

AGENDA

Meeting: Local Pension Board

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

Date: Wednesday 1 February 2023

Time: 10.00 am

Please direct any enquiries on this Agenda to Kieran Elliott of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718504 or email kieran.elliott@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

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

Membership:

Mark Spilsbury (Chairman)

Marlene Corbey (Vice-Chairman)

Paul Smith

Laura Fisher

Asifa Ashraf

Mike Pankiewicz

Juliet Weimar

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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

Items to be considered

Time

PART I

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

1 **Apologies and Membership** **10.00**

To receive any apologies for absence.

To note any changes to the membership of the Board.

2 **Minutes and Action Tracking** *(Pages 7 - 18)*

To approve and sign as a true and correct record the Part I minutes of the previous meeting held on 27 October 2022.

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

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 **Public Participation**

The Board welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Questions

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Proper Officer), no later than 5pm on 25 January 2023 in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than 5pm on 27 January 2023 before the meeting, may only receive a verbal response at the meeting.

Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Board members prior to the meeting and made available at the meeting and on the Council's website.

- 6 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee** *(Pages 19 - 32)*
- To consider the Part 1 minutes of the Wiltshire Pension Fund Committee meetings held on 17 November 2022 and 10 January 2023.
- 7 **Scheme, Legal, Regulatory and Fund Update** *(Pages 33 - 40)* **10.15**
- To receive a report providing an update on the latest Scheme, Legal, Regulatory and Fund developments from the Head of the Wiltshire Pension Fund.
- 8 **Risk Register Update** *(Pages 41 - 48)* **10.25**
- To receive a report presenting the Risk Register for the Wiltshire Pension Fund for review by the Board. To be presented by the Head of the Wiltshire Pension Fund and the Fund Governance and Performance Manager.
- 9 **Local Pension Board Budget 2023/24** *(Pages 49 - 50)* **10.35**
- To receive a report outlining the Board's budget proposal for 2023/24 from Investment and Accounting Team Lead.
- 10 **Training Item** *(Pages 51 - 70)* **10.45**
- To present a report covering the 2023/24 training plan – to include the National Knowledge Assessment feedback.
- 11 **Effectiveness Review** *(Pages 71 - 92)* **10.55**
- To receive a report on Hymans effectiveness review outcomes.
- To include an update on the new Single Code of Practice.
- 12 **Administration Quarterly Update** *(Pages 93 - 100)* **11.05**
- To receive a report presenting the Fund's administration statistics from the Pension Administration Lead.
- To include:
- a) McCloud update
 - b) Outsourced projects updates
- 13 **Key Financial Controls** *(Pages 101 - 110)* **11.15**
- To receive an update by the Investment and Accounting Team

- Lead concerning the operational accounting arrangements, to include a Corporate Recharge update.
- 14 **Draft Investment Strategy Statement** (Pages 111 - 136) **11.25**
- To receive a report by the Senior Investment and Accounting officer presenting the Draft Investment Strategy Statement.
- 15 **Investment Governance Update** **11.35**
- An update by the Senior Investment and Accounting officer on the Fund's TCFD response and confirmation of the Fund's compliance with CMA.
- 16 **Audit Update** (Pages 137 - 152) **11.45**
- To receive an update on 2022/23 audit plan activity and notification of the 2023/24 audit plan presented by the Fund Governance and Performance Manager and the Senior Investment and Accounting Officer.
- a) SWAP Key Financial Controls 2022/23 actions
b) Brunel cost savings actions
- 17 **Cost of Living Review** (Pages 153 - 170) **11.55**
- To provide the Board members with an update on the Fund's response to the cost-of-living crisis, including metrics, where required. Presented by the Senior Investment and Accounting officer.
- 18 **Urgent Items** **12.05**
- Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.
- 19 **Date of Next Meetings and Forward Work Plan** (Pages 171 - 176) **12.10**
- To note that the next ordinary meeting of the Board will be held on 24 May 2023.
- The Board to review its Scheme Year Forward Work Plan which is attached for members' consideration.
- Future meetings are scheduled for 10 August 2023 and 1 November 2023.
- 20 **Exclusion of the Public**
- To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 21-23 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

21 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee** **12.15**
(Pages 177 - 190)

To consider the Part II minutes of the Wiltshire Pension Fund Committee meetings held on 17 November 2022 and 10 January 2023.

22 **Cyber Security Update** **12.25**

To receive an update from the Fund Governance and Performance Manager to present the Fund's policy on cyber security for review.

23 **Departmental Restructure** **12.35**

To receive a response from the Head of Wiltshire Pension Fund on the recent departmental restructure.

Local Pension Board

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

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 3rd parties. Queries were also raised on reductions in the operational backlog. In this respect officers confirmed that 3rd 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

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Wiltshire Pension Fund Board - Actions Log

Minute reference	Section	Meeting Action	Task owner	Target date for completion	Completed and reported to last meeting
118 (18/02/21)	Governance (GCS)	Officers should change the Governance Compliance Statement to include external assurance in conjunction with any confirmed changes arising from the Scheme Advisory Board's Good Governance Review	RB	11/05/23	
89 (17/02/22)	Governance (Scheme of sub-Delegation)	To propose changes be made to the structure of delegations and controls & consider the breakdown of responsibilities outlined in the "Guidance to Delegations"	RB	11/05/23	
111 (05/05/22)	Governance (Audit update)	To provide an update from Wiltshire Council finance team on the determination of the level of the Council recharge to the Fund, including details of the service relating to that charge.	CM	18/08/22	27/10/22
131 (18/08/22)	Governance (TPR Code of Practice)	The Board request a further update of the implementation of the new Single Code of Practice on publication of the Regulator's final guidance	RB	11/05/23	
150 (27/10/22)	Administration (KPI Improvement Plan)	Presentation of a KPI Improvement Plan to be submitted to the LPB meeting in February	AC	11/05/23	
153 (27/10/22)	Finance (Corporate Recharge)	The Board Chair agreed to raise with the Committee the urgent matter of the Fund's Corporate Recharge and the Committee's need to raise it with the Corporate Director of Resources and Deputy Chief Exec	MS	17/11/22	Committee meetings 17/11/22 & 10/01/23
155 (27/10/22)	Administration (Data Retention Policy)	To recommend to the Committee that the changes to the Fund's Data Retention Policy are approved	AC	14/12/22	10/01/23
156 (27/10/22)	Administration (SWAP Audit)	To monitor that the Committee review the SWAP audit actions are completed at their meeting on 14/12/22	RB	01/02/22	
163 (27/10/22)	Governance (Cyber Security)	Officers to raise questions with Aon provided to them by Committee and Board members	RB	14/12/22	Committee meeting 10/01/23

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Wiltshire Pension Fund Committee

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

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)

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Wiltshire Pension Fund Committee

PART I MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 10 JANUARY 2023 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Richard Britton (Chairman), Cllr Steve Heyes (Vice-Chairman), Cllr George Jeans, Cllr Gordon King, Cllr Kevin Small, Mike Pankiewicz, Tracy Adams, Claire Anthony and Cllr Robert Yuill (Substitute)

Also Present:

Anthony Fletcher (Adviser) and Mark Spilsbury (Local Pension Board Chairman)

1 Apologies

Apologies were received from Councillor Pauline Church, who was substituted by Councillor Robert Yuill.

Councillor Gordon King gave apologies that he would arrive late to the meeting. He arrived at 1035.

2 Minutes of the Previous Meeting

The public minutes of the meeting held on 17 November 2022 were presented for consideration, and it was,

Resolved:

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

3 Declarations of Interest

There were no declarations.

