain underlying data to support the amounts recharged to the Fund by the Council yearly.</p>	31 July 2022 Revised 31 Dec 2022	80%	<p><b>Work monitoring &amp; distribution</b></p> <ol style="list-style-type: none"> <li>1) Altair's new Insights reporting tool will be used to monitor work (Termed the Surrey Report). With work allocation managed via an auto-allocation tool and relevant line managers who will spot check work &amp; prioritise, based on the Insights reporting. Weekly reviews will take place to focus on SLAs however, the process is expected to take time to bed in.</li> <li>2) Officers have embedded the new IWAS process designed to link Insights report results with workflows. This prioritises casework.</li> <li>3) Necessary "house-keeping" is still taking place. Quantification of the amount of outstanding housekeeping is required, particularly incorrect workflows.</li> <li>4) Insights (the Surrey Report) will act as the basis of a dashboard and be reported to Committee/Staff on a regular basis.</li> </ol> <p><b>Payment's module</b></p> <ol style="list-style-type: none"> <li>5) A one-off payments module has been purchased. Officers are waiting for Heywood's to implement system. Access to Paygate is still required, with IT needing to complete the licencing requirements.</li> </ol> <p><b>Altair/SAP Reconciliations</b></p> <ol style="list-style-type: none"> <li>6) A full reconciliation has been completed; Whilst variances continue between the databases the reconciliation process is largely stable, with a formal sign off process taking place.</li> </ol> <p><b>Council recharge and SLAs</b></p> <ol style="list-style-type: none"> <li>7) The Council has provided an initial proposal to determine the level of the recharge and associated service. The fee suggested is c£600k. Progress on this work is reported quarterly to the Local Pension Board and Committee.</li> <li>8) Although discussion is ongoing concerning the service for the fee, it is felt that Pension Fund officers can take no further action.</li> </ol>

			does not receive underlying data from the Council to substantiate the amounts recharged.				
7	2	Projects	<p>There is not a formal project plan, issues or risk log for the i-Connect Enrolments project and further work could be done to proactively bring the project to a close</p> <p>The Pensions Payroll Reconciliation project Gantt chart does not include task statuses, so project slippages are unclear. Meeting actions are not formally captured, and progress reports not produced or communicated to the Pensions Committee</p>	<p>We will review the project methodology used to manage the Funds projects and implement changes to help improve oversight and efficiency.</p> <p>We will consider ways to proactively progress the i-Connect project, for example employer site visits.</p>	31 July 2022 Revised 31 Dec 2022	90%	<p><b>Project methodology</b></p> <ol style="list-style-type: none"> <li>1) Officers have reviewed the way these projects are managed and made several minor alterations.</li> </ol> <p><b>i-Connect onboarding</b></p> <ol style="list-style-type: none"> <li>2) i-Connect continues to be proactively managed to maximise onboarding, including escalating matters with employers. This goal also forms part of the Business Plan.</li> <li>3) Officers have reviewed the remaining employers who have not onboard by year-end (Mar-22) and have determined a tailored approach for each employer. This is also being dealt with through the revised Administration Strategy.</li> <li>4) A project plan to complete i-Connect onboarding has been developed and is actively being managed. Constraints concerning the completion remain with the employers themselves, however Fund officers propose to actively manage employers in overcoming any constraints. To evidence each employer's satiation a monthly update will be provided by the Project Lead. Escalations can then be considered, including charging for the additional administration.</li> </ol>
8	1	Operational Backlog	<p><b>Aggregations</b></p> <p>The Fund has accumulated processing backlogs for aggregations, clearing it remains an ongoing issue. Updates are reported to the Committee but an improvement plan to help clear the back log has not been drafted</p> <p><b>Frozen refunds</b></p> <p>If a member leaves the scheme in the vesting period they can be entitled to a refund of their contributions.</p>	<p>We will review the backlog of aggregations, frozen refunds and retired members and take necessary steps to ensure this is progressed where possible.</p> <p>We will develop controls to monitor backlog in these areas going forward and report updates to the Pensions Committee regularly.</p>	31 May 2022 Revised 31 Mar 2023	80%	<p><b>Aggregations</b></p> <ol style="list-style-type: none"> <li>1) It was agreed to outsource this work as part of the Business Plan. An appointment has been made and officers are confirming the exact cases to be outsourced. A plan for the backlog work including progress meetings etc is also being set in place.</li> </ol> <p><b>Frozen Refunds</b></p> <ol style="list-style-type: none"> <li>2) A working group reviews this area. Where members have reached or are about to reach 5 years (the timeframe by which they must take the refund and can no longer transfer out), officers are writing to members with a view to concluding those refunds. This is now an ongoing activity.</li> <li>3) Officers will also send out a reminder communication for less than 5-year cases.</li> </ol>

			<p>Where a member doesn't opt to be refunded their fund remains as a frozen refund. The backlog of frozen refunds now amounting to circa 2 million pounds and dating back to 1974.</p> <p><b>Retired members</b></p> <p>There are 107 members on the Altair system who are over 75 years old and therefore have reached an age that their pension must be paid. The Fund are currently looking at the ones overdue and determining the next steps required.</p> <p><b>Status 3 members</b></p> <p>Exit-No liability members still have personal member data recorded in the Altair system. This can be a breach of data protection regulations. In the Funds Data Retention Policy, it is stipulated that members' personal data should be minimised after 7 years of leaving the Fund and deleted after 15 years. There are 4652 member files where the information should be minimised and 14809 member files which should be deleted.</p>	<p>We will review the data stored for status 3 members and determine a way to remove any personal data which is no longer necessary.</p>			<p>However, during this timeframe the member is entitled to seek to transfer out in this timeframe (and it is often financially beneficial for them to do so), and therefore no further action is possible.</p> <p>4) Some of the oldest cases are unlikely to reach a resolution due to difficulties in tracing the member (or because they may have died in the meantime) in which case the refund will be unable to be paid.</p> <p><b>Retired members</b></p> <p>5) Officers have worked through these cases and contacted all members concerned.</p> <p>6) Workflows called RET75ACT (for actives reaching 75) and DEFPAY75 (for deferreds) have been created to monitor progress.</p> <p><b>Status 3 cases</b></p> <p>7) Officers have reviewed its Data Retention Policy and will propose a revised policy is implemented which would result in fewer deletions. Officers have minimised and deleted the records due for 2022/23.</p> <p>8) Consultation on the updated draft policy has concluded and will be presented to the Board for their consideration on 27 October.</p>
9	2	System Access Review Follow Up	<p>The Fund carried out a systems access review and several actions were raised. Progress against the actions raised had occurred apart from one. Issue 1.6 of the report remains outstanding,</p>	<p>We will create a schedule of software licenses for systems used within the Fund. Going forward the results of the annual access review will be reported to the Head of Service</p>	31 May 2022	<b>100% COMPLETED</b>	<p><b>Schedule of software licenses</b></p> <p>1) Officers have contacted the auditor stating that the schedule already exists (within IT), and no further work is required.</p> <p>2) Going forward it is considered that the Fund's cyber security review will clarify roles and</p>

			this states that the Fund should create a schedule of software licenses used by the Fund.				responsibilities, including the wider remit of system access reporting.
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Ref: Administering Authority internal arrangements audit 2022/23

LGPS GOOD GOVERNANCE REVIEW – PHASE III – February 2021			
Area	Hyman’s Phase II proposals to SAB	Progress %	WPF Comment as at October 2022
A. General	*A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).	u/k 0%	DLUHC to advise
	*A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).	100%	Jenny Devine appointed
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.	70%	It is anticipated that a <a href="#">new template will be issued when DLUHC guidance published</a> . Current 2008 template last updated July 2020. <a href="#">Not currently countersigned</a> .
B. Conflicts of interest	*B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.	70%	Board has its own conflicts of interest policy which operates in conjunction with the AA one for Committee members. <a href="#">Fund officers to liaise with Democratic Services and develop &amp; publish an updated version when the final details are known</a> .
	*B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB – <b>now updated*</b>	u/k 0%	DLUHC to advise – Final details to be included within terms of reference Protocols 2a & 2b, as required.
C. Representation	*C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.	80%	Set out in the Fund’s 2008 GCS and the relevant terms of reference. <a href="#">To be mapped to the new template</a> .
D. Knowledge and understanding	*D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	u/k 0%	DLUHC to advise (see D3)
	*D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.	50%	<a href="#">To liaise with Senior Officers concerning training. Identified as relevant officers graded above the HAY Scale – Not part of tPR single code of practice, but a GGR recommendation</a>
	*D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	100%	Already on website

	*D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.	100%	CIPFA published their guidance in circa June 2021. Their guidance was incorporated into the Members/Senior Officers new training policy. Their role description for a Committee Chair will be included within the Committee's Protocol 2a.
E. Service Delivery for the LGPS Function	*E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes.	70%	Scheme of sub-Delegation last reviewed in Feb 2022 by the Board. The matrix is set out in the appendix to the Scheme of sub-Delegation entitled "Guidance on Delegations". To be finalised on receipt of DLUHC guidance. Roles & responsibilities to be included within terms of reference Protocols 2a & 2b, as required. Protocol 2b already published. Protocol 2a publication will be based on DLUHC guidance.
	*E.2 Each administering authority must publish an administration strategy.	100%	Completed – July 2022
	*E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.	100%	Performance against service standards included within AR&A
	*E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	80%	Part of the agenda setting and Look Forward Plan exercises. Established budget setting and approval also integrated with Business Plan objectives and approval at the beginning of each scheme year. Work on the recharge and the AA SLAs will further embed this process on their completion.
F. Compliance and improvement	*F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	u/k 0%	DLUHC to advise – <b>Notes:</b> 1) The IGR aims to support the work of the LPBs. 2) To understand how this will integrate with the internal & external audit framework.
	*F.2 LGA to consider establishing a peer review process for LGPS Funds	u/k 0%	LGA to advise
G. Additional Recommendation Hymans – Sept 2022 Current Issues	*G.1 A requirement to implement a workplace strategy around planning and resourcing.	u/k 0%	Details of the scope to be published.



# Markets in Financial Instruments Directive II (MiFID II) November 2022

# Today's topics for discussion

- What is MiFID?
- Financial Conduct Authority (FCA)
- Types of Customer
- Wiltshire Pension Fund election
- Why and how LGPS is affected?
- Summary

# What is MiFID?

- MiFID – A European Directive effective from 1<sup>st</sup> November 2007
  - 1) Aim – To harmonise European Investment Services through standardisation & regulation
  - 2) Aim – To also restore confidence in the industry after the Financial crash in 2008 (changes made in light of the crisis that took shape in MiFID II)
  - 3) Covers services like advising on investments
  - 4) Directive content transferred into the FCA's Code of Business Rules (COBs)
- MiFID II – A revised Directive started in March 2012
  - 1) Came into force from 3<sup>rd</sup> January 2018
  - 2) Aim – To strengthen investor protection and improve the functioning of financial markets making them more efficient, resilient & transparent
  - 3) Introduced new reporting requirements, greater product governance & requirements around independent investment advice
  - 4) Updated guidance issued – Recent guidance on client protection, best execution and derivative transparency.

# Financial Conduct Authority - FCA

- Objectives

- 1) Market Confidence
- 2) Financial Stability
- 3) Protection of Customers
- 4) Reduction in financial crime

- Key scope & powers

- 1) An authoriser of activity, enabled to regulate & investigate those activities & where necessary to take action over misconduct with various enforcement powers
- 2) Maintain a public record of authorised & prohibited persons

- Fit & proper test of authorised persons

- 1) Honesty, integrity & reputation
- 2) Competent & capable
- 3) Financial Soundness

# Types of Customer

- Retail client
  - 1) A Client not eligible to be an eligible counterparty or a professional client
- Professional client (Wiltshire Pension Fund election)
  - 1) Can be either a “*per se*” or “elective” professional investor
  - 2) Automatically classified by virtue of your characteristic i.e. a local or public authority (per se)
- Eligible counterparty
  - 1) Only applies to certain types of business & where that business deals on its own account, executes its own orders or receives or transmits orders. For example, central banks
- Observations between customer types
  - 1) Retail clients afforded the greatest protection & provided with the fullest standard of advice. Other customer types determined as more financial astute requiring less advice.
  - 2) Professional clients should ensure they maintain their knowledge & understanding

# Wiltshire Pension Fund election

- Fund Application for Professional status
  - 1) Application for “per se” status made “as necessitated” in September 2017
  - 2) Aim – The necessitation enables the Fund to invest in the broadest range of investments it can, not just as a result of its “local or public authority” characteristic
- Other Investment Advisers
  - 1) The Fund should ensure that all their Adviser firms continue to be authorised to give advice & services
  - 2) Not just the organisation, but also the individual adviser, advising on regulated activities
- Committee Members
  - 1) Need to have sufficient knowledge & understanding to challenge the advice given to them
  - 2) Risk to the Fund due to the validity of the “Professional Client” status assigned to it
  - 3) Consider whether the Fund is suitably protected against risk

# Why and how LGPS is affected?

- Why are LGPS funds considered ‘retail’ investors by default?
  - 1) While it was introduced to protect the treasury management functions of local governments across Europe, because of the unique structure of the LGPS pension fund (i.e. no legal separation between authority and pension fund, unlike all other UK pension funds) the default status is retail
  - 2) The FCA were lobbied by the LGPS Advisory Board, the Local Government Association (LGA) and the Investment Association, to make changes to “quantitative” and “qualitative” tests for clients to be classified as professional
- How do LGPS fund achieve ‘professional’ status?
  - 1) A quantitative test, must be passed, (all LGPS administering authorities can be opted up as they run at least £10m (€11.4m))
  - 2) A qualitative test must be passed; this assessment is made by Asset managers. The “expertise, experience, and knowledge” of decision makers must be verified. MiFID II refers to an individual person, but the FCA’s policy statement made it clear that **“firms may take a collective view of the expertise, experience and knowledge of committee members, taking into account any assistance from authority officers and external advisers where it contributes to the expertise, experience and knowledge of those making the decisions”**.
- What does this mean for Committee Members/Wiltshire Pension Fund?
  - 1) Emphasises the importance of training and the need to have sufficient knowledge & understanding in order to make decisions.
  - 2) That the Committee, advisors and officers must consider the collective expertise, experience and knowledge and inform its asset managers of any significant change that may give rise to the asset manager reconsidering professional status.

# Summary

- Self-certification

- 1) No legal requirement to self certify, however it is a good governance recommendation
- 2) Opportunity for members to consider training needs

- Liaise with your investment advisers

- 1) To ensure that they provide you with evidence of their continued authorisation to provide a regulated service & advice
- 2) To establish governance arrangements with them so that they actively update the Fund concerning MiFID II communications & their ongoing compliance

- Ongoing review

- 1) At least annually repeat this exercise & include this compliance review in the Fund's Look Forward plan and other documents within the Fund's governance framework
- 2) Consider the Fund's protection needs



Thank you for your time

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Action complete

Issues identified which may impact on delivery of the action

Business Plan Actions for 2022/23

	Action	Description	Target SVGs	Priority	Progress update as at 14 Dec 2022
1	Actuarial valuation	The triennial actuarial valuation of the Fund, as at 31 March 2022, needs to be carried out over the next year.	1, 9, 10, 16	Mandatory	The whole fund results were presented at the Committee meeting on 17 November 2022, and individual employer results are being circulated during Dec-22.
2	Strategic Asset Allocation (SAA) review	A review of the SAA needs to be carried out triennially, in conjunction with the actuarial valuation, in order to ensure that the Fund is set to deliver the required investment returns for an appropriate level of risk.	1, 9, 10, 11, 12	Mandatory	The revised SAA was approved at the Committee on 17 November 2022. Officers are now reviewing plans to implement the new strategy. <b>Complete</b>
3	Hit as close to 100% as possible of legal requirements and develop improvement plan for achieving KPI targets	Once the standardised weekly KPI reporting (action 7) is up and running, we will be able to identify specific processes to focus on and develop a detailed plan. The focus will initially be on aiming to achieve 100% of the legal requirements, and prioritising cases like retirements and deaths.	5, 6, 7, 16	High	The team are working towards the development of an improvement plan. This will include the launch of a new work allocation system, a review of the level of checking carried out on i-Connect returns, launching staff productivity targets and monitoring, and targets linked to turning individual KPIs "green" by specified dates. <b>Delays</b>
4	Complete the payroll reconciliation project	The long-running reconciliation project between the administration system and the ledger needs to be concluded, so that we have assurance that all pensioners are being paid the correct amount.	5, 6, 7, 16	High	Aon have been appointed to deliver this project. The 23-26 Business Plan will monitor this project all the way through to completion. <b>Complete.</b>

	Action	Description	Target SVGs	Priority	Progress update as at 14 Dec 2022
5	Outsource the backlogs	The Aon review indicates that the backlogs could take 6 years to clear at the current rate. Additional resource is needed to clear these, and outsourcing would be the preferred option (i.e. not recruitment).	2, 6, 7, 16	High	Hymans have been appointed to carry out this work, and have begun. It is estimated that work will be complete in September 2023. The 23-26 Business Plan will monitor this project all the way through to completion. <b>Complete.</b>
6	Review the resourcing of the team	The Aon review carried out analysis of resourcing levels and made various recommendations. Further internal analysis is required here, taking into consideration actions 8 and 14 at the same time.	1-16	High	A new structure for the team has been confirmed and appointment to roles within the structure is underway. Some more work may be needed to assess the level of processing resource.
7	Launch weekly KPIs	The Fund has historically produced KPIs for admin processes on a quarterly basis. Moving to weekly will be a key driver in improving performance. Weekly stats will show performance and movements in caseloads, and aging of open cases. Forward looking KPIs will identify cases about to go out of date, so that preventative action can be taken. Stats will be used by managers to identify issues and plan workloads, and shared with teams for awareness of their impact on the Fund's vision.	5, 6, 7, 16	High	Weekly KPIs have now been launched, both for in-depth management review, and a separate (more concise) version to be shared with the wider team. <b>Complete.</b>
8	Implement integrated payments	Adopting integrated payroll and one-off payments (e.g. lump sums, refunds etc) systems will create efficiencies and improve controls.	2, 5, 7, 9, 13, 16	High	The contract has been signed with Heywoods, and work has begun to set a project plan for the implementation. One-off payments will be rolled out over this financial year, with the payroll going live in summer 2023.

	Action	Description	Target SVGs	Priority	Progress update as at 14 Dec 2022
9	Implement renewable infra and affordable housing portfolios	The Fund has made strategic allocations to renewable infrastructure and affordable housing, which need to be implemented over the next year in consultation with advisers.	1, 9, 10, 11, 12	High	Work is ongoing with Brunel and the client group to see whether a new portfolio can be developed to deliver the renewable infrastructure allocation via the pool. The affordable housing portfolio will be completed in early 2023.
10	Complete iConnect onboarding	Onboarding of all employers onto iConnect was targeted to complete by 31 March 2022, but there are still several employers outstanding. Although the Fund does not have full influence over this, we will work collaboratively with employers to ensure all are onboarded by 31 March 2023 and that we can realise the control and data benefits of iConnect.	2, 3, 6, 7, 13, 14	High	There are 49 employers left to onboard (of 180). Escalations are in place with the remaining employers. A change to the administration strategy has made i-Connect mandatory with charges for not signing up, something which is being communicated to employers.
11	Treasury management (TM) strategy implementation	The new TM strategy needs to be fully implemented, and a new liquidity portfolio implemented.	9, 10, 13	Medium	Blackrock have been appointed to deliver this portfolio, with implementation happening shortly.
12	Performance measurement reporting improvements	In order to improve visibility of the Fund's overall performance for Local Pension Board, Committee, and senior officers, a new whole Fund performance report will be developed, to show standardised, concise information on KPIs, projects, key financial controls, customer service measures etc.	3, 5, 6, 7, 10, 13, 16	Medium	Work is underway here, with the aim to launch the new reporting during Q1 2023 (slight delay due to the restructure).
13	Become signatories of the 2020 Stewardship Code	The Fund developed plans for reporting in line with the 2020 Stewardship Code during 2021/22, and will make a submission to achieve signatory status during 2022/23.	9, 10, 11, 15, 16	Medium	The Fund has published a report in line with the requirements of the 2020 Code, and has been awarded signatory status. <b>Complete.</b>

	Action	Description	Target SVGs	Priority	Progress update as at 14 Dec 2022
	14 Systems review	The Aon review recommended that a detailed review is carried out to determine the exact responsibilities of the Systems and Data team, which should also incorporate a review of all systems procedures and controls and the Fund's overall objectives in this area.	2, 5, 6, 7, 13, 16	Medium	This piece of work has been completed and has been used to inform part of the work done against action 6. <b>Complete.</b>
Page 86	15 Participate in Brunel climate stocktake	The Brunel climate stocktake will help inform the partnership's approach to climate risk, including how the portfolios are shaped going forward. We will be actively involved in this review in order to represent Wiltshire's position.	9, 10, 11, 12	Medium	The Fund has participated in the Brunel climate stocktake, and is working with other client funds to set the agenda. This work is complete pending some final actions.
	16 Collaborating with investment managers to ensure climate risk is appropriately addressed	It is necessary to ensure the investments are safeguarded from potential financial losses as a result of climate risk, and that the portfolios are positioned to take advantage of any investment opportunities as a result of transition to a low-carbon economy. We will collaborate with legacy managers and the Brunel pool to ensure that portfolios are fit for purpose from a perspective of sustainability and climate risk, can be aligned to our broader climate objectives, and that data provision is adequate to allow for a meaningful assessment of progress against targets.	9, 10, 11, 12, 15, 16	Medium	The Fund is actively working with investment managers to ensure that the Fund's investments are safeguarded against financial losses due to climate risk. This work is underway and a full report (including actions and outcomes) will be provided to the Committee once work is complete.
	17 Employer report cards	Employer report cards will address the quality and timeliness of data submitted via iConnect and in relation to contributions, as well as timeliness of payment of contributions. The full member experience is partly our service KPIs, but also partly determined by the employer's provision of the relevant data in a timely manner - this will also be covered by the report cards. This will help to clarify roles and responsibilities.	2, 3, 5, 6, 15, 16	Lower	An employer report card has now been developed, and will be initially send to employers in Q1 2023. The initial template includes information related to i-Connect returns and contribution receipts. More information may be added in the future.

	Action	Description	Target SVGs	Priority	Progress update as at 14 Dec 2022
18	Risk monitoring and reporting improvements	The framework around risk monitoring and reporting needs improving, to improve ownership taken for specific risks, to integrate consideration of risks more fully operationally, and to improve clarity in reporting risks to Committee and the Local Pension Board.	13, 15, 16	Lower	Significant progress has been made here, and a new risk register will first be presented to the Local Pension Board and Committee in Q4 2022.
19	Review internal audit arrangements	The Committee has approved various specialist audits as part of the audit plan. We will investigate potential providers to deliver these audits, as well as any other high-priority areas where we need specialist advice. Action 23 is part of this, so the potential budgetary impact for that review is included under that action.	3, 6, 7, 9, 13	Lower	Internal audits are ongoing as planned.
20	Complete Member Self Service (MSS) sign-up campaign	The Fund's strategy is to write out to members who have not signed up to MSS every 3 years. We will complete this campaign, and investigate options to further promote MSS through use of email signatures, the website, and campaigns through the scheme employers.	4, 8, 14, 15	Lower	The initial mailout campaign has been completed. Another significant piece of work here will take place as part of Pensions Awareness Week, which has been postponed to November 2022. <b>Complete.</b>
21	Customer service excellence review	An independent customer service assessment will provide evidence of good practice and recommendations for improvement.	2, 3, 4, 5, 6, 7, 16	Lower	As assessor has been appointed and a pre-assessment has been completed. A verbal update on findings will be shared with the Committee at the Dec meeting.
22	Employer training and engagement (carried forward)	We will develop the training materials on the employer website, including videos, simple guides etc. We will expand the approach to direct interaction with employers, to proactively address issues with fulfilling requirements, welcome new contacts, and help with any iConnect issues.	2, 3, 4, 14	Lower	This work is ongoing. A new role has been created in the team structure to properly resource this area going forward.

	Action	Description	Target SVGs	Priority	Progress update as at 14 Dec 2022
23	Good governance review compliance	In advance of the recommendations of the Good Governance Review becoming mandatory, an independent review will map current arrangements to the new requirements, and make recommendations to ensure compliance.	16	Lower	This work will be carried out internally by officers, and will be presented to Committee in the form of a gap analysis with recommendations on any necessary changes at the 14 December 2022 meeting.
24	Collaborate with partner funds to define the direction of travel for the Brunel Pension Partnership	We will be actively involved in setting the direction of travel for the Brunel pool, to ensure that Brunel delivers the intended fee savings and investment performance in a cost-efficient way, evidenced through meaningful reporting in line with client requirements, and retains a focus on ensuring that all activities deliver value and map to positive outcomes for the partner funds.	9, 10, 11, 12	Lower	This work has now concluded, and a letter has been sent to Brunel summarising the WPF position. <b>Complete.</b>
25	Complete lower priority actions from the improvement plan	The improvement plan (Annex 1 of the Business Plan) sets out recommendations from the Aon review and SWAP's latest internal audit. High priority actions have been mapped to specific Business Plan actions, however all actions need to be completed.	5, 6, 7, 9, 13	Lower	This work is ongoing, and covered in more detail elsewhere on this agenda, in Appendix 5 of the HAM report.



## Wiltshire Council

## Wiltshire Pension Fund Committee

14 December 2022

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### Cost of Living Review

#### Purpose of the Report

1. The purpose of this report is to highlight the significant findings of a review into the impact of the cost-of-living crisis on the Fund.

#### Background

2. A full report into the impact of the cost-of-living crisis is attached in Appendix 1. The current economic situation impacts on almost every area of the Fund.

#### Key Considerations for the Committee / Risk Assessment / Financial Implications

##### *Background*

3. 2022 has seen some extreme market conditions. Inflation has been rising, mainly driven by increases in the price of food and energy. Reasons for this have been pent up post-pandemic demand, further compounded by the invasion of Ukraine, which has meant that supply of energy from Russia has been restricted, as well as reductions in the amount of grain exported from Ukraine. This has led to rising interest rates as the Bank of England attempted to control inflation back to its long-term target of 2%.
4. The UK mini-budget in September 2022 announced large unfunded tax cuts, leading to a complete loss of confidence by investors. Sterling fell, and gilt yields rose dramatically. The International Monetary Fund took the unprecedented step of writing to the chancellor expressing concern, and the Bank of England stepped in with temporary quantitative easing measures to stabilise the situation. Pension funds were making the headlines due to the impact that this situation was having on them. Many of these measures were reversed in the Autumn Statement, but the environment remains challenging. Local authorities and most public sector services will need to make significant cuts to balance their budgets.
5. The cost-of-living crisis affects Wiltshire Pension Fund across the entire fund. Perhaps the area of biggest concern is the influence that the differing pressures in this situation will have on cashflow, and the consequent demand for liquidity. The appended paper examines the impact of the cost-of-living crisis on the following areas:
  - Investment performance and strategy
  - The funding level
  - Administration issues and the fund's membership profile
  - Cashflow

- Communications with stakeholders
- Operations and resourcing

### *Conclusions from the review*

6. These are challenging times, with competing pressures in the form of high inflation (applied to pension increases), low wage growth, a tough financial situation for both our scheme members and the public sector bodies who make up our employer base, as well as being a difficult year for investment returns. As an open pension scheme with a long-term time horizon, WPF is able to weather many of these challenges.
7. Perhaps the area of most concern in the short term is cashflow, caused by a potential shift in the membership profile, and rising pension payments alongside static contribution receipts. Our rough estimates indicate that we should be positioned to deal with the expected magnitude of changes to our cashflow demands, however due to the importance of this area, more analysis is needed, and we have commissioned further modelling work from the Fund's actuary.
8. There are also concerns around resourcing, which we are working to mitigate to the best of our ability. Our investment strategy has recently been reviewed, and the modelling shows that in spite of the recent turmoil, we should be well positioned to deliver the investment returns needed over the long term. We have established processes for monitoring the investment performance, funding level, contribution receipts, cashflow position and administration performance, and we will continue to keep the situation under review and proactively address any emerging concerns.

### **Environmental Impacts of the Proposals**

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

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

10. There are no known implications at this time.

### **Proposals**

11. The Committee is asked to note the work done and the impacts on the Fund.

Report Author: Jennifer Devine, Head of Wiltshire Pension Fund

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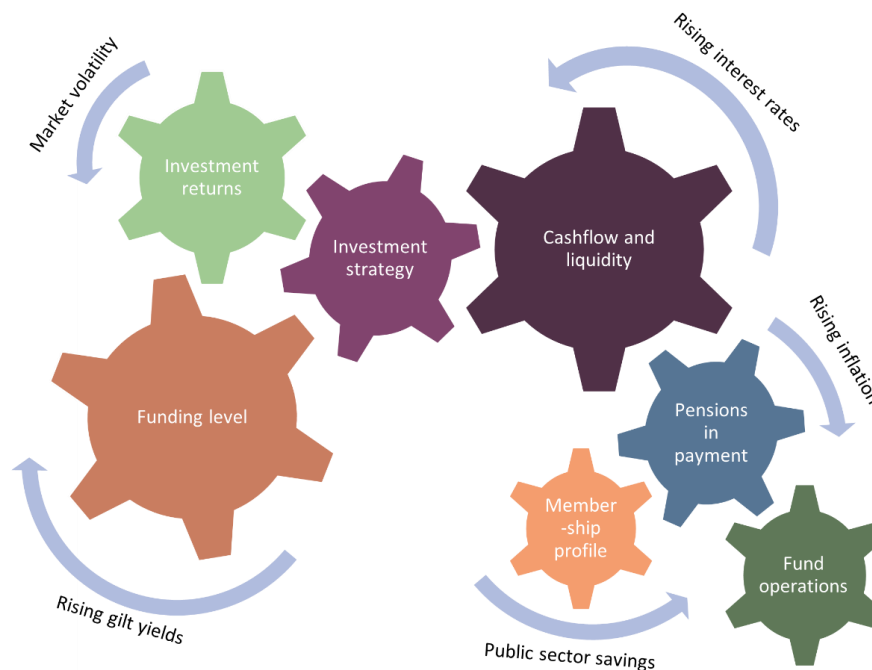
Unpublished documents relied upon in the production of this report: NONE

## **Appendices**

Appendix 1 – Cost of Living review paper

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## The cost-of-living crisis, and the impact on WPF



### Introduction

2022 has seen some extreme market conditions. Inflation has been rising, mainly driven by increases in the price of food and energy. Reasons for this have been pent up post-pandemic demand, further compounded by the invasion of Ukraine, which has meant that supply of energy from Russia has been restricted, as well as reductions in the amount of grain exported from Ukraine. This has led to rising interest rates as the Bank of England attempted to control inflation back to its long-term target of 2%.

The UK mini-budget in September 2022 announced large unfunded tax cuts, leading to a complete loss of confidence by investors. Sterling fell, and gilt yields rose dramatically. The International Monetary Fund took the unprecedented step of writing to the chancellor expressing concern, and the Bank of England stepped in with temporary quantitative easing measures to stabilise the situation. Pension funds were making the headlines due to the impact that this situation was having on them. Many of these measures were reversed in the Autumn Statement, but the environment remains challenging. Local authorities and most public sector services will need to make significant cuts to balance their budgets.