4 Chairman's Announcements

There were no announcements.

5 Review of Actions

The Committee received the recommendations from the Local Pension Board, which would be considered under the relevant agenda items.

The Committee reviewed the list of ongoing actions, and sought additional details relating to ongoing work with Mercers committing the final tranche of affordable housing portfolio capital.

6 **Public Participation**

No questions or statements were submitted.

7 **Headlines and Monitoring Report**

Jennifer Devine, Head of Wiltshire Pension Fund, presented the Headlines and Monitoring report. The report included consideration of the risk register, key performance indicators, and other updates to enable the Committee to monitor relevant aspects of the Fund. Andy Brown, the Treasurer to the Fund, and Corporate Director, Resources, and Deputy Chief Executive, was also in attendance.

The Committee discussed the report in detail. Queries were raised regarding reporting from AON, who had been commissioned by the Fund to provide advice regarding the McCloud judgement as explained in the report and pensions dashboards, and preparatory changes that would need to be made as a result. It was explained that the Fund officers' response to the Aon reports was included in the papers, and that progress reports should come into the Fund quarterly.

There was discussion of key performance indicators and seeking assurance action plans were in place to address the red rated risks. It was confirmed risk PEN011 as detailed in the report had mapped into a new risk on overall resourcing, and would remain amber rated at present. An update was received on the new risk register reporting arrangements, including migration of previous risks into the new formatting, focusing where possible on strategic risks, and changes of staffing within the Fund.

Scheduled and proposed audits were highlighted, with the Committee requesting an audit on key financial controls begin earlier than September 2023 if possible. There was also an update on transition arrangements to the new payroll system, the date of which was being reviewed and which could impact on the timing of some of the planned audits. In respect of the ongoing pensioner payroll reconciliation project, Hymans had been appointed to work through the backlog of cases, aiming to complete the work in September 2023.

At the conclusion of discussion, it was,

Resolved:

- 1) **To approve the changes to the Risk Register recommended by officers and the Board**
- 2) **To approve the commissioning of proposed audits for the scheme year 2023/24.**

8 **Training Update**

Liam Robson, Senior Investment and Accounting Officer, provided a training session on MiFID (Markets in Financial Instruments Directive) II. This was a

European Directive which came into force in 2018, aiming to strengthen investor protection and improve the functioning of financial markets by making them more efficient and transparent. It introduced new reporting requirements and updated guidance had been issued.

The Committee received the presentation, noting work undertaken by Fund officers including self-declarations to meet the required standards of governance and reporting.

9 **Business Plan 2022-2023**

Jennifer Devine, Head of Wiltshire Pension Fund, presented a report updating members on progress on delivering objectives of the Business Plan. Full details were provided in the report, with many of the actions almost completed or already achieved. However, there had been delays in relation to action three, being as close to 100% as possible of legal requirements and developing an improvement plan for achieving key performance indicator targets.

The Committee raised queries on how the risk level was assessed for each item, with some being about figures meeting targets and others being more of a judgement assessment. Further details were sought regarding those employers who had not yet been onboarded to the new iConnect system, action 10 in the report. There were four large employers (or payroll providers) to onboard, and then most of the remaining employers were small scale.

At the conclusion of discussion, it was,

Resolved:

To note the update on Business Plan actions.

10 **Cost of Living Review**

A report was received from Jennifer Devine, Head of Wiltshire Pension Fund, presenting findings of a review into the impact of the ongoing cost of living situation on the Fund.

It was stated that the review was undertaken in part to determine the extent that the pressures of the financial situation were influencing cashflow, and consequent demand for liquidity. The paper included with the report also examined impacts on funding level, administration, and investment performance.

The Committee discussed the report and its conclusions, in that though there were competing pressures from high inflation, low wage growth and a tough financial situation, the Fund was able to weather those challenges, although there was concern around resourcing and cashflow. There was a discussion regarding impacts on and regarding the annual allowance, the amount pensions savings can increase by in a year without incurring a tax liability, impacts arising

from home or flexible working and productivity, and the associated impacts on resourcing the administration of the Fund.

At the conclusion of discussion, it was,

Resolved:

To note the review and the impacts on the Fund.

11 **Key Financial Controls**

Christopher Moore, Senior Investment and Accounting Officer, presented a report detailing significant issues in relation to the Fund's key financial controls. Andy Brown, Treasurer to the Fund and Wiltshire Council Corporate Director, Resources, and Deputy Chief Executive, was also in attendance.

An update was provided on the sign off of the full Wiltshire Council Accounts for 2019/20 and 2020/21. As the Pension Fund accounts formed part of those accounts, their sign off had also been delayed as a result of the full Council accounts being delayed, not as a result of any concerns relating to the Fund accounts. It was stated it was anticipated delegated authority would be provided to sign off the 2019/20 accounts shortly, and the council was working with the external auditors Deloitte to resolve issues, with a view to approving the 2020/21 accounts in 2023, although there was a national issue causing delays with the 2021/22 accounts.

The Committee discussed the report and updates, questioning officers on the process of examining public body accounts, impacts from national valuation issues, and how many years back auditors were required or advised to look at when examining issues. It was stated that there would be a new audit provider for the council and Fund for 2023/24.

There were also updates on the ongoing pension payroll reconciliation project to resolve outstanding issues arising from discrepancies between Fund payroll systems. This was being reviewed monthly. There was discussion of the recharge for corporate services provided by the council to the Fund, with it being stated a new methodology was being put in place for 2023/24. The Committee was informed that some charges were expected to increase, though some would reduce.

Other matters raised included an update on the operating budget of the Fund, running costs relating to Brunel to cover pension liabilities.

At the conclusion of discussion, it was,

Resolved:

To note the update on key financial controls.

12 **Data Retention Policy**

Richard Bullen, Fund Governance and Performance Manager, presented a report on a proposed revised approach to the Fund's Data Retention Strategy. The proposals were considered and endorsed by the Local Pension Board on 27 October 2022.

The Committee was updated on the process for review and changes proposed as set out in the report. Details were sought on differences with Wiltshire Council data retention policies, with data retained for longer periods given the nature of pensions administration. Queries were raised on the systems for monitoring and reviewing information to identify when they should be deleted.

At the conclusion of discussion, it was,

Resolved:

To approve the changes to the Data Retention Policy.

A break was taken from 1150-1155.

13 **Cessation Policy Methodology**

Richard Bullen, Fund Governance and Performance Manager, presented a report on a proposed revision to the Fund Cessation Policy, regarding when an employer leaves the Fund. At its meeting on 17 November 2022 the Committee had resolved a revised methodology, with the new approach to apply from 1 April 2023, but with the final details to be considered at this meeting for final approval.

Since publication of the report advice had been received from Mercers, the Fund's investment adviser, who were supportive of the proposed strategy in relation to a success corridor, with cessation deficits or surpluses only due if the final cessation funding position was outside that corridor. Mercer had provided advice that the Fund should continue to invest all assets in the main investment strategy, and monitor the situation with the orphaned liabilities pool on a regular basis.

At the conclusion of discussion, it was,

Resolved:

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

14 **Pension Payroll Database Reconciliation**

A report was received from Jennifer Devine, Head of Wiltshire Pension Fund. It was noted information relating to the reconciliation had been considered and discussed under Minute Items 7 and 11.

There being no further comments, it was then,

Resolved:

To note the update.

15 **Forward Work Plan**

It was,

Resolved:

To note the Forward Work Plan.

16 **Date of Next Meeting**

The dates of upcoming meetings were confirmed as 2 March 2023 and 23 March 2023.

17 **Urgent Items**

There were no urgent items.