The cost-of-living crisis affects Wiltshire Pension Fund across the entire fund. Perhaps the area of biggest concern is the influence that the differing pressures in this situation will have on cashflow, and the consequent demand for liquidity. This paper examines the impact of the cost-of-living crisis on the following areas:

- Investment performance and strategy
- The funding level
- Administration issues and the fund's membership profile
- Cashflow
- Communications with stakeholders
- Operations and resourcing

## Why look into this topic?

The Fund's vision is to deliver an outstanding service to our scheme employers and members. The current situation could affect multiple stakeholder groups, so we need to attempt to identify where the largest impacts will be seen, and consider what we can do to mitigate against them. The following strategic vision goals are particularly relevant:



For public sector employers during a period of recession and facing spending cuts and rising costs, maintaining stable and affordable contributions is essential to manage budget costs and plan for the future.



Employers need to be aware of the 50:50 option and levels of uptake, as well as levels of opt-outs, to allow employees to manage the cost of contributions. It is important for employers to be aware of the secure inflation-linked benefits available for their employees, as a significant part of their remuneration package at a time when it may be challenging to provide pay increases in line with inflation.



Members in receipt of a pension can be assured that their benefits are linked to inflation, meaning their pension will increase in line with prices, and this inflation link is also provided for active and deferred members who may not realise their accrued benefits are increasing in this way, protecting their future benefits. The impact on annual and lifetime allowances needs to be understood.

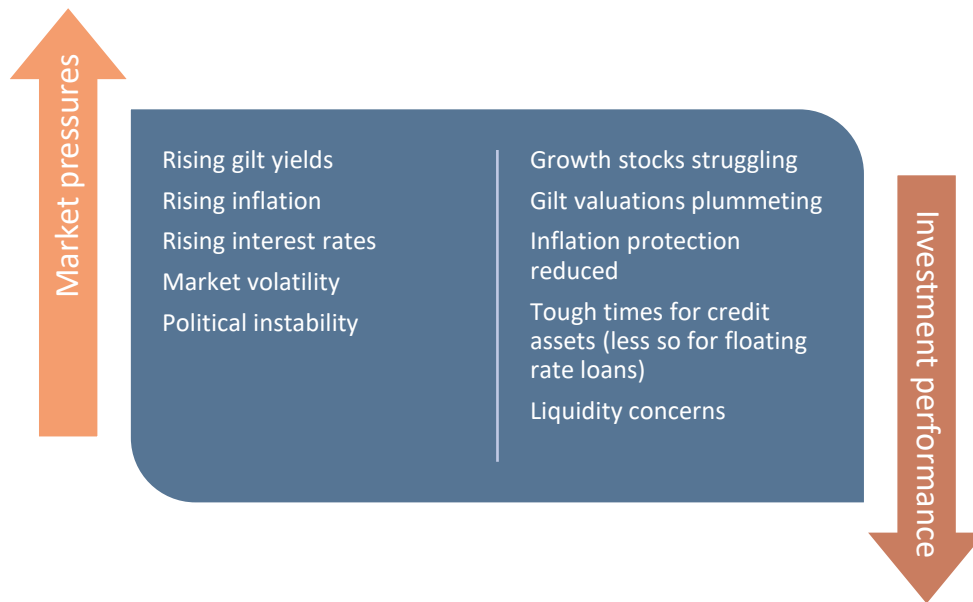


Maintaining a well-diversified investment portfolio and assets with inflation linkage to ensure investment returns are maintained. Monitoring the markets and ensuring managers are working well to maintain and protect investment returns.



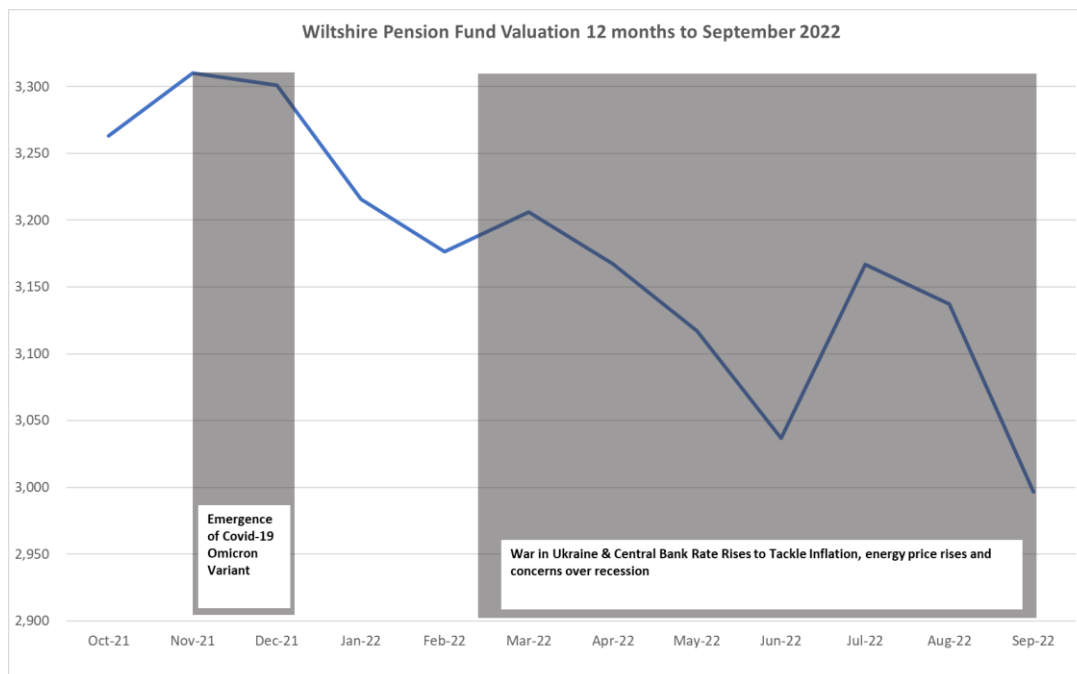
The Fund's value of **long term thinking** conveys our approach to assessing risks and planning ahead. As a signatory of the Stewardship Code 2020, the Fund needs to assess how effective we have been in serving the best interests of our beneficiaries (principle 1), and take account of beneficiary needs and communicate activities and outcomes to them (principle 6). This paper addresses both these points.

## Investment Impact



## Investment Returns

In the 12 months to the end of September 2022 (Q3) the fund achieved an investment return of -6.1%, this has been -6.3% behind the fund's consolidated benchmark performance. This has seen the fund total value decline from a peak of £3.3bn to just under £3.0bn. Rapidly rising inflation, global economic uncertainty, and central banks raising interest rates in an attempt to bring inflation back under control have been key components determining this investment performance.

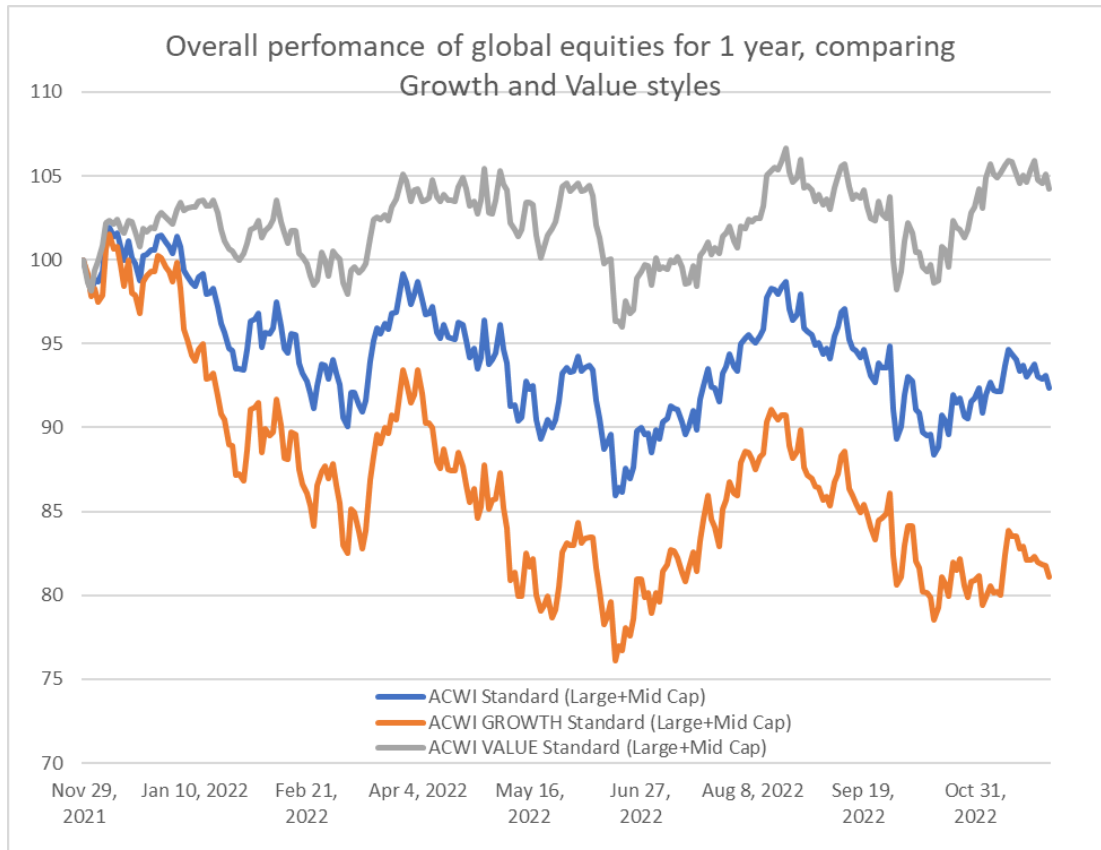


## Equities

A key reason for the underperformance versus the benchmark has been the relative performance of the Fund's equity holdings. The Fund's active equity portfolios generally have a growth style bias, favouring companies who have strong growth prospects and whose value is derived from

discounting potential future earnings. The valuation of these companies is sensitive to changes in interest rates, and as interest rates have risen to combat inflation the valuation of growth stocks has declined over the past year.

Over the same period value style stocks have performed much better, being less sensitive to interest rates and containing many fossil fuel producers who have benefited from high oil and gas prices. The following table shows the relative performance of growth and value stocks for this period, with value outperforming growth by 12%.



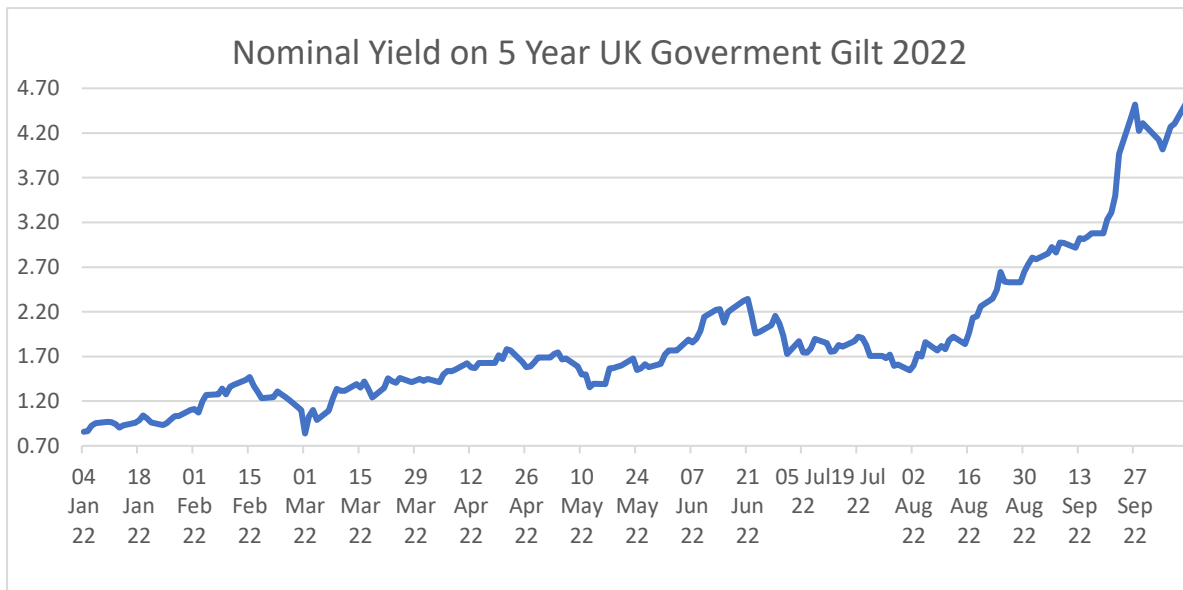
The fund is a long-term investor and has benefited from the relative outperformance of growth stocks over an extended length of time preceding this period, we remain committed to our investment strategy, employing managers with a long-term focus for investment returns. The shift to higher inflation and the revaluation which has been incurred for growth stocks means in the future there may become less of a distinction between the two styles and more of a focus on company fundamentals and quality style stocks.

### Gilts

The fund holds investments in >5-year duration index linked gilts, the long-term allocation to this asset class is 7% of the fund. These assets are chosen for their characteristics which broadly match the fund liabilities, being inflation linked and held in sterling. With the rapid changes in interest rates and market volatility in the UK partly caused by changing government fiscal policy, these assets have undergone a significant reduction in value over the past 12 months. The WPF Gilts portfolio has returned -29.4% over the 12-month period to the end of September 2022.

The nominal yield on 5 years gilts (which is inversely related to value) has risen by almost 4% from the start of the year. The following graph shows how quickly this has risen in August and September 2022.



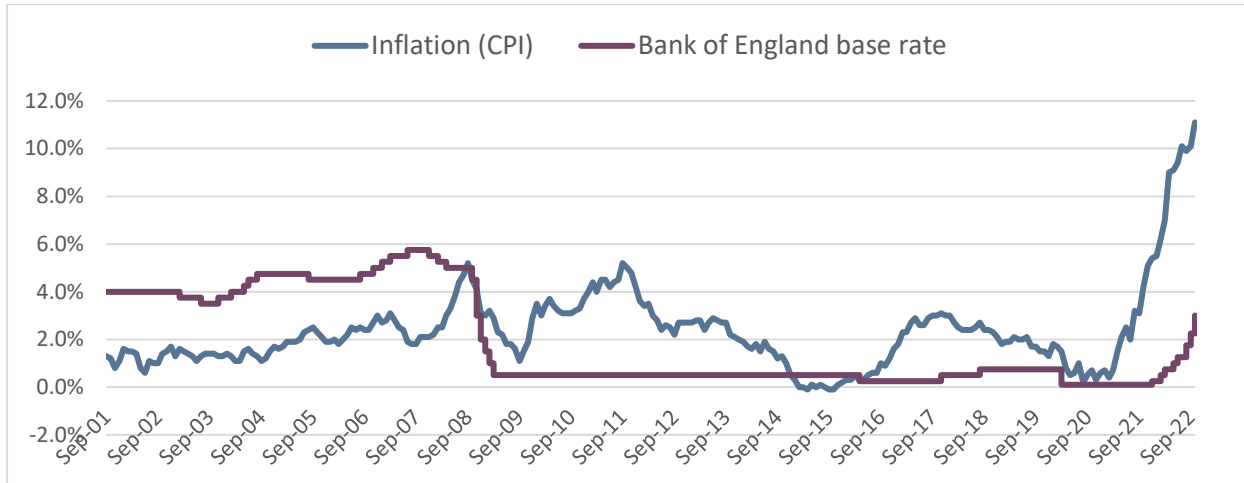


The fund has been diversifying away from holding a large proportion of the fund in this asset class. In March 2020 the long-term allocation to Gilts was 25%, this reduced to 15% with a new allocation to Secured Income made in June 2020. This further reduced to 7% in December 2021 with new portfolios for Affordable Housing and Renewable Infrastructure / Climate Solutions being added. These new portfolios will provide many of the beneficial properties of Gilts, delivering sterling, index linked returns whilst also providing further diversification.

The fund is further diversified through its allocation to global leveraged loans, these assets have performed better than most other credit asset classes throughout the past year. The floating interest rate returns provide protection against rising interest rates making these assets appealing as central banks raise rates. The outlook for this asset class is tempered by a potential for rising defaults in a recessionary environment, but the fund has selected a defensive manager whose skill in loan selection and strong risk management framework should allow it to provide enhanced returns.