18 **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 19 - 22 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.

19 **Minutes of the Previous Meeting**

The private minutes of the meeting held on 17 November 2022 were presented for consideration, and it was,

Resolved:

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

20 **Cyber Resilience Update**

A report was received to update the Committee on responses to questions raised following consideration of a review of cyber security and resilience in

respect of the Fund and council. Details had been sought as to whether the council's approach was compliant with pension regulator guidance, and it was confirmed that this would be the case. It had also been asked whether there was a duty for the Fund to press the council further to introduce any additional cyber security protections. It was stated there was no such unstated additional duty on the part of the Fund.

The Committee discussed the latest update, noting the response at the meeting from Andy Brown, Corporate Director, Resources, and Deputy Chief Executive, on some limitations on additional actions by budgetary constraints, but noting the action being taken to protect the council and Fund as part of the overall IT infrastructure, including around legacy systems.

The Committee considered that it had responded positively to a report from auditors around potential cyber security concerns, and had acted prudently to review any risks and pass any recommendations to the council. It was agreed that there should be a concluding report, circulation of council responses to the Local Pension Board, and an annual assessment from officers to ensure the situation remained satisfactory, with reporting to be provided to the Committee on an exception's basis.

At the conclusion of discussion, it was,

Resolved:

- 1) **To note the update on Cyber Resilience and prepare a final report.**
- 2) **To delegate to the Head of Wiltshire Pension Fund through her team to undertake at least an annual assessment relating to cyber security and resilience.**

21 **Departmental Restructure**

Jennifer Devine, Head of Wiltshire Pension Fund, provided a verbal update regarding a restructure of the Fund's officer support and administration to improve effectiveness and efficiency of the service.

The Committee raised questions about the operation of new or amended roles, resourcing levels and recruitment, and other matters including overall administration and staffing costs.

At the conclusion of discussion, it was then,

Resolved:

To note the update.

22 **Brunel Governance Update**

Jennifer Devine, Head of Wiltshire Pension Fund, provided a verbal update regarding governance issues relating to the Brunel Pensions Partnership.

Details were provided on the budget and resourcing proposal from Brunel, which would be considered by its Oversight Board at the end of January 2023 before being considered by shareholders including Wiltshire, along with other updates relating to Brunel operations and potential asset allocations.

At the conclusion of discussion, it was,

Resolved:

- 1) That the Committee supported the Treasurer to the Fund/Corporate Director, Resources, as Shareholder representative, in raising concerns around the proposed Brunel Pension Partnership budget.**
- 2) That the Committee supported the officers' approach to implementation of the strategic allocation to renewable infrastructure and climate solutions.**

(Duration of meeting: 10.00 am - 1.00 pm)

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Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments
HM Treasury	Reforms to public sector exit payments.	Public Sector Exit Payments: a new controls process for high exit payments - GOV.UK (www.gov.uk) Return of the £95k cap - News Barnett Waddingham (barnett-waddingham.co.uk)	<i>No change since the last meeting</i>	<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>
DLUHC	McCloud	Please see Appendix 1a for more information	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. 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>

Organisation	Subject	Link	Status	Comments
				<i>Aon was commissioned to provide some advice on McCloud including 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.</i>
	Fair Deal Consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection	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.
	Education Sector reforms & <i>Changes to the Local Valuation Cycle and the Management of Employer risk Consultation</i>	Sixty Second Summary - Education sector in the LGPS - Hymans Robertson https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf	No change since the last meeting	Education sector reforms: 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. Scope: 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> 3). Proposals for flexibility on exit payments. 4). Proposals for further policy changes to exit credits <i>Legislation has been introduced in relation to 3) & 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)

Organisation	Subject	Link	Status	Comments
				The Fund is unaware of any further developments in this area.
	Consultation: Taking action on climate risk	https://www.gov.uk/government/consultations/taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations	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>
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/ Please see Appendix 1b for more information	<i>No change since the last meeting</i>	<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 September 2024.</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> <p><i>Aon was commissioned to provide some advice on the Pensions Dashboard, including a summary of what work a standard LGPS fund should have completed to date in order</i></p>

Organisation	Subject	Link	Status	Comments
				<i>to be prepared. These reports have now been received, and officers have reviewed the reports</i>
Financial Reporting Council	Proposed revision to the UK Stewardship Code	https://www.frc.org.uk/investors/uk-stewardship-code	<i>No change since the last meeting</i>	<p>The Financial Reporting Council (FRC) published the revised Stewardship Code on 24th October 2019 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>
	Good Governance Project (formerly known as the Separation Project)	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	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>

Organisation	Subject	Link	Status	Comments
The Pension Regulator (tPR)	Single code of practice		Minor change	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). Whilst some of the exercise is merely one of administrative consolidation, tPR have also used this as an opportunity to make some changes. Implementation is likely in 2023.
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.
Post Fiscal Event Update				A verbal update will be provided at the meeting due to the dynamic/ever-changing position.

McCloud – more info

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.)

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
01 February 2023

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Board in relation to the Fund's risks on its Risk Register (Appendix 1). Risk is now operationally embedded; however, the risk register also retains a strategic capability to mitigate non-operational risks to the Fund.

Background

2. The new Risk Register came into operation on 1 November 2022 and will be maintained by officers. As part of the transition from the former risk register, officers have migrated any heightened risks from that register to new risk register to ensure the continuity of ratings were maintained. A schedule detailing the heightened risks at the time of transition was included within the Committee's meeting pack, at their meeting on 10 January.
3. Central to the mapping of risks from the former to the new risk register was the switch in emphasis from "Inherit" to "Residual" risk rating on the risk register. This change in emphasis sought to communicate the risk after any mitigations had been applied on the basis that risk management was operationally embedded. Inherit risks assessed as green on the old register were classed as already being managed and either incorporated into the new risk register framework or withdrawn where their specific nature was no longer considered relevant. This was particularly noteworthy in relation to dormant or closed risks under the old risk register.
4. 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 each month, along with any manager comments qualifying that rating and determine whether the overall risk rating has been correctly assessed.
5. The table below illustrates the anticipated benefits of the new register.

New Risk Register Benefits
Risks are less specific in scope, making the register more manageable in size
Operationally embedded, thus ensuring operational activities are being monitored and acted upon on a timely basis
Reviewed monthly, rather than quarterly
Greater focus on risk comments and mitigations, rather than risk ratings

Senior officers believe that by transitioning to the new risk register additional improvements will be seen. In particular, a greater awareness amongst the Fund's managers of their contribution, impact and the risks associated with their roles, better

collaboration across the team and a greater focus on output & outcomes, particularly in relations to KPI targets.

6. Switching from a quarterly to a monthly review of the risks experienced by the Fund has meant that the results of each risk register review presented to the Board may in turn differ from those presented to the Committee, where reviews have occurred between each group’s meeting. However, the CROC Group’s process for moderating the ratings will remain consistent and thereby the risk reviews submitted to the Local Pension Board and Committee at each meeting will remain consistent.
7. To accompany the CROC Group’s assessment, a note will be included in the final column of the risk register (Appendix 1) to highlight any key factors involved in that risk’s assessment.

Key Considerations for the Board / Risk Assessment

8. To enable Board members to consider the risk register and where required, make any recommendations to the Committee, it is proposed that a summary of any changes between Board meetings will be included within this quarterly report.
9. Whilst it is recognised that the method by which the Board may make recommendations is yet to be established, it is anticipated that such recommendations will fall into two basic categories. These are:
 - a) Recommendations in relation to any patterns or themes which have occurred since the last Board meeting, as determined by the summary of any changes: &
 - b) Recommendations in relation to the assessment of risks by the CROC Group presented within the attached risk register.

In determining whether recommendations should be made to the Committee, members are asked to focus their attention on the mitigations in the “Updates to note” column rather than the ratings in the “Risk Assessment” column.

Summary of changes since the last Committee meeting

10. Since the Committee’s meeting of 10 January, the November risk register has been reviewed and updated with December changes. The summary of these changes is:

Risk Section	Section rating change	Notes and mitigations
Administration	Increase	a) Work volumes being higher in terms of work coming in than completed, and failure to meet the KPI targets. The situation worsened over the holiday period. Officers are reviewing work allocations with a view to recovering the lost output. b) The need to complete a manual adjustment process is required for cases of flexible retirement in relation to the CARE screen, for the ongoing active at the first-year end following retirement. The year-end process concerning such retirees needs to be updated. c) Not making the best use of bulk upload processing to improve efficiencies. Embedding the use of bulk processing is required to support KPI improvements.

Data Management	Increase	<p>a) A TUPE issue within Altair where a Heywood's software change has impacted the valuation reporting function. Currently being investigated by Heywood's.</p> <p>b) Employer asset and liability allocations should be monitored to avoid distorting an employer's funding position. Assignment of the responsibility to a specific officer as well as accurate transaction coding and Altair reporting is recommended for implementation</p> <p>c) Officers have experienced reporting issues within Altair affecting employer cessations. Currently being investigated by Heywood's.</p>
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Financial Implications

11. No direct implications.

Legal Implications

12. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications currently.

Proposal

15. The Board is asked to note the attached Risk Register and recommend to the Committee that the risk assessments being made by the CROC Group are appropriate.

JENNIFER DEVINE
Head of Wiltshire Pension Fund

Report Author: Richard Bullen, Fund Governance & Performance Manager

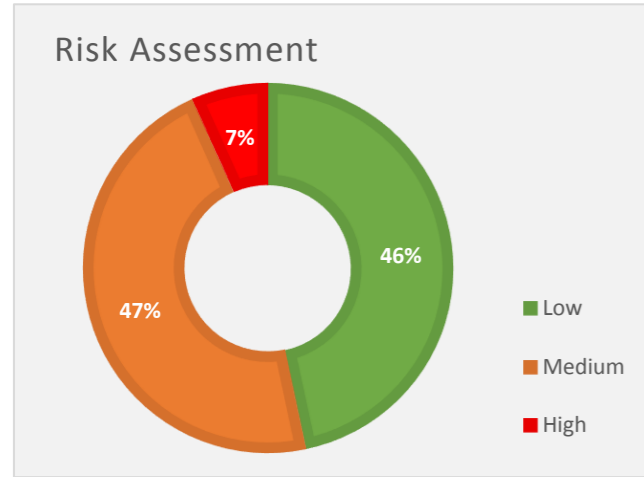
Appendix 1 – Risk Register

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Committee Risk

Owner: Richard Bullen

Medium Overall Risk



Risk Count	Risk Area	Key Risks	Risk Assessment	Updates to note
45	Administration	Work volumes being higher in terms of work coming in than completed, and failure to meet the KPI targets. A situation which worsened over the holiday period	High	As part of the 2022/2023 budget approval, the backlog has been outsourced to Hymans.
13		Work not being received and allocated in a timely manner. Issues with post being received/sent and records updated in an accurate and timely manner. Not making the best use of bulk upload processing to improve efficiencies. A complete manual adjustment process is required for cases of flexible retirement in relation to the CARE screen for the ongoing active at the first year end following retirement		A new work allocation system has been launched for member services (with employer services to follow), which is forward-looking and enables tasks which are about to go out of date to be prioritised. Weekly KPIs are now circulated and analysed, and weekly insights have been launched for the member services team (employer services to follow), which show staff productivity. Officers are reviewing work allocations with a view to recovering the lost output. Embedding the use of bulk processing is required to support this. The year end process concerning flexible retirees needs to be updated.

8	Financial Management	<p>The employer contribution rate schedule is not accurately maintained and the Fund is unable to determine if it is receiving the correct contributions. The Fund pays incorrect pensions, lump sums and other one off payments to pensioner members.</p> <p>The Fund does not have sufficient cash available to pay pensions, private market capital calls or other liabilities as they fall due. This could lead to penalties, lost investment return and reputational damage</p>	Low	<p>Officers have set up an Employer Contribution and Data Management Working Group to mitigate the risk of the schedule not being maintained. Internal audit currently completing an audit, due to be presented to members in the next meeting cycle. Cashflow modelling takes place to ensure sufficient funds are available.</p>
7	Fund Governance	<p>Members and senior officers do not maintain their knowledge and understanding leading to poor decision making and poor governance. A review of the Fund's forthcoming procurement and contract management arrangements needs to be completed</p>	Low	<p>Focus on the tPR's anticipated new Single Code of Practice Statement most affected by regulations, starting with internal controls and effective governance;</p> <p>Brunel's governance review is ongoing. WPF has actively engaged with Brunel to make Wiltshire's expectations clear;</p> <p>Officers have responded to the Fair Deal Consultation and continue to monitor developments to help ensure it is prepared to make any changes. Focus on the Fund's procurement and external service delivery is crucial to performance.</p>
Page 46 6	Systems Management	<p>Poor KPI reporting providing incorrect data which could lead to poor decisions being made.</p> <p>Old user accounts and inaccurate profiles which aren't being removed on a timely basis and being attributed to team members, means users could access/perform tasks that they shouldn't be completing.</p> <p>Ineffective controls of mortality screening could result in the paying of benefits that should have ceased.</p>	Low	<p>Insights, a new software tool provided by the Fund's database manager has enabled more accurate and timely reporting. A re-tender exercise is being considered in respect of the Fund's current mortality screening and training provider</p>
5	Investment	<p>Investment performance by managers is poor or misaligned with expectations leading to risk of funding level, achievement of investment strategy and poor benchmarking.</p> <p>BPP need to operate effectively to ensure funds are well managed, investments made timely and delivering their objectives.</p> <p>BPP has been set up to deliver cost savings, if mismanaged this could lead to higher costs and poor investment returns.</p>	Medium	<p>Fund is working with Brunel on pooling arrangements. The Fund is currently benefitting from net fee savings, but costs are under constant pressure to rise with high budget increases being proposed. A key person departure raises concerns about resourcing.</p>