### Inflation

The inflation measure in September is a key statistic for the LGPS as it determines revaluation of accruing pension liabilities (for active and deferred members) and increases to pensions in payment (for pensioners) the following April. This is designed to ensure benefits keep pace with prices and the cost of living. As can be seen in the chart below, most years inflation figures have been unremarkable.

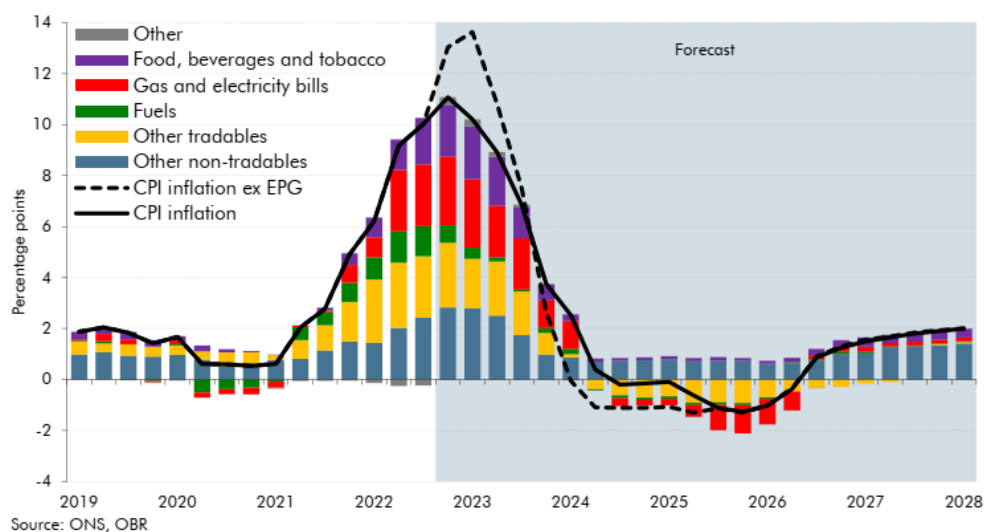


The *rate of change* of inflation has been particularly alarming in 2022. Over the past decade, interest rates have been low. A combination of factors; fiscal and economic policies, the war in Ukraine, energy price crisis and in turn, the cost rises for food, has resulted in a significant spike. Longer term forecasts are for inflation to revert to lower levels, but in the meantime there significant risks that the Fund will need to monitor and manage.

**What this could mean for the Fund is an increase of 10.1% to pension outgoings. Without an increase to active membership, and with active members on lower rates of pay in real terms, the cashflow (excluding investment income) of the Fund may become negative.**

The following chart shows the exceptional recent rise in inflation and the key components of the increase, gas and electricity costs have been a significant factor and have fed through into all other components. This forecast from the OBR shows the latest expectation that inflation will have peaked at the end of 2022, then as a result of fiscal policy inflation will decline throughout 2023.

Chart 4: Contributions to CPI inflation



Note – EPG = energy price guarantee

## Affordable Housing – a case study into affordability in the current climate



The impact affordable housing portfolio objective is to provide measurable social impact in addition to competitive market returns. Returns will be primarily driven by rental income, with inflation-linked uplifts, with a smaller component of capital appreciation.

However, there is a fine line between continuing to collect inflation-linked rents, and pricing tenants out of the market. This has both a social impact (i.e. the goal of the portfolio is to provide affordable housing, so this needs to be maintained), and a purely financial impact (i.e. if tenants are unable to meet payments and are defaulting, this damages returns). This was discussed with the managers at the time they were appointed, and we were reassured by their approach to assessing long-term affordability for tenants. However, in an environment with rising inflation, this does mean that in the short term, the inflation protection of this portfolio is reduced.

The [Autumn Statement](#) contained a cap in rent rises of a maximum of 7% in 2023-24. The cap is intended as a temporary measure to provide stability as inflation rises and aims to strike a balance between protecting tenants and ensuring that income is available for repair and maintenance of existing stock and for new developments.

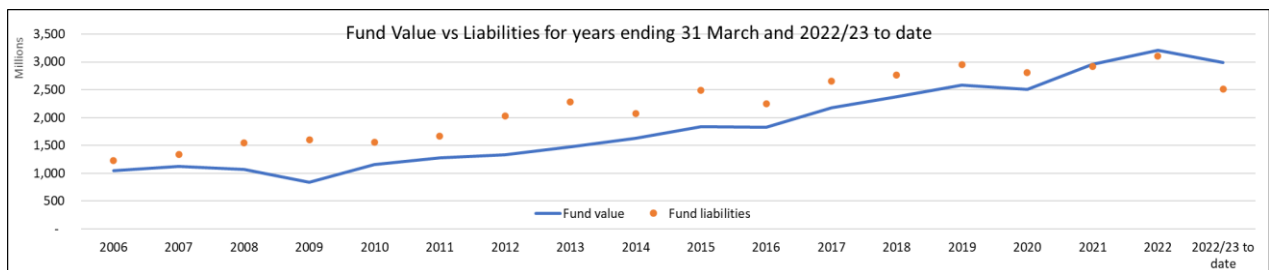
From our discussions with the individual managers, circumstances vary, but we are reassured that the **managers are taking a balanced view of affordability for tenants vs achieving returns**, and are focussed on long-term financial sustainability for both parties.

## Funding and Actuarial Impact

Since the start of 2022, global economic volatility, rising inflation, the war in Ukraine and subsequent rising interest rates have led to a decline in the value of assets for Wiltshire Pension Fund. Valued at just over £3.3bn at the start of 2022, the investments have fallen to just over £3bn at the end of October 2022.

Whilst suffering a decline in asset values the rise in gilt yields has been the dominant factor in the movement in the funding level (i.e. what proportion of discounted future liabilities are covered by the Fund's assets). This is because the rate used to discount the liabilities to an equivalent value in today's money is based on gilt yields.

The charts below show the significant impact this has had on reducing the present value of the future liabilities. The rising yield on gilts has the effect of reducing the current value (the amount of money needed today) of the future liabilities (the pension obligations the fund must pay in the future).



### What's changed since the last valuation?

From:  To:

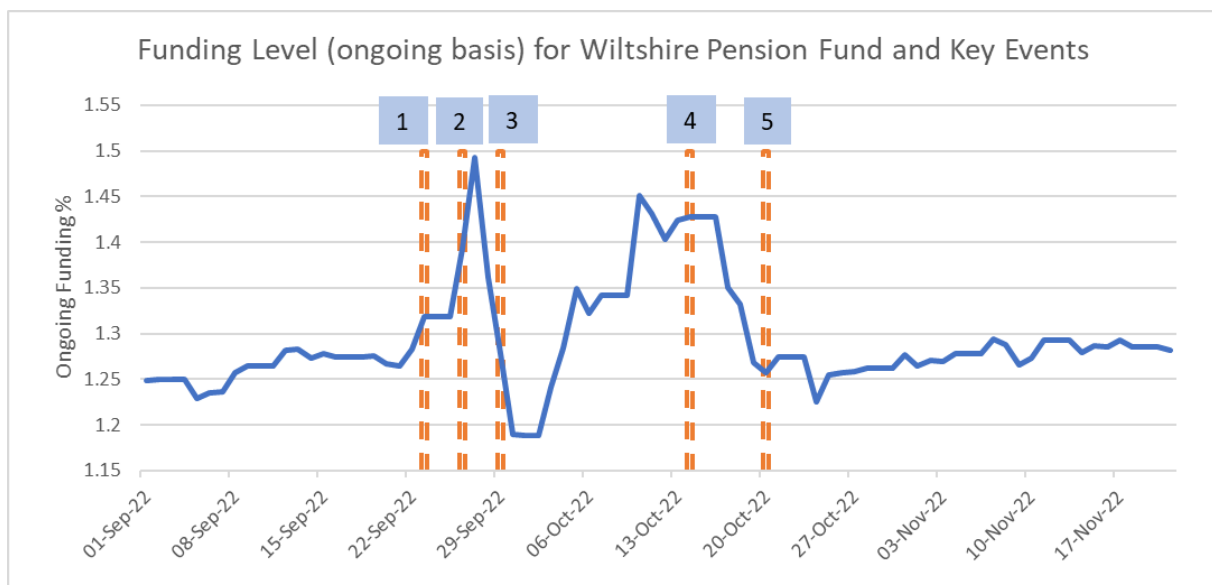
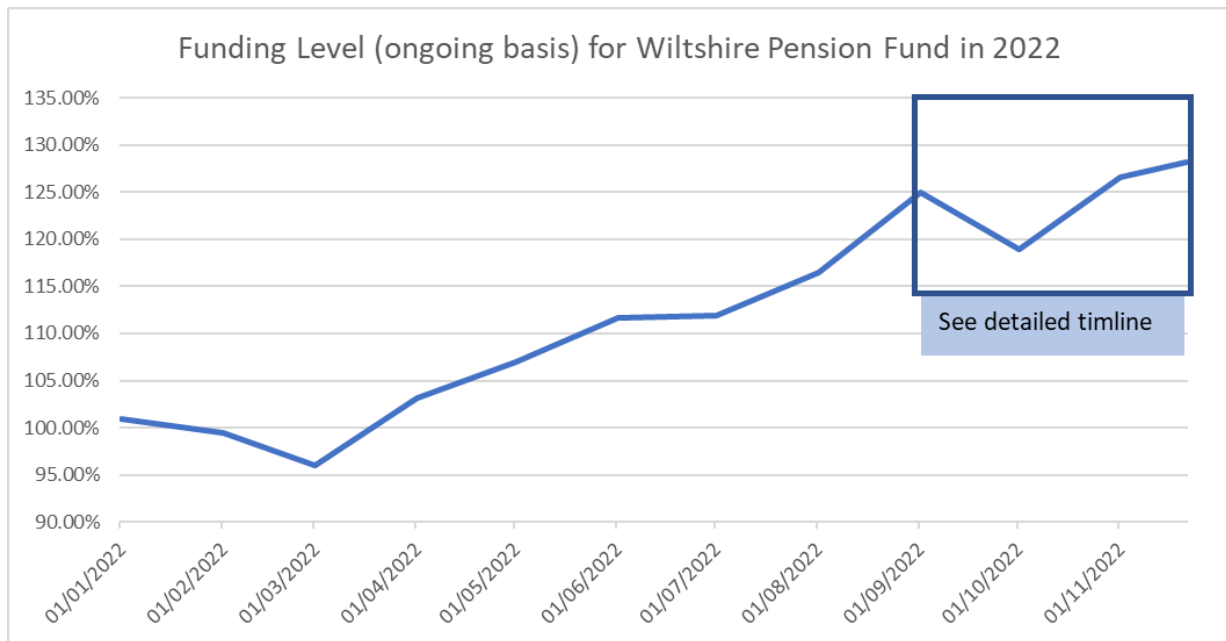
Liabilities	£m	Assets	£m
Liability value as at 31 December 2021	3,270.5	Asset value as at 31 December 2021	3,301.3
Cost of benefits accruing	84.9	Contributions paid in	83.8
Benefit payments	(84.1)	Benefit payments	(84.1)
Interest on liabilities	107.1	Expected return on liability-matching assets	118.2
Impact of change in yields & inflation	(968.5)	Excess return on assets	(341.2)
Liability value as at 31 October 2022	2,409.9	Asset value as at 31 October 2022	3,078.1

Surplus/(deficit)	£m
Surplus/(deficit) as at 31 December 2021	30.8
Contributions (less benefits accruing)	(1.1)
Interest on surplus/(deficit)	11.1
Excess return on assets	(341.2)
Impact of change in yields & inflation	968.5
Surplus/(deficit) as at 31 October 2022	668.1

(Data provided by Hymans-Robertson)

Since the start of 2022 the overall funding level has continued to improve due to rising interest rates and associated gilt yields. The 2-month period from the start of September was exceptionally volatile due to political events in the UK. The following graphs show the key events which effected the funding level.



1. 23<sup>rd</sup> September 2022 - Mini Budget Delivered
2. 26<sup>th</sup> September 2022 - BoE announced it wouldn't hesitate to increase rates and the chancellor said a medium-term plan would be published in 2 months' time.
3. 29<sup>th</sup> September 2022 - BoE implement support for Gilts through purchasing
4. 14<sup>th</sup> October 2022 - Kwasi Kwarteng resignation
5. 20<sup>th</sup> October 2022 - Liz Truss resignation

## Employer Contribution Rates



With affordability and budget challenges in mind, contribution rates for our two largest employers, Wiltshire Council and Swindon Borough Council, have been temporarily reduced over the next 3 years as follows:

23/24: reduction of 1%

24/25: reduction of 1%

25/26: increase of 1% and then to move to stabilisation policy reviews (a part of the funding strategy which permits the possibility of future rate rises/decreases of 1% maximum per annum).

This has been possible on the back of strong investment returns over the last valuation period and an improved funding position, and due to the stabilisation policy, the Fund's overall likelihood of success for long-term funding has been maintained. This helps to support affordability for these employers at a time of financial pressure on public services.

## Employer Cessations

An important point regarding the extreme movement in gilt yields over the year, is how this impacts on employer cessations. Two employers in the Fund (one large, with liabilities of around £100m, and one much smaller) ceased at the end of September 2022. These cessations have been discussed for a long period of time, with the employers concerned about how to manage the cessation debt due, and lengthy negotiations around payment plans and security over assets. However, as shown above, during 2022 the funding level of the Fund (and these two employers within it) has improved materially, and the cessation debt for both employers has reduced by a very material amount. Final calculations are currently being performed by the Fund's actuary.

For employers with no guarantor (such as the two mentioned above), cessation valuations are currently calculated on a "low-risk basis", i.e. assuming that the entirety of the employer's assets is invested in gilts. Going forward, the Fund will be moving to a basis which, like the triennial valuation, looks at 5,000 modelled outcomes, with a high prudence level (i.e. funding success will need to be achieved in a high percentage of modelled outcomes).

Rather than setting a specific likelihood of success, a corridor will be introduced with cessation deficits/surpluses only being due if the final cessation funding position sits outside of that corridor (and it will only be necessary to make or receive payments to reach the boundary of the corridor rather than the centre). The corridor will provide a bit more certainty and reduce down the volatility of these exit positions, and it will reduce down the size of deficits/surpluses, as they would only need to reach the edge of the corridor.

## Cashflow Impact

The higher rate of inflation leads the fund to increase the value of pension payments to members in receipt of benefits. The high one-off increase of 10.1% leads to a significant increase in the amount being paid out each year in benefits, c£11m p/a.

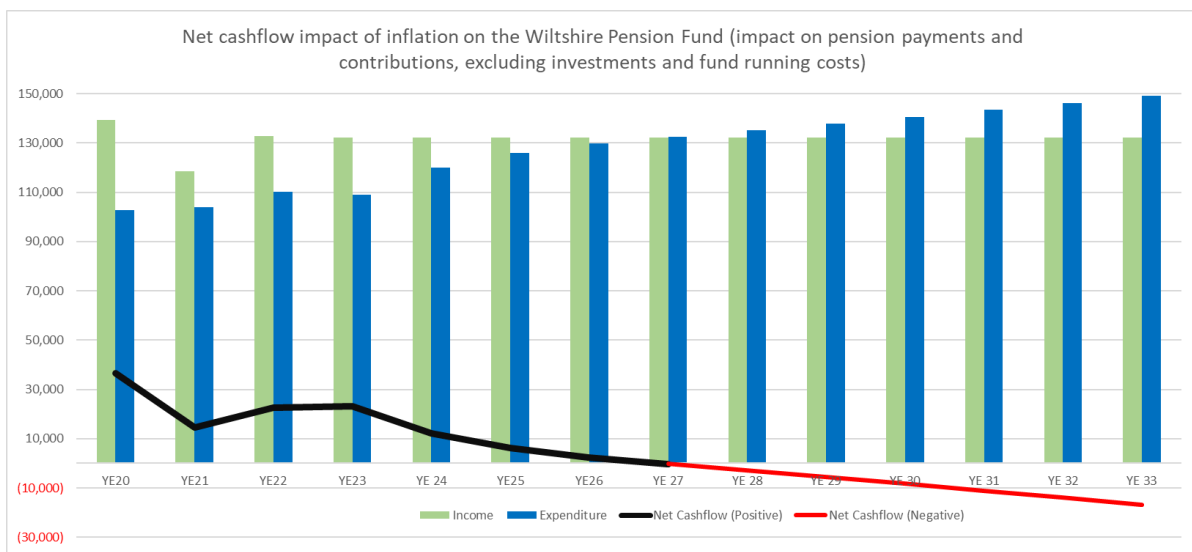
Given the financial pressures on the employers in the fund, we have forecast they will award below inflation pay rises and be under financial pressure to constrain costs, such as implementing recruitment freezes. This may lead to no increase in member and employer contributions to offset the increase in pension payments.

**Assuming a 10.1% known inflationary increase for 2023, 5% in 2024, 3% in 2025 and 2% onwards we have modelled the growth in pension payments against static contribution payments.**

**This moves the pension fund from cashflow positive based on pension payments and contributions to cashflow negative by the financial year ending 31 March 2027.**

This will require the fund to reconsider the investment strategy to ensure sufficient cash-generating assets are available to provide suitable liquidity. Such a review would next be completed during 2025. In the meantime, the situation will continue to be kept under regular review.

Further work has been commissioned from Hymans Robertson to provide more granular modelling and scenario testing.



At the most recent triennial valuation and investment strategy review (November 2022) the fund has agreed a new Strategic Asset Allocation (SAA). Ensuring sufficient liquidity was a key consideration in the design process, **the percentage of the fund allocated to liquid asset classes has risen from 44% to 53%**. This has been achieved by making a permanent allocation to liquid loans and a new strategic allocation to liquid asset matching investments (SALAMI) for managing short term cash requirements.

## Administration impact

### Employee Opt out

Employee opt outs occur when active members of the scheme decide that they wish to leave the pension fund. Employers administer the opt out process, but Wiltshire Pension Fund can see where employees have been members of the scheme for more than three months. 'Opt out' status is reportable from the pension administration system. Consequently, there can be uneven periods of opt outs as larger scheme employers run re-enrolment processes (every three years).

Year	Count of Opt outs	Active membership	% active membership
2017/18	92	21,781	0.42%
2018/19	175	22,541	0.78%
2019/20	254	23,487	1.08%
2020/21	117	23,131	0.51%
2021/22	97	23,324	0.42%

2022/23 is expected to be at similar level as 2019

Source: Pension administration system (Heywoods)

**The rate of opt outs for Wiltshire Pension Fund has not shown in increase as a result of the recent cost-of-living crisis.** In October 2022, the [PLSA reported Pensions seeing the first signs of the Cost of Living crisis](#) beginning to emerge, but that more positively, only around one in ten schemes surveyed said that they have seen members wanting to opt out (12%), which is only a little above the long-term trend of 9%.

The LGPS has a very low level of opt outs compared with occupational schemes, and this is expected to continue. The [Opt out forms for Wiltshire Pension Fund](#) provide comprehensive information on benefits that are being given up in line with guidance and best practice.

### 50/50

The LGPS offers flexibility to pay half the normal contribution rate and build up half the normal pension (the 50/50 section of the LGPS). Full life and ill-health cover is kept while in the 50/50 section.

Year	Count of 50/50	Active membership	% active membership
2017/18	55	21,781	0.25%
2018/19	67	22,541	0.30%
2019/20	96	23,487	0.41%
2020/21	111	23,131	0.48%
2021/22	120	23,324	0.51%

Source: Pension administration system (Heywoods)

**The percentage of fund members making use of the 50:50 option has been gradually increasing since it was introduced, however it still remains a very small proportion of the fund at 0.51%.**

The degree of accuracy on 50/50 is higher as *Wiltshire Pension Fund* administers the process. Analysis of age/salary profile does not reveal any strong trends, but the population size is quite small. As the number of employers using iConnect (the contribution payments portal) increases, it may be possible to observe changes more frequently. But currently, reporting across all employers is only available at year end.



## Membership profile

The change in membership profile for the Fund (as described in the cashflow section above) may result in a gradual administrative shift from active membership to the deferred and pensioner membership.

Active membership over recent years:

Year	Active membership	% change
2017/18	21,781	
2018/19	22,541	3.5%
2019/20	23,487	4.2%
2020/21	23,131	-1.5%
2021/22	23,324	0.8%

## Annual Allowance

The Annual Allowance is the amount pension savings can increase by in a year without incurring a tax liability. The standard annual allowance is currently £40,000, and for defined contribution savers, the assessment against this is straightforward.

For the LGPS, the calculation in simple terms involves valuing the increase in benefits over the year by taking the starting amount at the 'pension input period' and increasing that amount by inflation. For defined benefit pensions the £40,000 value is of the pension (per annum) amount, and it therefore catches members with relatively modest salaries if they have long service or moderate promotional pay rises. Historically, the number of members affected by the AA has been relatively low and overseen by the Technical and Compliance Manager.

For Wiltshire Pension Fund, additional operations include producing pension savings statements (for those members that might expect to be affected by the AA) and the associated tax charge where the AA is exceeded. Based on experience, **it is estimated that the number of statements could increase by 70-80% and the number of tax charges increased by 80-90% (roughly 160 statements and 60 members with a tax charge in 2022/23)**. Where members typically exceed the £40,000 limit each year, the amount by which they are likely to exceed will be higher.

**The team are beginning to consider resourcing required for this exercise** (which will be carried out in summer 2023). Requests for projections have already been received from members concerned about the potential increase in their tax liability.

## Other operational issues

Other operational issues that may arise during periods of high inflation/a cost of living crisis include:

- Increased member queries
- Potential need to send out more communications
- Increased number of opt outs / 50/50 elections (associated administration)
- Increased number of early retirement quotes
- [Cost of living making pension savings more vulnerable to scams \(FCA research\)](#) (e.g. transferring out to release cash)
- Lifetime Allowance (LTA) tax liability – whilst the impact of this will be lower than annual allowance, CARE accounts and deferred pensions would be being increased by 10.1% but the LTA limit has been fixed at £1,073,100 from 2020/21 to 2025/26.

## Comms Response

Following on from the extreme market response to the “mini-budget” in September 2022, pension funds were all over the news. In order to reassure members about the security of their pensions, we published a news article on the Fund’s website:

<https://www.wiltshirepensionfund.org.uk/article/6662/Fund-update-on-current-market-conditions>



Pension Awareness Week (PAW) 2022 focussed on supporting members during the cost-of-living crisis. Topics covered included:

- Educating members on how much they need to retire, looking at retirement living standards, and directing members to log in to our online portal, My Wiltshire Pension, to see their own financial position.
- Informing members about options open to them, such as 50:50, and highlighting how benefits increase in line with inflation.
- Providing links to quick tips for saving energy at home, as a preference to opting out.
- Explaining the unseen benefits of the pension fund, such as tax relief, flexible retirement, and the contributions made by the investment returns.
- Putting members more in touch with their pension by explaining jargon, and linking to helpful resources and guides to learn more.

The campaign was **sent to 23k members** directly, but also provided to the employers (including Wiltshire Council) to achieve a wider reach. We saw high **open rates of 50%**, with just under **60k emails opened** across the week, and **4.6k members clicking through** to find more information.

Over the week we saw an **additional 108 members registering with My Wiltshire Pension**, and more than **double the usual activity** on the portal, as more members engaged with their pension.

Our website also saw additional traffic, with over **2k more views and 0.9k more users** compared to the prior week, representing around **2.5x more website interaction**.

In terms of further information, this cost-of-living paper will be summarised and shared with the membership via the news pages.

## Workforce Considerations

The cost-of-living crisis is impacting on WPF staff. We promote flexible and remote working practices, with most staff working from home the majority of the time. With energy bills skyrocketing, the team may feel additional pressure to come into the office instead, rather than paying to heat their homes. However, staff have become accustomed to working from home during the pandemic, and many have commented that they now find the office environment distracting, and the commute, even if short, is time-consuming. There is a risk that this conflicting situation may adversely affect staff wellbeing.

Inflation is eroding wages, and public sector finances are under continuous strain. Recruitment is already difficult for local authorities, and LPGS funds are no exception. Resourcing may become increasingly tough in the short term. We are responding to this challenge by focussing on the things we can control. A specific webpage has been produced to showcase the benefits of working for the Fund: <https://www.wiltshirepensionfund.org.uk/Working-at-WPF>. We have launched team newsletters to promote a friendly and collaborative culture, and a recent restructure has introduced more career progression opportunities, which will hopefully boost retention of staff.

## Conclusions

These are challenging times, with competing pressures in the form of high inflation (applied to pension increases), low wage growth, a tough financial situation for both our scheme members and the public sector bodies who make up our employer base, as well as being a difficult year for investment returns. As an open pension scheme with a long-term time horizon, WPF is able to weather many of these challenges.

Perhaps the area of most concern in the short term is cashflow, caused by a potential shift in the membership profile, and rising pension payments alongside static contribution receipts. Our rough estimates indicate that we should be positioned to deal with the expected magnitude of changes to our cashflow demands, however due to the importance of this area, more analysis is needed, and we have commissioned further modelling work from the Fund's actuary.

<p>Working together as One Fund</p> <p><b>1</b></p> <p>We work together as One Fund, demonstrating the values of transparency, accountability, ownership, critical thinking, respect, and agility</p>	<p>High performing team</p>  <p>We aspire to be role models and leaders, through our commitment to develop knowledge and training</p>	<p>Data driven decisions</p>  <p>We use data to inform and evidence our decision making, and to measure our progress and successes</p>	<p>Efficiency through technology</p>  <p>We collaborate, and challenge our systems and processes, to create innovative solutions and drive continuous improvement</p>
<p>Long term thinking</p>  <p>We always act with the long term in mind, whether we are setting our investment strategy, planning improvements, or working towards our net zero by 2050 goal</p>	<p>Clear communications</p>  <p>We communicate with all our stakeholders in a clear, concise, relevant and effective way</p>	<p>Smarter working</p>  <p>We maintain focus on our core objectives, and work in a proactive and disciplined way, to promote simplicity and efficiency in everything we do</p>	

There are also concerns around resourcing, which we are working to mitigate to the best of our ability. Our investment strategy has recently been reviewed, and the modelling shows that in spite of the recent turmoil, we should be well positioned to deliver the investment returns needed over the long term. We have established processes for monitoring the investment performance, funding level, contribution receipts, cashflow position and administration

performance, and we will continue to keep the situation under review and proactively address any emerging concerns.

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**Wiltshire Council**

**Wiltshire Pension Fund Committee**

**14 December 2022**

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## **Key Financial Controls Report**

### **Purpose of the Report**

1. The purpose of this report is to highlight the significant issues in relation to the Fund's key financial controls.

### **Background**

2. Officers in the investments and accounting team have been reporting on various key accounting measures for some time and have developed a program of planned improvements to various processes and controls. The purpose of this report is so that the Committee and Local Pension Board can easily review key areas and monitor progress against planned improvements.

### **Key Considerations for the Committee / Risk Assessment / Financial Implications**

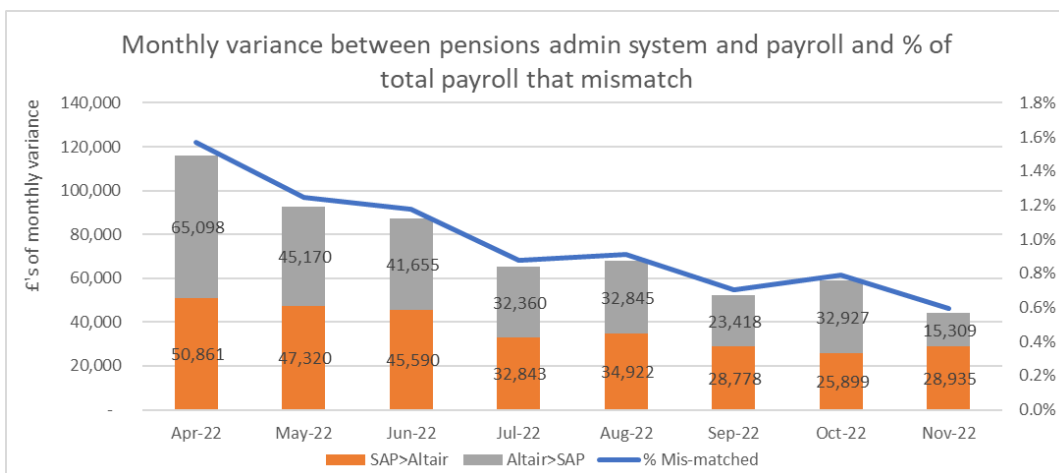
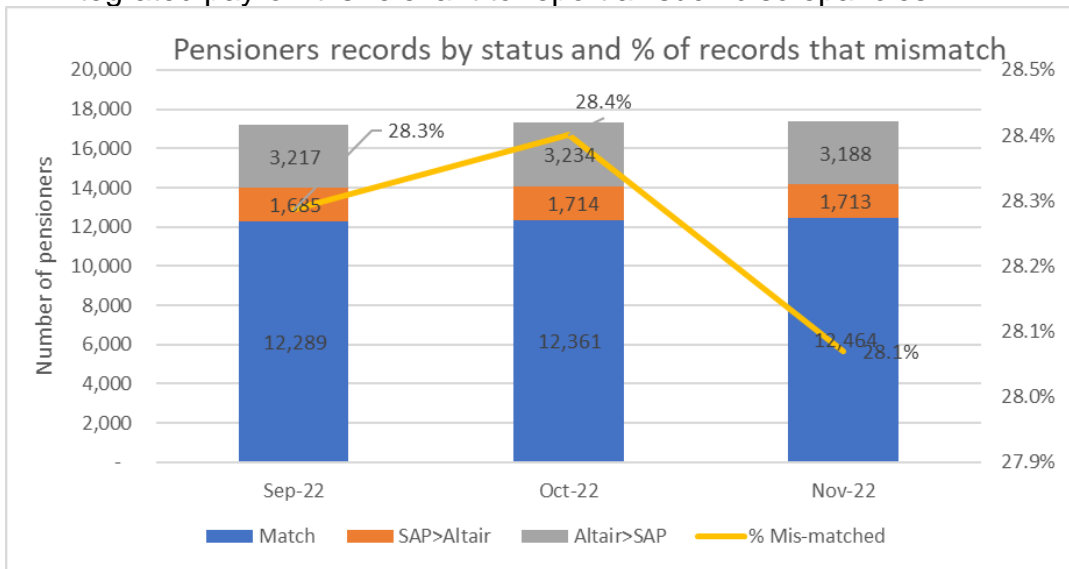
#### *Accounts and Annual Report*

3. Final sign off for the full Wiltshire Council Accounts for 2019/20 and 2020/21 continues to be delayed, the Pension fund accounts form a part of the full Council accounts and the delay, which is due to an issue within the Wiltshire Council figures, has meant the pension fund accounts have not received their final audit opinion for inclusion in the annual report. All work has been completed by the auditors on the Pension Fund accounts for 2019/20 and 2020/21. To ensure we comply with The Pensions Regulator (TPR) requirement to publish the report, it is available on the website with a note stating the audit opinion will be included when available.
4. The latest update from the Auditors and the Council Finance team is that the 2019/20 accounts are scheduled for sign off in February 2023. To prepare for this, Pension Fund officers have prepared a subsequent events note to be included in the 2019/20 accounts. This is required as part of accounting regulations to note significant events between the balance sheet date and the date of signing. Given the length of time much has happened, however to help keep this note brief we have agreement from the auditors to direct readers to the later accounts already published for much of the details.
5. The external auditors have completed all their audit testing of the pension fund accounts and annual report for 2021/22, so far no issues have been identified and no changes required for the annual report and accounts. The final work to be completed by the external auditors are final reviews and quality controls checks which are expected to be completed by the end of December 2022. The full

process was planned to be completed by the end of November, however delays by the auditors, partly due to the pensions LDI issue has pushed completion back. Given the continued delay to the Council Accounts full sign off will not be possible until the Council accounts are up to date.