5	Compliance with Regulations	<p>Anticipated changes in legislation could impact the Fund adversely, specifically regarding compliance and resourcing.</p> <p>Poor internal controls leading to data protection requirements not being fulfilled, particularly in relation to breach recording & where required, escalating the reporting of breaches.</p>	Low	<p>Regular updates to the Committee and Board enable all stakeholders to monitor any potential changes in legislations. This work is supported by adviser guidance. Fund processes and procedures are in place concerning data protection, including the dovetailing of those procedures with the Council's Information Governance arrangements</p>
5	Performance	<p>Employers not performing their roles ineffectively, such as not sending timely and accurate information in the required format.</p>	Low	<p>Training is given to extra employers as part of the Fund's Employer training strategy</p>
5	Employer Management	<p>Employers not engaging with the Fund highlighted through poor data, poor timeliness of submissions and not complying with the regulations. This can lead to poor decision-making effecting scheme members</p> <p>Contacts have inadequate knowledge, skills and experience to administer the Scheme correctly and effectively.</p> <p>Employers are not set up, maintained or leave the Fund correctly, due to the starting funding position, unitisation adjustments, pooling or cessation arrangements are either not timely or incorrect.</p> <p>Employers not joining the Fund in line with legislation e.g. unsigned admission agreements, resolutions not being passed and not keeping track of mergers/demergers.</p>	Medium	<p>As mentioned under Performance the Fund offers training to employers to mitigate the risks highlighted. With increased academisation of Schools, MAT breakups and cross fund movements if all schools were to convert then the number of employers in the Fund could jump from 180 to between 400 and 500</p> <p>Implementation of the Stabilisation Policy limits increases security for employers. The Fund also works closely with their Actuarial advisers to ensure new sets up are managed correctly. In addition, officers need to maintain the Fund's unitisation database.</p>
6	Data Management	<p>Information is posted through i-Connect or employer spreadsheets late which can delay processing. There's risk that cessations are not advised resulting in delays to the start of this process.</p> <p>TUPE issue within Altair where a Heywood change has impacted the valuation reporting function. This has affected cessation reporting too. An</p> <p>Employer asset and liability allocations should be monitored to avoid throwing out an employer's funding position.</p>	Medium	<p>To enable the i-Connect onboarding process officers are working closely with the outstanding employers, particularly where they are major employers who will have an impact on the Fund.</p> <p>Currently the TUPE & cessation reporting issue is being investigated by Heywood</p> <p>Assignment of the responsibility to a specific officer as well as accurate transaction coding and Altair reporting should be implemented</p>

4	Stakeholder Engagement	Inaccuracy of communications by the Fund could result in reputational damage. There is a risk that as a Fund we are delivering poor customer service to our members, with slow response times and disclosure breaches.	Medium	Peer review arrangements are in place prior to publication and a strategy to maintain the compliance and content on MSS & the website is being implemented
3	Funding	No Medium or High "Funding" risks currently identified.	Low	
2	Resourcing	The Fund is not appropriately resourced and staff all adequately trained to enable the service to be delivered in a sustainable and reliable way.	Medium	Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In addition, a training strategy is under review for the department. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term; Following a recent restructure, there are currently several vacancies in the team which will need to be recruited to.
2	Climate risk	Failure to manage the risks in the investment portfolios, and/or to take advantage of the investment opportunities which arise from transition to a low carbon economy could cause the Fund to suffer material negative financial impacts.	Medium	The Fund has a climate change policy (within the responsible investment policy), decarbonisation targets, and has assessed alignment of all portfolios. The Fund already reports against the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).
1	Projects	Projects managed by designated Project Manager. Key projects currently being managed are the Backlogs project, the rectification project and McCloud. The first two have been outsourced to 3rd party administrators. Regular updates are provided to the management team Committee and Board in respect of the McCloud	Medium	As part of the oversight of Evolve Payroll Programme periodic strategic updates are received from the s151 Officer to assess level of risk; Significant retrospective legislation changes related to the McCloud case could lead to increased contribution rates for employers and higher levels of administration resource.
0	Other External Risks	No "other" risks currently identified.	Low	

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
01 February 2023

Local Pension Board Budget

Purpose of the Report

1. The purpose of this report is to present a proposed Local Pension Board Budget for 2023/234 for the Board to consider and recommend to the Pension Fund Committee for its inclusion alongside the full Wiltshire Pension Fund Budget 2023/24.
2. The Wiltshire Pension Fund Committee will consider the Fund's budget at its meeting on 23 March 2023.

Background

3. The Scheme regulations state that the operational cost of the Local Pension Board must be borne as an expense to the administering Fund's budget. However, for monitoring purposes officers will now present the Local Pension Board budget separately to the other budgets of the Fund in order to better reflect the lines of responsibility for each budget.
4. Therefore, the Local Pension Board's budget is approved by the Pension Fund Committee when setting its budget for the year. Should any further expenditure be required beyond this, then approval must be obtained from the Wiltshire Council Corporate Director Resources & Deputy Chief Executive.

Main Considerations for the Board

5. The main financial headings for the Local Pension Board Budget and key financial totals are presented in the table below.

Local Pension Board Budget (£'s)	2022/23			2023/24 Budget Proposal
	Forecast	Budget	Variance	
Independent Chair Remuneration	10,672	10,672	0	11,750
Consultancy Services	2,000	2,000	-	2,000
Training	-	2,000	2,000	2,000
Committee Services	3,000	3,000	-	3,947
Travel & Subsistence Costs	297	1,000	703	500
Catering	-	400	400	400
Insurance	3,217	5,760	2,543	3,539
Total	19,187	24,832	5,646	24,136

6. 2022/23 forecast expenditure is £19k for the year which is £6k under the budget, the main variance to plan has been an underspend on consultancy, insurance, training, travel and catering. The requirement to hold online meetings has limited spend on these items.
7. The total budget proposed for 2023/24 is £24k, a reduction on the prior year budget by £0.7k.

Environmental Impact of the Proposals

8. There are none.

Legal Implications

9. There are no known implications at this time.

Financial Considerations & Risk Assessment

10. In line with good governance practice, officers bring budget monitoring reports back to the Pension Fund Committee quarterly. In the interim, variations against budget will be monitored and if they become very significant, the Wiltshire Council Corporate Director Resources & Deputy Chief Executive will approve variations to the budget and report these to Committee retrospectively for ratification.

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Reason for Proposal

12. It is considered best practice for the Local Pension Board to recommend that its budget is approved with Pension Committee.

Proposal

13. The Board is asked to agree the draft Local Pension Budget and recommend to the Pension Fund Committee that this is included in the Fund's Administration budget for 2023/24.
14. It is proposed that the Local Pension Board monitor their budget on a quarterly basis. Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Pension Fund Committee.

Chris Moore
Pension Fund Accounting and Investments Officer

Report Author: Chris Moore Pension Fund Accounting and Investments Officer

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

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
01 February 2023

Members training strategy 2023-24

Purpose of the Report

1. To set out a draft training programme for Board & Committee members for the Scheme Year 2023/24 based on the Hymans Robertson National Knowledge Assessment (NKA) questionnaire completed by members during 2022.

Background

2. Members participated in the Hymans NKA review to assist in identifying Committee and Board training & development priorities over the next 12 months. The results of the questionnaire have been compiled and Hymans report is included in Appendix 1.
3. A summary of the key facts from the Hymans report is set out below:
 - a) Sixteen LGPSs and 200 members took part in their NKA:
 - b) Eight members of the Wiltshire Pension Fund (WPF) Committee and 6 members of the Board responded, a response rate of 82%
 - c) The WPF's average score was upper quartile when compared against other LGPSs, achieving a score of 59%
 - d) The Committee members average score was 56%, compared to the Board members average score of 64%
 - e) Broadly speaking the results showed that each group performed most strongly against their core functions, namely Financial Markets and Product Knowledge for Committee members and Pensions Administration for Board members. In addition, both performed well on Pension Governance.
 - f) Hymans undertook further analysis of the results and highlighted that a review of the Fund's decision-making procedures may be appropriate as well as refresher training on the roles and responsibilities of each group at differing points during the annual life cycle of the Fund.
4. Based on an analysis of the results provided by Hymans, Appendix 2 sets out the proposed training plan for members over the next scheme year.

Considerations for the Board

5. As indicated, Hymans assessment suggests that both the Committee & Board should focus training on Audit and Accounting Standards, with consideration also being given to the roles and responsibilities of each group, their advisors and Pension Administration.
6. With this in mind, members are asked to review the results of the Hymans NKA and proposed WPF training plan 2023/24 and confirm that the content of the training plan represents a fair reflection of their training requirements. Please note that the Fund's plan is designed to be a living document, so that it can enable the substitution of topical training as it arises. It also recognises the need for flexibility by extending the invitation to members of the other group where training on a particular subject is going to be presented to a group.