*Payroll reconciliations*

6. Work to reconcile and correct discrepancies between the Altair pension admin system and SAP payroll records continues. A separate update is provided on this project elsewhere on this agenda. The reconciliation process to track the variance between the Altair pension admin system and the payroll has been running since April 2022. The reconciliation compares the annual pension payable on each system and quantifies the number of cases and value of discrepancies. In the last quarter improvements have been made to this process to exclude known or allowable variances to enable focus on real issues.
7. The following graphs show the extent of the variances between the two systems. There can be multiple reasons for the discrepancies which can range from a fundamental incorrect payment to data mismatch problems. Therefore the gross value of SAP>Altair or SAP<Altair figure represents the extent of the mismatch. Because all of these issues require resolution for the fund to move to a single integrated payroll it is relevant to report all such discrepancies.



8. This report categorises all cases £1.00 p/a as matching. The graphs show the number of cases at variance within three categories of monthly variance total. The majority of cases are below £5p/m however there are still a significant number of cases >£5p/m different, these cases will be resolved through the outsourcing project.
9. The reconciliation data shows a positive trend with the number and value of differences between the two systems reducing over time. The improvement has mainly come from work to develop and correct data issues between the two systems and how the reconciliation is built. Work to finalise cases being resolved by the administration team has also reduced the variance. Once the outsourced payroll reconciliation project commences these graphs will track the progress being made.

### *Integrated Systems*

10. Project Evolve is ongoing within Wiltshire Council, this will deliver a replacement to the existing SAP payroll and accounting software. The pension team are members of implementation working groups, officers are working with the payroll and Evolve implementation teams to transfer existing pensioners to the new payroll system. Following a recent evaluation of the timeline by the project team implementation has been delayed beyond the planned commencement date of April 2023. A revised start date is being worked on by the project team.
11. Officers have commenced work with Heywoods, who provide the Altair system, to implement integrated payments. This will provide a new process for making all one-off payments to pensioners, e.g. lump sums, without the need to run reports and send separate information to the council accounts payable team. Initial training and testing of the system is underway. The testing period has been longer than expected due to issues with the system. A phased roll out plan will be developed to commence making one off payments via this new system in the new year.
12. Following implementation of the new Evolve payroll a plan will be prepared to transfer pensioners onto the new integrated payroll within Altair. This would take place once the reconciliation process between Altair and payroll is completed and post implementation of Evolve when the Council payroll team would have available resources. More detail on these plans will be included in the business plan and future papers.

## Quarterly Financial Performance Dashboard

Wiltshire Pension Fund - Key Financial Controls Dashboard				
Control Area	RAG	Items reviewed under this control area	Comments on Performance	Ongoing Actions
	Oct-22			
1. Employer Contributions	Green	Timely and accurate payment of employer contributions each month.	See summary performance table for full details. Almost all employers paying on time and with the correct rate.	
2. Payroll	Yellow	Monthly payroll sign off process checking starters and leavers plus reconciliation of Altair to Payroll	New reconciliation process being used to monitor discrepancies between the pension admin system and payroll, reported on within this paper.	Large amount of work required to be completed to resolve discrepancies between the two systems. Outsourced provider appointed to resolve discrepancies above £5p/m. Process being developed to resolve issues below £5p/m
3. Cashflow, banking and capital calls	Green	Maximum and minimum cash balances, private markets capital calls and distributions and treasury performance.	See summary performance table for full details. All capital calls met on time.	Investment manager selected to provide the SALAMI portfolio, undergoing legal due diligence.
4. Balance Sheet Reconciliations	Green	All balance sheet control codes are reviewed for accuracy and outstanding issues.	All control codes have been reviewed and checked, no unexplained balances.	None
5. Altair Checks	Yellow	Check between the ledger and pension admin system (altair) that any transactions, such as payments or receipts match the admin system.	All reconciliations have been undertaken discrepancies have been significantly reduced following active engagement with the Admin team to review old cases.	Administration team working with finance team to resolve discrepancies and reduce final outstanding items
6. Financial Budget Reporting	Green	Review of year to date and forecast operating budget performance, or any unusual monthly movements on the overall fund account.	Budget forecast within plan, see detailed schedule later in this paper for information on assumptions.	Continued review of forecast .
No material concerns	Green			
Minor issues outstanding	Yellow			
Major issues outstanding	Red			



13. The following table provides further details for performance dashboard item 1. Employer contributions.

Summary of Contributions Payment Performance										
Quarter	Payroll Month	Paid contributions £000's				Average late and overdue contributions total days		Number of employers payments status		
		Total Payment	On Time Payment	Late Payment	Late Payment %	Days Late Recd	Days Overdue	On time	Late	Not Received
Q1	Apr-22	8,099	5,256	2,842	54.1%	19.4	-	157	18	-
Q1	May-22	7,732	4,723	3,003	63.6%	7.9	-	155	20	-
Q1	Jun-22	7,815	7,794	22	0.3%	18.9	-	165	10	-
Q2	Jul-22	7,836	6,993	66	0.9%	5.8	-	167	6	-
Q2	Aug-22	7,518	7,265	253	3.5%	16.1	-	162	10	-
Q2	Sep-22	7,535	7,522	13	0.2%	8.1	-	161	14	-
Q3	Oct-22	7,813	7,003	809	11.6%	3.3	10.0	166	7	1
<b>Total</b>	<b>Q1</b>	<b>23,646</b>	<b>17,773</b>	<b>5,867</b>	<b>33.0%</b>	<b>15.4</b>	<b>-</b>	<b>477</b>	<b>48</b>	<b>-</b>
<b>Total</b>	<b>Q2</b>	<b>22,889</b>	<b>21,780</b>	<b>332</b>	<b>1.5%</b>	<b>10.0</b>	<b>-</b>	<b>490</b>	<b>30</b>	<b>-</b>

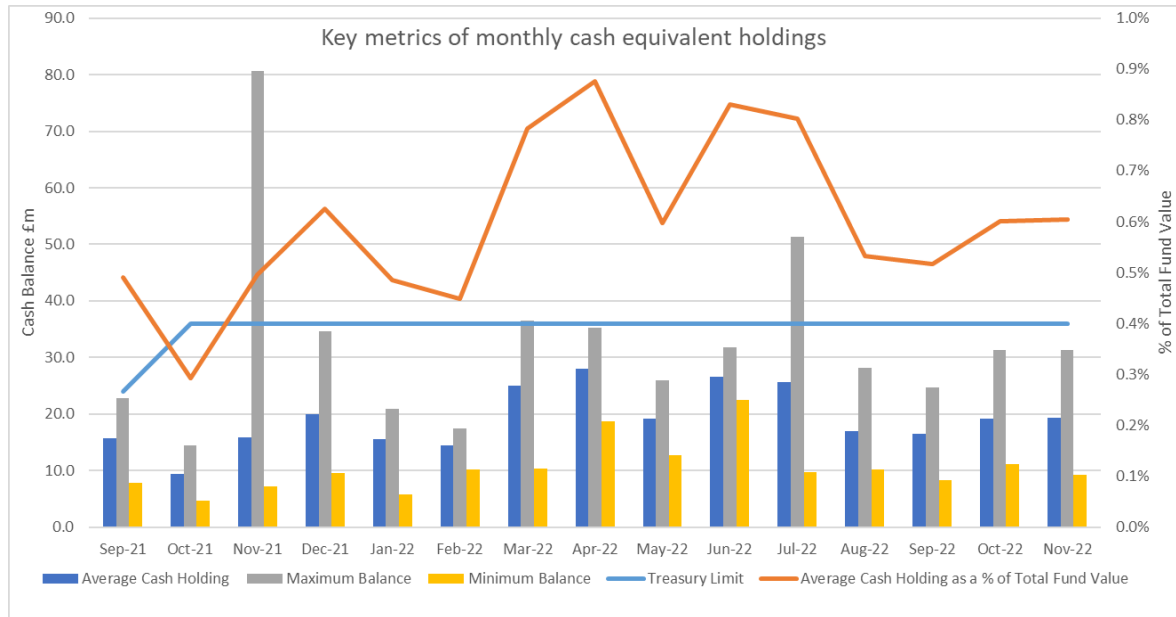
14. One payment remains outstanding as at 29<sup>th</sup> November 2022, this is being actively chased by the fund. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to remind them to pay. Persistently late payments or employers where we have problems are escalated to the employer relationship manager for resolution.

15. The following table provides further details for performance dashboard item 3. Cashflow, banking and capital calls. This table sets out the actual and forecast cashflow movements for 2022/23. The table separates the cashflow between operating cashflow, such as income from employers and payment of pensions and investing which includes rebalancing strategies or meeting private markets capital calls.

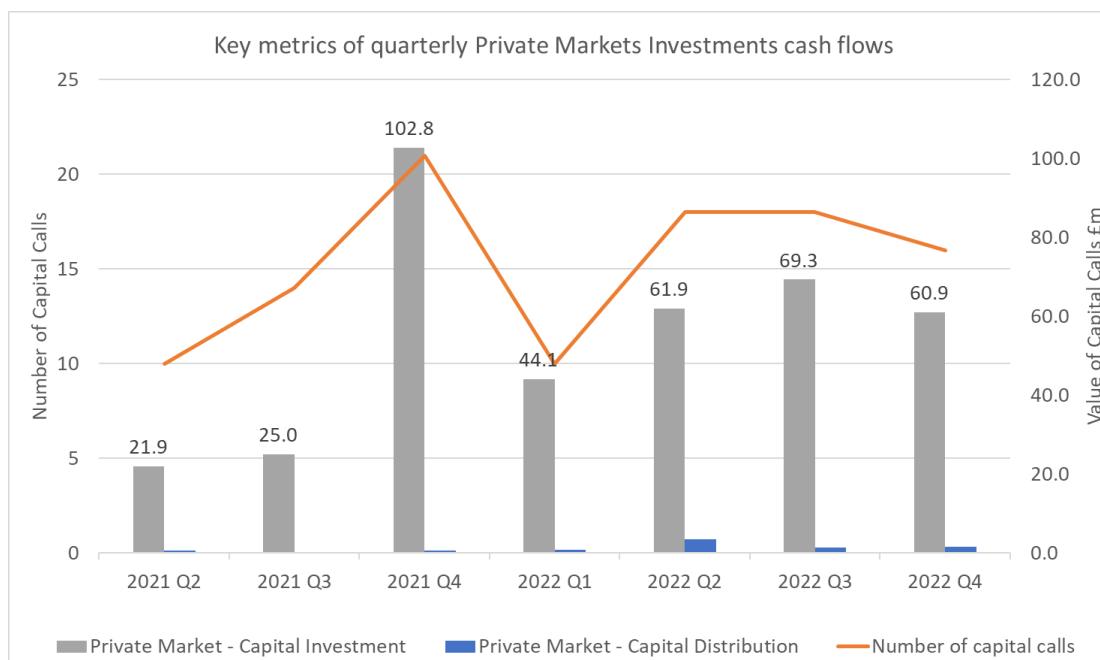
16. The average cash equivalent holding as a % of total fund assets remains small at around 0.8% - 0.5% to minimise the detrimental effect of cash drag on overall performance.

		Summary Cashflow statement for Wiltshire Pension Fund												
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	
<b>£m equivalent</b>		<b>Apr-22</b>	<b>May-22</b>	<b>Jun-22</b>	<b>Jul-22</b>	<b>Aug-22</b>	<b>Sep-22</b>	<b>Oct-22</b>	<b>Nov-22</b>	<b>Dec-22</b>	<b>Jan-23</b>	<b>Feb-23</b>	<b>Mar-23</b>	<b>2022/23</b>
<b>Opening Cash Balance</b>		<b>28.7</b>	<b>18.9</b>	<b>25.9</b>	<b>22.5</b>	<b>10.1</b>	<b>12.0</b>	<b>16.8</b>	<b>31.4</b>	<b>17.1</b>	<b>11.5</b>	<b>19.2</b>	<b>20.4</b>	<b>28.7</b>
Operating	Income	39.9	6.9	11.6	8.8	8.7	9.2	8.9	8.5	7.8	7.8	7.7	7.8	133.7
Operating	Expenditure	(9.5)	(10.9)	(9.1)	(11.4)	(10.0)	(10.1)	(9.7)	(10.3)	(13.2)	(10.1)	(9.8)	(10.1)	(124.3)
Investing	Private Market - Capital Investment	(40.1)	(5.9)	(15.9)	(43.8)	(21.2)	(4.3)	(6.3)	(22.5)	(32.2)	0.0	(10.9)	(10.9)	(213.9)
Investing	Private Market - Capital Distribution	0.0	3.5	0.0	0.0	1.3	0.0	1.6	0.0	0.0	0.0	2.2	2.2	10.9
Investing	Listed Market - Capital Withdrawal	0.0	13.3	10.0	34.0	23.0	10.0	20.0	10.0	32.0	10.0	12.0	12.0	186.2
Investing	Listed Market - Capital Investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investing	Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.1
<b>Closing Cash Balance</b>		<b>18.9</b>	<b>25.9</b>	<b>22.5</b>	<b>10.1</b>	<b>12.0</b>	<b>16.8</b>	<b>31.4</b>	<b>17.1</b>	<b>11.5</b>	<b>19.2</b>	<b>20.4</b>	<b>21.5</b>	<b>21.3</b>
<b>Maximum Balance</b>		<b>35.2</b>	<b>25.9</b>	<b>31.8</b>	<b>51.4</b>	<b>28.1</b>	<b>24.7</b>	<b>31.4</b>	<b>31.3</b>	<b>45.8</b>	<b>27.3</b>	<b>28.4</b>	<b>29.6</b>	
<b>Minimum Balance</b>		<b>18.6</b>	<b>12.6</b>	<b>22.4</b>	<b>9.7</b>	<b>10.2</b>	<b>8.4</b>	<b>11.1</b>	<b>9.2</b>	<b>11.5</b>	<b>11.0</b>	<b>20.4</b>	<b>21.4</b>	
<b>Average Cash Holding</b>		<b>28.0</b>	<b>19.1</b>	<b>26.6</b>	<b>25.7</b>	<b>17.0</b>	<b>16.5</b>	<b>19.2</b>	<b>19.4</b>	<b>17.3</b>	<b>19.5</b>	<b>23.2</b>	<b>24.2</b>	
<b>Average Cash Holding as a % of Total Fund Value</b>		<b>0.9%</b>	<b>0.6%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>0.8%</b>	
<b>Number of capital calls</b>		<b>6</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>3</b>	<b>5</b>	<b>9</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>
<b>Number of listed market withdrawals</b>		<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>10</b>
<b>Maximum Balance</b>		<b>35.2</b>	<b>25.9</b>	<b>31.8</b>	<b>51.4</b>	<b>28.1</b>	<b>24.7</b>	<b>31.4</b>	<b>31.3</b>	<b>45.8</b>	<b>27.3</b>	<b>28.4</b>	<b>29.6</b>	
<b>Minimum Balance</b>		<b>18.6</b>	<b>12.6</b>	<b>22.4</b>	<b>9.7</b>	<b>10.2</b>	<b>8.4</b>	<b>11.1</b>	<b>9.2</b>	<b>11.5</b>	<b>11.0</b>	<b>20.4</b>	<b>21.4</b>	
Net Cashflow from	Operating	30.4	(3.9)	2.4	(2.6)	(1.3)	(0.9)	(0.8)	(1.8)	(5.4)	(2.3)	(2.1)	(2.3)	9.4
	Investing	(40.1)	10.9	(5.8)	(9.8)	3.2	5.7	15.4	(12.5)	(0.2)	10.0	3.3	3.3	(16.6)

17. An investment manager has been selected to run the SALAMI (Strategic allocation to Liquid asset matching investments) portfolio, legal due diligence is being undertaken prior to formal appointment and portfolio establishment, this will be up and running by the end of Q4 2022/23. This portfolio will allow the fund to maintain a smaller cash balance.



18. Cashflow activity for private markets capital calls have continued to be met as commitments made to Brunel Cycle 2 portfolios (Private Debt, Private Equity, Infrastructure & Secured Income) are called and the fund commitments to affordable housing. The Q4 figures shown below are as at the end of November 2022 with December still to be completed.



*Planned improvements and key items to monitor*

19. The team has been making improvements to accounting processes in several areas. A summary of planned improvements, current issues and progress to date, is shown below:

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
Payroll reconciliation	Amber	Green	Reconciliation process is implemented and recording a gradual reduction in variances. This is reported on within this report. It shows the large number of discrepancies between the two systems. Aon will be commencing their work to resolve cases with differences over £5p/m. A process to resolve cases under this value is being designed.
Integrated systems	Amber	Amber	New plans are now being worked on to implement an integrated payroll and a one-off payments system within Altair. The payroll will be set-up, tested etc. and then pensioners would transfer to the new Evolve system and be moved to the Altair payroll in batches when the reconciliation work is complete and the payroll team have capacity. One-off payments is in the process of being implemented.
Evolve	Green	Green	Implementation of the SAP financial system will now be later than April 2023. The fund will continue to have access to a functional finance system and payroll until the new system is established. The pension is represented on key implementation working groups. The new system is in development to meet the Council and pension fund needs.
An overall review of reconciliations, and improved management information	Amber	Yellow	Reconciliations are being reviewed monthly within the finance team and reported on. Cases causing discrepancies are being passed to the administration team for investigation. The finance team are working with the administration team to resolve issues, improvement have been seen in transfer in cases outstanding over the last quarter.
Wiltshire Council – Wiltshire Pension Fund SLA charge	Yellow	Red	<b>LPB Action Point – SLA Recharge</b> Pension Fund Officers have received a draft SLA charge from the Council finance team in the summer. Further work is required to revise some of these calculations and then produce a full SLA document, officers are awaiting a response from the council team.

\*RAYG = Red/Amber/Yellow/Green

Significant concern

Improvement / Issue	Last RAYG* rating	Current RAYG* rating	Comments
	Not started		
	Work has commenced		
	Significant progress made		
	Completed/situation under control		

### Wiltshire Pension Fund Running Costs 2022-23

20. The operating budget includes core running costs of the fund; administration, governance and investment officers. The operating budget excludes fees for investment managers, these are reported annually and considered alongside investment returns.
21. To improve information available to Committee on the costs of Brunel a reference line has been included to show these costs at the bottom of the budget report. The annual cost includes Wiltshire's share of the running costs and in the last two years a cost of a provision made to cover the guarantee provided by the fund to Brunel to for pension liabilities. In year ending March 2021 this was £666k, and in year ending March 2022 an additional £111k was charged to increase the provision. The forecast for March 2023 includes no adjustment for this and only includes the underlying running costs of just over £1m.
22. The pension fund is forecasting an underspend of £653k versus the operating budget for 2022/23, based on known expenditure to the end of November 2022. The main item of underspend relates to £700k of timing difference on the implementation of two key projects, the payroll reconciliation and backlog clearance. The table at the bottom of the budget summary shows that for each project £50k of costs has been forecast. Separate updates on the projects are included elsewhere on this agenda. These budget costs will be rolled forward into the budget proposal for 2023/24.
23. Excluding this underspend the fund is forecasting a small overspend, the key cause of this has been a higher than budgeted pay award to all council staff. The budget included a pay award of 2%, the actual award was an increase for all staff of £1,925, this increased total staffing costs by £64k c4% for the year.
24. Other variances to budget have been some of the high value systems contracts incurring inflationary increases greater than included in the plan. This overspend is offset by lower than expected advisory fees, notably a saving on reporting previously provided by Mercer now provided by officers. Also no expenditure forecast for a selection process for a new renewable infrastructure manager. Additional fee's have been forecast for administration support throughout from January to the end of March 2023, a verbal update on this matter will be provided

at Committee, this is partially offset by some other operational underspends, such as travel and conferences.

Wiltshire Pension Fund Budget 2022/23								
£000's	Prior Year				2022/23			
	2019/20	2020/21	2021/22		Forecast	Budget	Variance	% Variance
Investment administration staffing costs	119	114	206		194	198	4	2%
Investment administration travel/conferences/training costs	0	2	24		4	8	4	51%
<b>Total investment administration costs</b>	<b>120</b>	<b>116</b>	<b>230</b>		<b>198</b>	<b>206</b>	<b>8</b>	<b>4%</b>
Pension scheme administration staffing costs	996	1,036	1,152		1,326	1,267	(59)	-5%
Staff training	19	22	18		28	28	0	0%
Corporate charges	311	311	311		311	311	0	0%
Pension administration systems and data cleansing	310	354	328		629	622	(7)	-1%
Other administration costs	107	51	28		322	970	648	67%
<b>Total scheme administration costs</b>	<b>1,743</b>	<b>1,775</b>	<b>1,838</b>		<b>2,617</b>	<b>3,199</b>	<b>582</b>	<b>18%</b>
Oversight & governance staffing costs	246	180	225		236	238	2	1%
Training and conferences	8	0	24		20	28	8	28%
Subscriptions, memberships and levies	34	32	44		33	36	3	7%
Actuarial services	214	154	147		319	319	0	0%
Audit	10	37	27		83	83	0	0%
Legal fees	13	11	28		49	49	0	0%
Advisory fees	142	196	276		228	279	51	18%
Corporate charges & other costs	149	165	144		146	146	0	0%
<b>Total oversight &amp; governance costs</b>	<b>815</b>	<b>775</b>	<b>916</b>		<b>1,115</b>	<b>1,178</b>	<b>63</b>	<b>5%</b>
<b>Local Pension Board costs</b>	<b>14</b>	<b>14</b>	<b>15</b>		<b>25</b>	<b>25</b>	<b>0</b>	<b>0%</b>
<b>Total operational running costs</b>	<b>2,692</b>	<b>2,679</b>	<b>2,998</b>		<b>3,955</b>	<b>4,608</b>	<b>653</b>	<b>14%</b>
<b>Number of Members</b>	<b>80,824</b>	<b>82,454</b>	<b>82,454</b>		<b>82,454</b>	<b>82,454</b>		
<b>Total Running Cost per member (Admin &amp; Governance)</b>	<b>£ 31.83</b>	<b>£ 31.09</b>	<b>£ 33.58</b>		<b>£ 45.57</b>	<b>£ 53.39</b>	<b>£ 7.82</b>	<b>15%</b>
<b>Underlying Running Costs Per member 22/23</b>								
Valuation & SAA					207	207	0	
Altair Payroll & Implementation					308	308	0	
Payroll Reconciliation					50	350	300	
Backlog Clearance					50	450	400	
Systems Review					20	20	0	
<b>Exclude One off Costs</b>					<b>635</b>	<b>1,335</b>	<b>700</b>	
<b>Underlying Running Costs</b>					<b>3,320</b>	<b>3,273</b>	<b>(47)</b>	
<b>Revised Running costs per member</b>					<b>£ 40.26</b>	<b>£ 39.69</b>	<b>-£ 0.57</b>	
<b>Reference item - Managed as part of investment manager fees</b>								
Brunel Running Costs	888	1,501	1,143		1,040	0	(1,040)	

## Environmental Impacts of the Proposals

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

## Safeguarding Considerations/Public Health Implications/Equalities Impact

26. There are no known implications at this time.

## Proposals

27. The Committee is asked to use this report to monitor progress against resolving the issues which have been identified, and the progress made to develop accounting and control improvements.

Report Author: Chris Moore, Pension Fund Accounting and Investments Officer

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

**Wiltshire Council**

**Wiltshire Pension Fund Committee**

**14 December 2022**

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## **Data Retention Strategy**

### **Purpose of the Report**

1. To provide a proposed, revised approach to the Fund's Data Retention Strategy from what was presented to Board members in 2019-2020 and to seek comments and approval.

### **Background**

2. Following the introduction of GDPR and, later, the Data Protection Act 2018 the Fund produced a report outlining an overview of its proposed Data Retention Strategy. In setting out that policy the Fund's sought to comply with data protection legislation but also to ensure that it held all data required to administer the Scheme efficiently and in line with specific pensions legislation.
3. The first report was presented to the Board on 14 November 2019 and a follow up report was presented on 13 February 2020.
4. The original report took into account the advice that the Local Government Association from its legal advisers (Squire Patton and Boggs (UK) LLP) and the views of the Fund's actuary.
5. Legislation does not stipulate specific data retention times that the Fund must adhere to but the general principle which applies is that the Fund must be able to demonstrate that it is not holding personal data for longer than is reasonably or legally required (for example, to perform another non-data protection legal function).
6. The Local Pension Board considered these changes at its meeting on 27 October 2022 and subsequently endorsed them.

### **Considerations for the Committee**

#### **Key changes:**

Altair and associated member specific records retention periods

7. After further consideration from officers concerning the desire to be able to demonstrate that all liabilities once held by the Fund had now been extinguished (i.e. showing former member have received a refund or transferred out), and given that the latest age that a member can withdraw LGPS benefits is at age 75, officers have made the following broad changes to its strategy:

8. Delete membership data from no liability or opt out Altair statuses after the later of:
  - a). When the former member reaches age 75; and
  - b). 15 years after the date that benefit entitlements ended.
9. Previously the Fund's approach was to delete membership data after 15 years from the date the benefit entitlements ended, regardless of the person's age (noting the LGA advised using the greater of age 100 and 15 years).
10. A further minor amendment was made to clarify that we would only delete deceased members data if there were no associate dependent pensions still being paid (because the latter is derived from the former). In the case of death with no dependent benefits due, only the 15 year period would remain. Note: The protection of personal data legislation does not apply to anyone who is deceased.
11. Similarly, it has been clarified within the Fund's strategy that we would not minimise or delete any data from records where benefits were still due to the member.

#### SharePoint:

12. Given changes to the way that the Council's ICT department rolled out the newer version of SharePoint since the last data retention strategy was drafted, and in consideration that the Fund's existing SharePoint folder and file structure was not designed with data retention considerations in mind (because it was built long before GDPR), officers also propose changes in this area too:
13. Officers will seek to start afresh with a new SharePoint which has retention periods built into its design. Clearly essential material from the old site will be migrated across on mass while other less clear material will be migrated as and when accessed and required – both sets of data will have retention timescales attached to them. From the date the new site starts, the old site will be locked to making further amendments to avoid version control issues and therefore overtime any data remaining on the old site will be deemed to be no longer necessary.
14. The exact details of dates and transition periods will be determined as part of project set up and when considering the next year's business plan actions, bearing in the mind the Fund's other resource requirements and existing priorities.

#### **Conclusions**

15. Officers consider these changes to be reasonable and proportionate changes to the existing strategy, striking a balance between compliance, achievability and efficiency.
16. The Fund's proposed retention periods are still shorter than recommended by the LGA's advisers but longer than previously stated and therefore officers have not



consulted with the actuary regarding their needs as there would be no impact on them.

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

17. Not applicable.

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

18. There are no financial considerations in addition to those commented on in the original report.

### **Legal Implications**

19. There are no material legal implications from this report beyond those already stated.

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

20. There are no known implications at this time.

### **Reasons for Proposals**

21. To comply with GDPR & the Data Protection Act 2018 in a pragmatic way.

### **Proposals**

22. The Committee is asked to approve the changes outlined.

Jennifer Devine  
Head of Wiltshire Pension Fund

Report Author: Andy Cunningham, Pensions Administration Lead

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

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## PERSONAL DATA RETENTION POLICY

### Wiltshire Pension Fund (the "Fund")

This document has been prepared by Wiltshire Council (the "**Administering Authority**", or "**we**") in its capacity as the administering authority of the Fund and sets out the Fund's policy on the retention of personal data.

This policy document can also be accessed via the following link: [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk) and should be read in conjunction with the Fund's privacy notice, which can be accessed via the following link: [www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk).

### Introduction

As data controllers, we are required by legislation to comply with the principles of data minimisation and storage limitation. Personal data we process:

- must be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed; and
- must not be kept in a form which permits identification of a data subject for longer than is necessary for the purposes for which the personal data is processed.

We are obliged to retain certain records (whether in hard copy or electronic form) for various periods of time because:

- we have a statutory obligation to do so; and/or
- the information contained in those records may be necessary for the future (for example, questions may arise about the calculation of benefits paid in the past, and data that may be relevant to a possible legal claim needs to be kept until the period within which that claim could be brought has expired).

This policy document sets out the measures adopted by the Fund to comply with the principles of data minimisation and storage limitation in relation to personal data that it holds.

### Types of personal data we hold

We hold and process the following types of personal data in relation to Members of the Fund:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number and employee and membership numbers.
- Information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.
- Information about the Member's family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and

allocation of benefits payable on death.

- Information about the Member's health, for example, to assess eligibility for benefits payable on ill health, or where the Member's health is relevant to a claim for benefits following the death of a Member of the Fund.
- Information about a criminal conviction if this has resulted in the Member owing money to the Member's employer or the Fund and the employer or Fund may be reimbursed from the Member's benefits.

### **Retention periods for personal data**

In compiling our policy on the retention of personal data, we have taken into account the guidelines on the retention of personal data as set out by / in:

- Information and Records Management Society;
- The National Archives;
- HMRC compliance handbook manual CH15400;
- Lord Chancellor's Code of Practice on the Management of Records issued under Section 46 of the Freedom of Information Act 2000;
- ICO's retention policy;
- EU Article 29 Working Party guidance; and
- The Pension Regulator's code of practice 14 for public service pension schemes.

Data protection legislation requires that we retain personal data for no longer than is necessary in order to fulfil the purpose(s) for which it is processed. Given the long term nature of pensions, we need to ensure that personal data is retained to:

- comply with our legal and regulatory obligations regarding the payment of pensions from the Fund; and
- deal with any questions or complaints that we may receive about our administration of the Fund.

Personal data will be retained for **the greater of**<sup>5</sup>:

- such period as the Member (or any Beneficiary who receives benefits after the Member's death) are entitled to benefits from the Fund and for a period of 15 years after those benefits stop being paid or when they reach age 75 (whichever is later);

During any period when we retain personal data, we will keep that personal data up to date and take all reasonable steps to ensure that inaccurate data is either erased or rectified without delay. We will periodically review the personal data that we retain and consider whether it is still required; any personal data that we no longer require will be destroyed.

### **Member's and Beneficiary's rights**

Beneficiaries form a wider category of people who receive benefits from the Fund, for example the active/deferred/pensioner Member's spouse / child(ren) / dependants who may receive benefits from the Fund following a Member's death. Members of the Fund and Beneficiaries have a right to access and obtain a copy of the personal data that we hold about them and to ask us to correct personal data if there are any errors or it is out of date or incomplete.

In certain circumstances a Member / Beneficiary has the right to:

- object to the processing of their personal data
- restrict the processing of their personal data until any errors are corrected;
- transfer their personal data; or
- erase their personal data.

If the exercise of the Member's / Beneficiary's rights would prevent us from paying or continuing to pay a pension from the Fund, we will consider retaining a minimised version of that Member's / Beneficiary's personal data in order to fulfil our legal and regulatory obligations.<sup>11</sup>

### **Participating Employers**

This policy applies to Wiltshire Council in its capacity as the administering authority of the Fund. We have produced separate guidance for other participating employers in the Fund about our expectations for the retention by them of personal data we may require to administer the Fund. That guidance includes a suggested data retention policy that employers can each adopt in relation to their participation in the Fund.

### **Review**

This policy will be reviewed by Wiltshire Pension Fund as required.

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Wiltshire Council

Wiltshire Pension Fund Committee

14 December 2022

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## Wiltshire Pension Fund – Cessation Policy review

### Purpose of the Report

1. The purpose of this report is to seek approval for an important, but technical change, to the Fund Cessation Policy

### Background

1. At the Fund's meeting on 17 November 2022, the Committee approved the adoption of a number of new/amended key policies and strategies. In relation to the Fund's cessation policy, officers proposed an initial approval of a general cessation methodology change (for some cessation types) but asked to bring back a key decision to this meeting once further analysis was possible.
2. In the following paragraphs (in italics), officers have repeated the considerations from the last paper as some context to this paper.