7. Where required, Hymans recommendations highlighted within this report such as decision-making procedures, will be taken forward and included as part of the Fund's effectiveness review paper.
8. Finally, please note that attendance at external events such as conferences, seminars, engagement days and forum is also encouraged as a valuable part of the Fund's training & development strategy. Where officers become aware of such training opportunities, or any other suitable external events they will ensure that they are circulated to members, as appropriate.

Environmental Impact of the Proposal

9. Not applicable.

Financial Considerations & Risk Assessment

10. There are no immediate financial considerations.

Legal Implications

11. There are no material legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Proposals

13. The Board is asked to endorse the implementation of the new Members training strategy covering the scheme year 2023/24.

Jennifer Devine
Head of Wiltshire Pension Fund

Report Author: Richard Bullen, Fund Governance & Performance Manager

Appendix 1 – Hymans NKA Report
Appendix 2 – WPF draft training plan 2023/24

2022 LGPS National Knowledge Assessment

Page 53

Wiltshire Pension Fund



Contents

Overview	1
The Assessment	2
Overall Results	3
Average Score for Board & Committee	4
Benchmarking	5
Commentary on Results	6
Further Analysis	8
Engagement	9
Training Feedback from Participants	11
Training Plan	12
Next Steps	13
Reliances & Limitations	14

Overview

The LGPS National Knowledge Assessment (NKA) provides LGPS funds with a direct insight into the knowledge and skills of their key decision makers and oversight body.

In addition, funds get a 'sense check' of this knowledge position against other participating funds via the benchmarking reports provided.

16 LGPS funds and over 200 members have participated in this National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members.

The findings from this assessment provide a quantitative report of the current knowledge levels of the individuals responsible for running the Fund, aiding the development of more appropriately targeted and tailored training plans for both groups.

This report is also a key document in evidencing your Fund commitment to training – a key cornerstone to the good governance of your Fund.

Page 55

Background

The Wiltshire Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened at the end of September and closed in November, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories.

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Committee decisions.

The Assessment

The members of the Wiltshire Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 8 respondents from the Committee and 6 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Section Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund’s overall ranking against other participating LGPS funds.
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Each average score benchmarked for both groups against the other NKA participant funds’ Committee and Board for each of the 8 subject areas.
- Each score compared with the results of the previous assessment in 2020, to show growth or regression in each area.
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.
- The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

Overall Results

The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

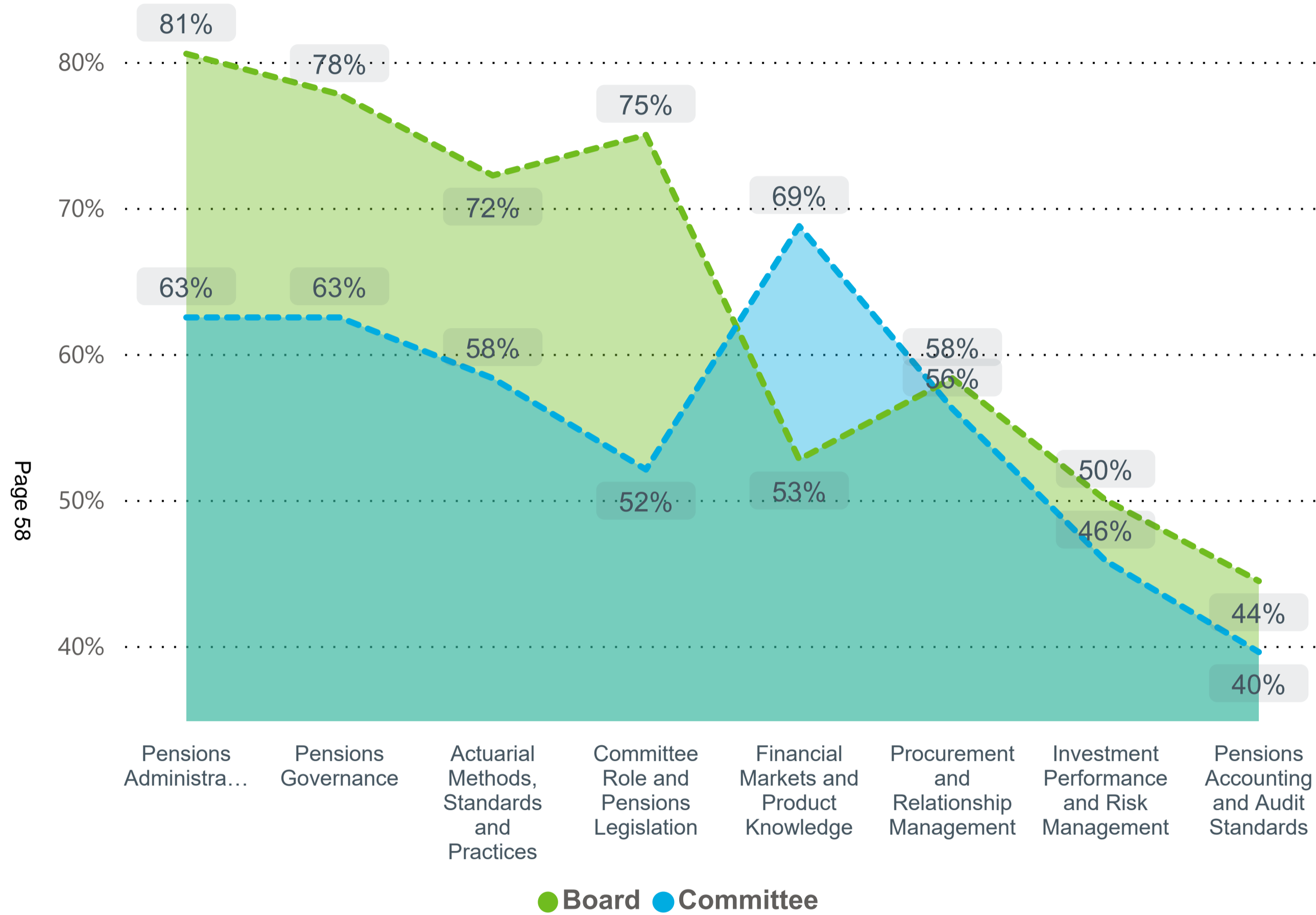
The Wiltshire Pension Fund is in 4th out of 16 Funds.

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.



Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Board (average overall score of 64 %) was stronger than that of the Committee (average overall score of 56 %).
- The performance for the Committee and Board diverged the most in the Committee Role and Pensions Legislation section, when Board results were 23 % higher than the Committee.
- The Committee performed most strongly in the area of Financial Markets and Product Knowledge and Pensions Governance.
- The board's areas of strongest Knowledge were Pensions Administration and Pensions Governance.
- Overall, for both groups, the area with least knowledge was Pensions Accounting and Audit Standards.

Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund’s results compare to those across the average of all funds who have taken part to date.