*Cessation calculation methodology review (Low Risk basis/Employers with no guarantor)*

3. *At present, when any employer leaves the Fund, the actuary will perform a cessation calculation to help identify what is an appropriate exit funding position for that employer and thus whether this creates the need for a cessation deficit to be recovered or cessation surplus to be paid. The Fund takes a different approach to this valuation depending on whether a scheme employer guarantor sits behind the existing employer.*

*Methodology A ('ongoing' – for employers with a scheme employer guarantor): The actuary performs the cessation valuation on a basis which is broadly similar to the approach used for the whole Fund valuation. This already includes a layer of prudence baked in by using a discount rate which should achieve fully funding in 75% of the actuary's 5,000 modelled outcomes (and a flat discount rate for years further in the future).*

*Methodology B ('low risk' – for employers without a scheme employer guarantor): At present, the actuary takes a more prudent (but not modelled) approach to setting the discount rate by setting it equal to the yield of long dated gilts.*

4. *The actuary and officers propose changing methodology B so that it more similar to methodology A but with a higher level of prudence than methodology A still applied. The new approach would remain different to methodology A in two ways:*

- *The discount rate set would need to be achieved in higher percentage of modelled outcomes.*
  - *Rather than setting a specific likelihood of success, a corridor will be introduced instead with cessation deficits/surpluses only being due if the final cessation funding position sits outside of that corridor (and it only be necessary to make or receive payments to reach the boundary of the corridor rather than the centre).*
5. *To help inform the decision of what is the appropriate corridor to use, the Fund also needs to consider what is the appropriate investment strategy to be used for the orphaned liabilities which result from a cessation linked to methodology B. The available options are to use either the Fund's main investment strategy or to use an alternative investment strategy which is more appropriate for (generally) maturing, non-active member liabilities which would ultimately need to be funded by unconnected employers in the Fund should there be a shortfall in assets.*
  6. *The Fund has asked Mercer to provide some advice on this. Unfortunately, this was not available in time for this meeting and therefore officers are seeking approval of the general change to the methodology B at this meeting but approval to the exact approach to methodology B at the December Committee meeting.*
  7. *As context, due to two material, recent cessations, officers expect the orphaned liabilities pool to soon be around £100m-£150m in size (c4-5% of assets) which is sufficiently large that the decision made in this respect could have impact on the overall investment strategy.*
  8. *Furthermore, at present, officers are currently considering using a likelihood of success corridor of either 87.5%-92.5% or 90%-95% but a final proposal will be brought to the next meeting.*

### **Key Considerations for the Committee**

9. Unfortunately, Mercer's advice is still unavailable but after a further discussion with the Fund's actuary, officers propose that a likelihood of success corridor of 90%-95% is adopted. The reason for choosing this corridor is to select a level of prudence which is broadly similar to what has existed to date. The decision on what type of investment strategy to use for the orphaned liabilities pool can be decided at a later date. In the meantime, and possibly beyond, the likelihood of success will model again the main investment strategy.
10. Furthermore, in relation to a concern raised by Members at the last meeting that with the adoption of corridor, employers may seek to just target the lower end, Officers have discussed this point with the actuary and our response is as follows:
  - For employers approaching cessation on the methodology B basis, the Fund will continue to set contribution rates which target the mid-point of the range; and



- In practice, funding levels can be relatively volatile and therefore in reality it is not really possible for an employer to accurately target a specific percentage.

11. In general, the actuary and officers will keep the chosen corridor under review on an annual basis (or as needed). Any proposed changes to the prudence level will be brought back to this Committee.

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

12. These are detailed in the body of the paper. General risks are outlined within the Fund's risk register.

### **Legal Implications**

13. There are no known implications at this time.

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

14. There are no known environmental impacts with this proposal.

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

15. There are no known implications at this time.

### **Reasons for Proposals**

16. To fulfil the Wiltshire Pension Fund's statutory obligation and to seek to fulfil best practice

### **Proposals**

17. To **approve** the revised cessation methodology approach and a likelihood of success corridor of 90%-95% as described within this paper.

**JENNIFER DEVINE**

**Head of Wiltshire Pension Fund**

Report Author: Andy Cunningham, Pensions Administration Lead

Unpublished documents relied upon in the production of this report:

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**Wiltshire Council**

**Wiltshire Pension Fund Committee**

**14 December 2022**

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## **Pension Payroll Database Reconciliation Project Update**

### **Purpose of the Report**

1. The purpose of this report is to provide for the Committee's consideration, a further update on the detailed, and ongoing reconciliation project between the pension administration system (Altair) and pensioner payroll system (SAP).

### **Background**

2. This paper provides an update on the progress of this ongoing project.

### **Current situation**

3. The current situation of the rectification project is as follows, for the greater than £5 per month cases:
  - Aon has been appointed as a third-party administrator and a contract was signed in November 2022.
  - Aon have been assigned the remaining pensioner and dependant cases (925 cases in total) which fall into the scope of the rectification project and will begin work in December.
  - The project is due to be complete within 9 months from now although exact timeframes need to be discussed and agreed with Aon due to some procurement delays which held up the contract being signed.
4. For the under £5 per month discrepancies (but over £1 per year), the Fund is resolving these in two stages. Firstly, to correct Altair where Altair is deemed at fault. Secondly, to correct SAP. Stage one is progressing during November and December and the SAP changes will be made before next year's pension increase exercise (which is likely to result in up to a c10% increase due to high inflation).

### **Considerations for the Committee**

5. Officers continue to undertake a full monthly reconciliation between the Altair and SAP to act as a key control to ensure no new cases arise and ensure that the overall gaps between Altair and SAP are being closed. This reconciliation started in April 2022.
6. Information on the full picture of the scale and magnitude of the differences between the two systems is covered in detail in the KFC report.

7. Since the last report, offices have altered the tolerance from 10p per annum to £1 per annum to align with approach in paragraph 4 and in recognition of unavoidable rounding issues on the SAP system. These minor differences will be resolved when the Fund moves to an integrated Pensioner Payroll System (and the minor issues should also no longer occur).
8. At the current time, 28.3% of records have a difference between the two systems of over £1 per year (note this percentage has reduced substantially due to change outlined in paragraph 7). It is important to note that these do not all represent an actual incorrect payment, but nevertheless are an administrative problem for the Fund and need to be corrected. The vast majority of the differences are low value. The overall magnitude of the difference is around £60k per month (gross value of all unders and overs), representing around 0.8% of the total payroll. The variances can be categorised as follows:
  - Difference of <£5pm – 3,955 records (80%)
  - Difference of £5-50pm – 778 records (16%)
  - Difference of >£50pm – 213 records (4%)

### **Environmental Impact**

9. There is no environmental impact from this report.

### **Financial Considerations**

10. There are no new financial considerations related to this update paper.

### **Risk Assessment**

11. There are no new risks related to this paper.

### **Legal Implications**

12. There are no new legal implications related to this paper.

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

13. There are no implications at this time.

### **Proposals**

14. Committee is asked to note this update and is invited to make any comments or recommendations that it has in relation to this piece of work.

### **Jennifer Devine**

Head of Wiltshire Pension Fund

Report Author: Andy Cunningham (Pensions Administration Lead)

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

**Wiltshire Pension Fund Committee - 2022/23**

Meeting:	26/05/21	28/07/22	05/09/22	06/10/22	17/11/22	14/12/22	02/03/23	23/03/23	Guidance comments
<b>GOVERNANCE - Committee Specific</b>									<b>Comments</b>
Confirmation of annual election of Chair & Vice Chair	✓								Annual appointments made by Full Council
Review Committee's Terms of Reference (if and as required)				✓					This review should be in conjunction with the Board ToR review to ensure continuity. Lasted reviewed in July 2020. With the ISC meetings discontinued and the Good Governance review and new Single Code of Practice published, a review in 2022/23 is anticipated.
Fund's annual budget setting								✓	Prior to 31st March each year
Budget Monitoring		✓		✓		✓		✓	Quarterly spend & allocation of costs review against budget
Budget Outturn		✓							Annual actual review of financial pension fund spend against the previous year's budget
Committee Annual Training Plan Update								✓	To be completed following each Scheme year for subsequent inclusion in the Fund's AR&A
Training Item relevant to agenda	✓	✓	✓	✓	✓	✓	✓	✓	To be consistent with Members training & development strategy

Members Hand Book				✓					Hyman's standard Member Hand Book
Committee effectiveness review				✓					4 year plan last raised with the Committee on 12/12/2018. The Committee should also compare itself against its own core functions.
Forward Work Plan Review		✓		✓		✓		✓	Quarterly review of Committee's work plan. Officers to update the next Scheme year's plan with annual reviews undertaken in calendar Q2
<b>GOVERNANCE - Fund Specific</b>									<b>Comments</b>
Scheme Legal, Regulatory & Fund update		✓		✓		✓		✓	Quarterly update by the Head of Pensions
Review of Risk Register		✓		✓		✓		✓	Quarterly review. Request risks to be added & changes made by Board prior to Committee approval. Redesign register on publication of code of practice
Updates & comments on the previous Committee & Board meeting minutes	✓	✓	✓	✓	✓	✓	✓	✓	Amongst other purposes Members should use the minutes to identify risks which can be added to the risk register
LPB Annual Report - Review recommendations		✓							Ensure that Committee minutes during the past year have either actioned the recommendations, or commented on why the recommendations were not accepted
Review Governance Compliance Statement				✓					4 year plan last approved on 30/03/2021.

Review tPR Code of Practice 14 annual internal assessment		✓							Annual exercise of Self-assessment by officers & reviewed by Members. Every other year the self-assessment will be independently audited. Scope to form part of the single tPR Code of Practice
Review Fund Training Programme								✓	Complete 4 year training plan last approved on 16/12/2021. Annual reviews undertaken in Q4 each year
Actual Valuation		✓			✓			✓	Valuation 2022 timetable a) Q1 '22 - Assumption setting, b) Q2 '22 - Data submitted & Council rate set, c) Q4 '22 - Preliminary results, whole Fund & by employer & FSS Consultation d) Q1 '23 - Valuation sign off & FSS finalised & e) Q2 '23 New rates implemented
Club Vita update					✓				As at 31st August each year & to be submitted by 1st week of October to Hymans. Purpose - statistical analysis
Review the Fund's Annual Report & Accounts		✓							Annual Report & Accounts to be completed by 30th September & published by statutory deadline of 1st December
Approve Internal Audit Report scope						✓			Annual review - In 2022/23 - Report 1: Brunel Cost Savings, Report 2: Key Financial Controls, Report 3: Payroll Reconciliation.

Monitor Internal Audit Report				✓				✓	Audit recommendations actioned
Monitor External Audit Report				✓				✓	Audit recommendations actioned
Input to Annual External Audit Plan						✓			Committee to liaise with the Audit Committee concerning the scope of Council's AR&A's audit
Input to Annual Internal Audit Plan						✓			Committee to commission it own internal audit plan & liaise with the CLT/Audit Committee concerning the SWAP audit scope
Treasury Strategy	✓								Annual review of strategy. To include performance report of short-term cash investments & setting of preferred bank account balance to maintain business cashflow needs
Review service providers. Include advisor appointments, processes, controls & SLAs					✓				Committee to receive an annual update from the Board on the effectiveness of the Fund's advisers
Review internal SLA effectiveness, processes & controls					✓				Covers services connected with the Wiltshire Council recharge. Namely, Legal, Procurement, IG, Payroll, Treasury Management, Internal & External Audit, Democratic Services, FM, ICT, HR & Communications
Review Actions from previous meetings	✓	✓	✓	✓	✓	✓	✓	✓	Addressed primarily during pre-meeting planning meeting
<b>GOVERNANCE - Fund Plans, policies &amp; strategies</b>									<b>Comments</b>



Review Business Plan								✓	3 year plan last approved on 05/04/2022. Interim review due on 23/03/2023
Review Pension Administration Strategy		✓							3 year plan last approved on 17/12/2019
Review Communication strategy								✓	3 year plan last approved on 16/12/2021. E-communication strategy update and customer service assessment
Review Data Improvement Plan								✓	All 3 year plans Data Improvement last approved on 30/09/2021. Data Protection Policy and Data Retention Policy last approved on 13/02/2020
Review Admin Charging Policy		✓							2 year plan last approved on 17/12/2019
Review Admin Authority Disclosures									3 year plan last approved in 30/03/2021. No review required in 2022/23
Review Cessations policy									3 year plan last approved in 17/12/2020. No review required in 2022/23
Review Funding Strategy Statement					✓				3 year plan last approved on 17/12/2019. Next Fund Valuation 31/03/2022
Review Compliance with FRC stewardship code					✓				Last approved on 05/04/2022. Annually - Consider TCFD requirements as part of the process
Review Investment Strategy Statement					✓				3 year plan last approved on 30/03/2021 (Ensure inclusion of MiFID II arrangements)

Responsible Investment Plan					✓				To be reviewed in conjunction with the Investment Strategy Statement. To cover Climate Change Statement.
Review Fund "Responsible Investment Strategy"					✓				To be reviewed in conjunction with the Investment Strategy Statement. To cover Climate Change Statement.
<b>ADMINISTRATION</b>									<b>Comments</b>
Review Fund fraud risk prevention and mitigation measures								✓	Completed every 2 years and will be an update of the Fund's NFI & Certificate of Existence exercises. Last reviewed April 2020. To include Whistleblowing policy in 2022
Review Fund website contents/resilience				✓					Also cover Cyber Security reporting on an annual basis. Cyber security last reviewed 16/12/2021
Receive an annual report of an complaint & IDPR cases, including a review of the Fund's procedures		✓							Covered in Low Volume Performance Report. To be managed by LPB with issues submitted to the Committee on an exceptions basis
Review of Data Security & Business Recovery						✓			Report set out the arrangements in place & when they were last tested. BCP last reviewed 26/03/2020. Sept. 21 Interim GDPR document updates
Review GMP Rectification		✓				✓			Regular update concerning SAP & Altair database reconciliation. To consider migration to new payroll system.

Committee KPIs to monitor		✓		✓		✓		✓	Quarterly Administration performance reporting. Including outsourced backlog KPIs
Benchmark KPIs in Annual Report & Accounts information with other Funds								✓	Annual Report & Accounts must be disclosed each 1st December
Review of Annual Benefit Statement process				✓					Percentage issued, action plan to issue outstanding ABSs, if required
Review employers compliance (data)								✓	Ideally incorporate with ABS review process & update on Fund's Data Improvement Plan. Establish Report Cards
Employer Engagement Update								✓	Update Committee on the implementation of an employer engagement strategy
Payroll migration, i-Connect & Members Self-service update				✓					Present as part of a Fund digital platform update. Progress report on take up and functional developments
<b>INVESTMENT PERFORMANCE &amp; RISK</b>									<b>Comments</b>
Investment Quarterly Progress Report	✓		✓		✓		✓		Provided by each Investment Manager & the Investment Adviser, Mercer, who summarise the information and offer independent assessment of the market generally
Review Investment performance against Fund's benchmarking criteria	✓	✓	✓		✓		✓		To be presented quarterly and in conjunction with the draft Annual Report & Accounts

Investment Strategy Review / Asset Allocation Review	✓		✓		✓		✓		Quarterly review of strategy, plus an annual document last updated in 30/03/2021. To cover topical changes relating to BPP & ESG
Review individual employer investment strategies	✓								Monitoring the alternative investment strategy for certain employer, not covered by the main strategy
Governance update relating to BPP	✓		✓		✓		✓		Quarterly (generally verbal) update on Brunel governance and operational issues
Cost transparency of BPP, Managers & the Custodian		✓							To be presented in conjunction with the draft Annual Report & Accounts

<b>Total number of Agenda Items</b>	<b>10</b>	<b>19</b>	<b>7</b>	<b>17</b>	<b>17</b>	<b>13</b>	<b>7</b>	<b>21</b>
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