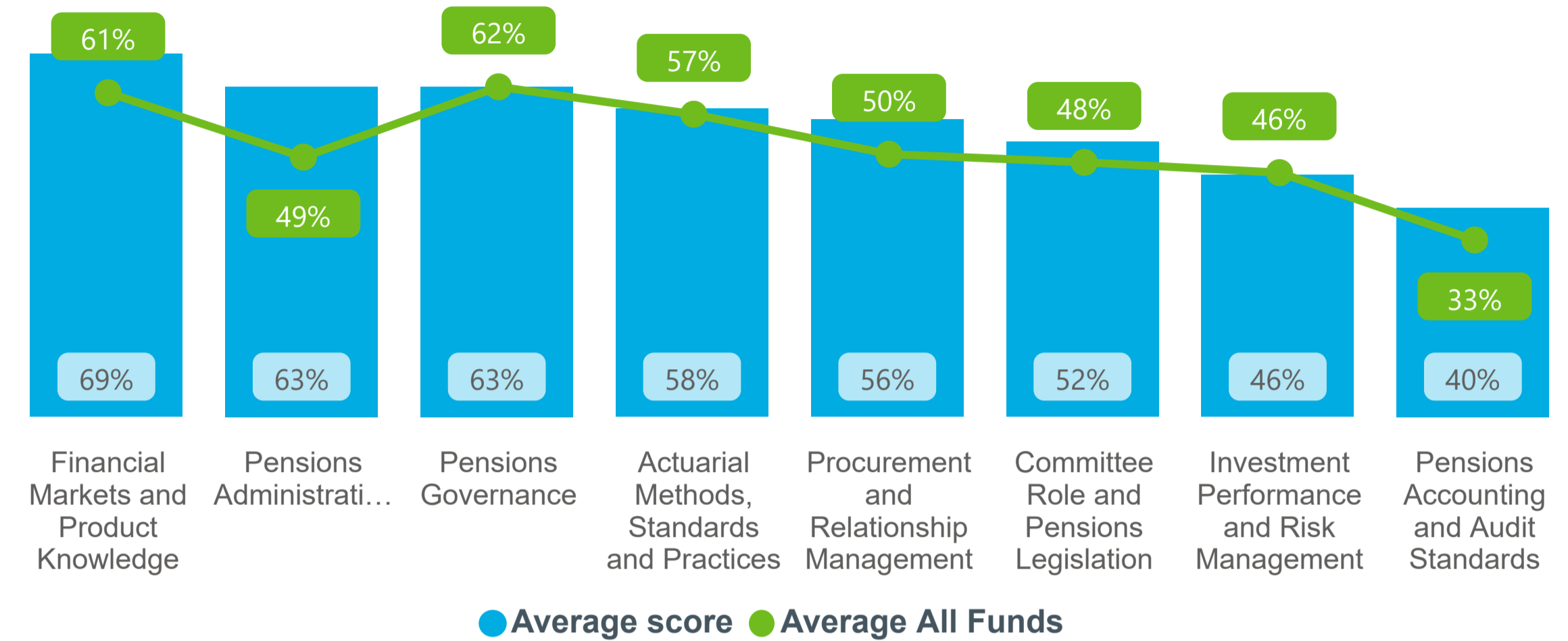
We’ve provided a comparison of the results for both your Fund’s Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

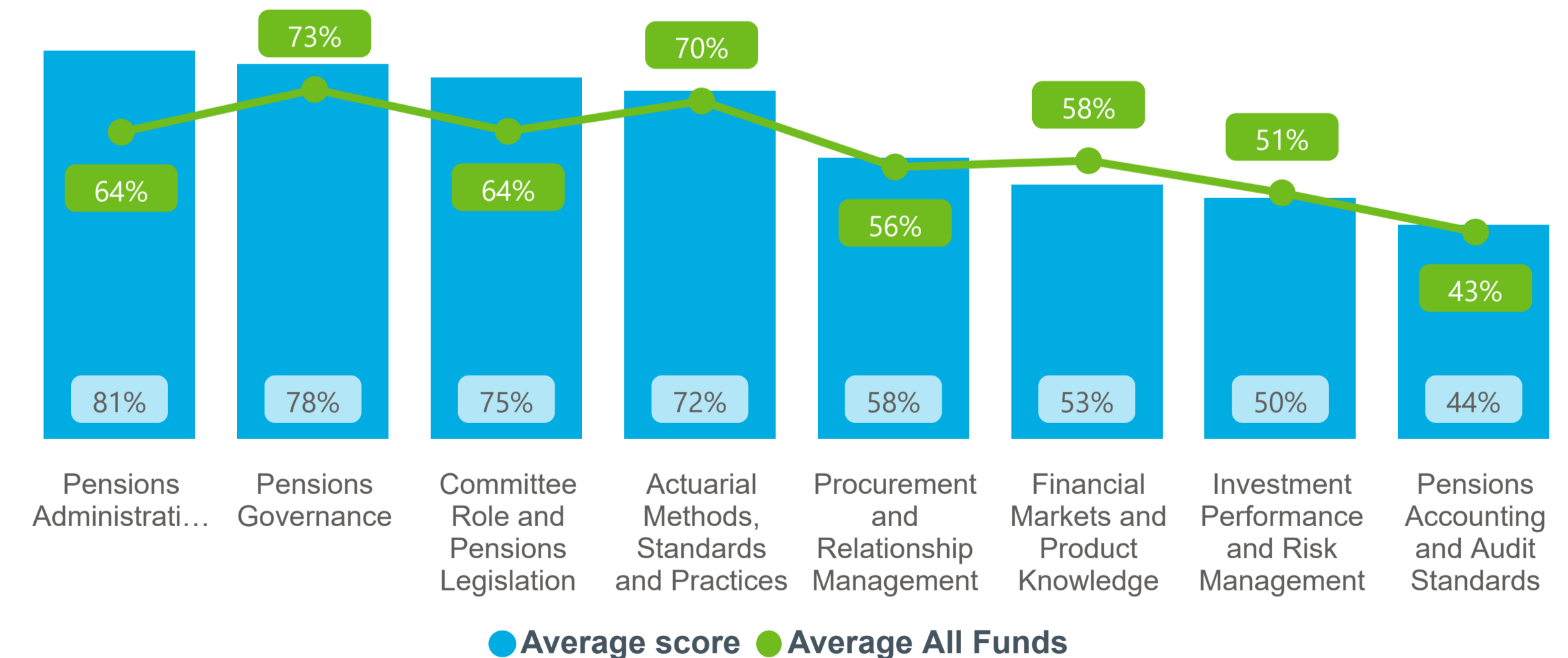
- It’s pleasing to see that the areas of Financial Markets and Product Knowledge and Pensions Governance scored well for the Committee.
- It’s clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Investment Performance and Risk Management and Pensions Accounting and Audit Standards would be a sensible focus of training for the Committee.
- Similarly, from the Board chart it can be seen that the highest scoring areas were Pensions Administration and Pensions Governance.
- The Scores between Wiltshire Pension Fund and all other Funds diverged the most in the Pensions Administration, when the Average score was 17 % higher than Average All Funds.
- Across all sections, Wiltshire Pension Fund Board score ranged from 44 % to 81 % and the average for all other funds ranged from 43 % and 73 %.

Page 59

Pension Committee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



Commentary on results

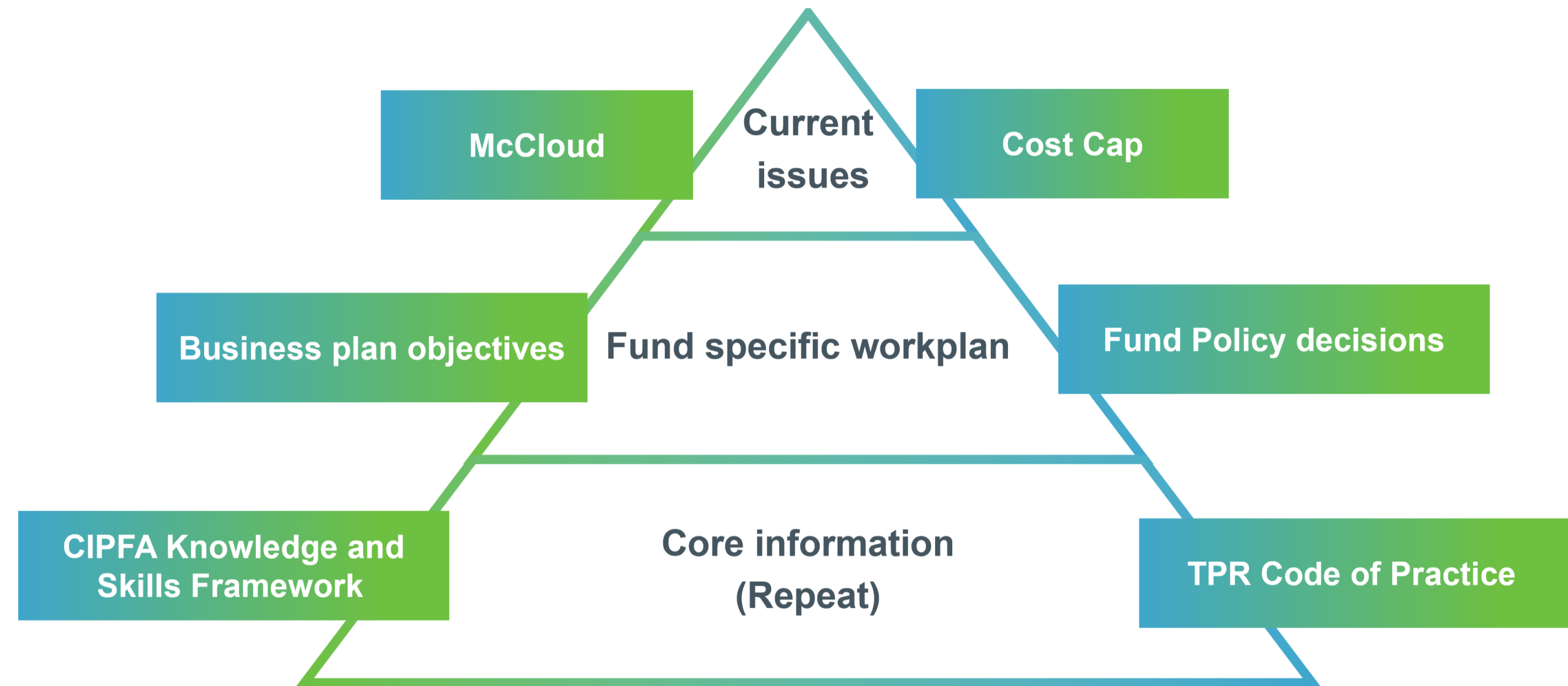
It's encouraging that 14 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Page 60

Committee

The results show that Financial Markets and Product Knowledge and Pensions Governance have the highest levels of knowledge. But the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Committee. Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards.

In general, the Committee's performance relative to all other committees was strong.

When looking at the benchmarking results against the other participating funds, the Committee ranked 7 out of 16 Funds' Committee results.

Local Pension Board

The results show that Pensions Administration and Pensions Governance have the highest levels of knowledge, but the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Board.

Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards. The Board's performance relative to all other committees was strong. In terms of benchmarking results against the other participating funds, the Board ranked 7 out of 16 Funds' Board results.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.



From this chart, the lowest scoring area was Decision Making. Bearing this in mind, a particular focus could be put on this over the coming months.

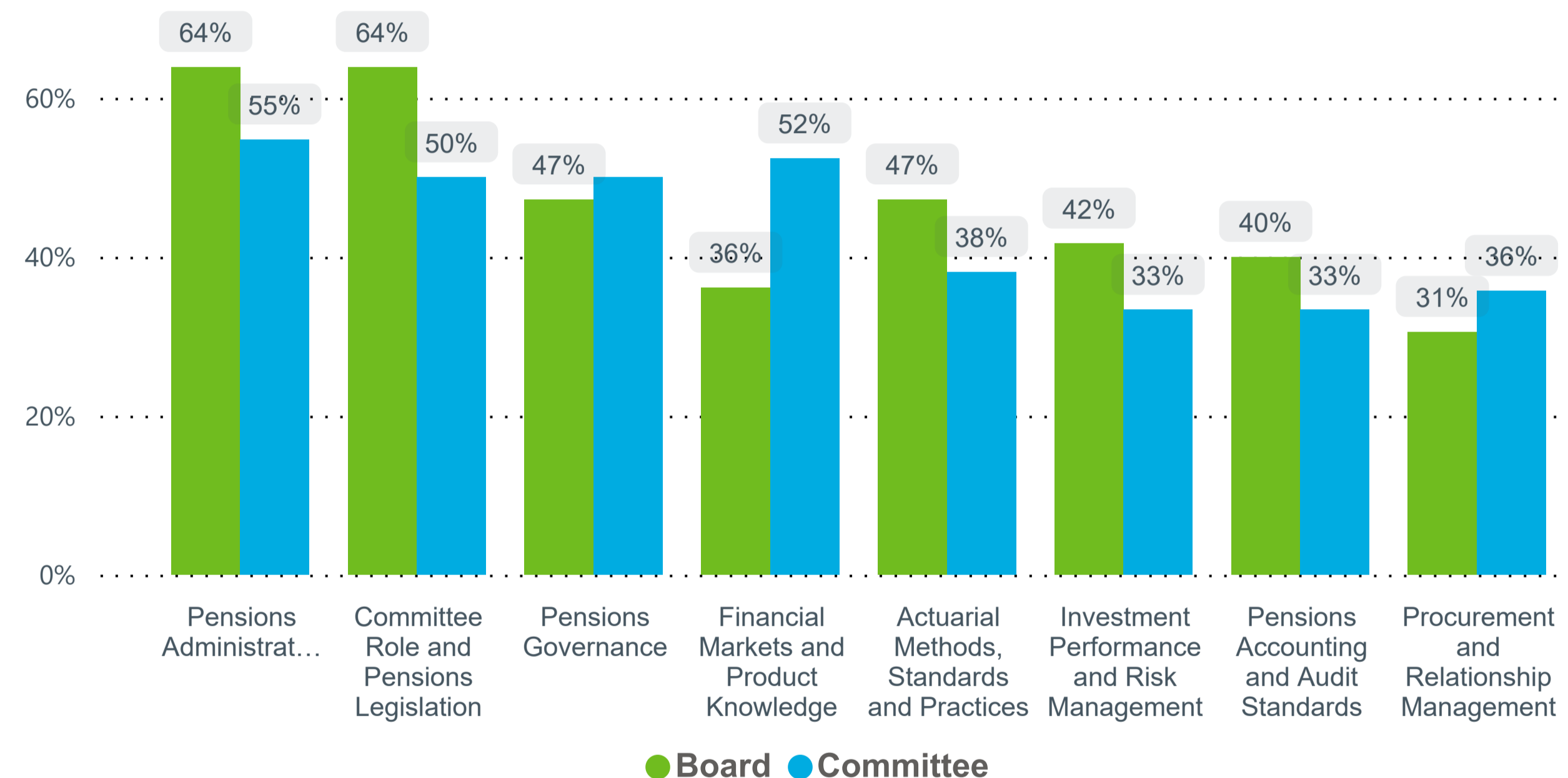
Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDR process, review of suppliers and cyber risk.

Technical – below, we have also included more detail on the technical questions, as these made up the majority of questions in the assessment.

Average Score by Section (Technical Questions)



Procurement and Relationship Management was the lowest scoring section when looking at just the technical questions. This may be an area which is prioritised in terms of more technical training over the coming months.

Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

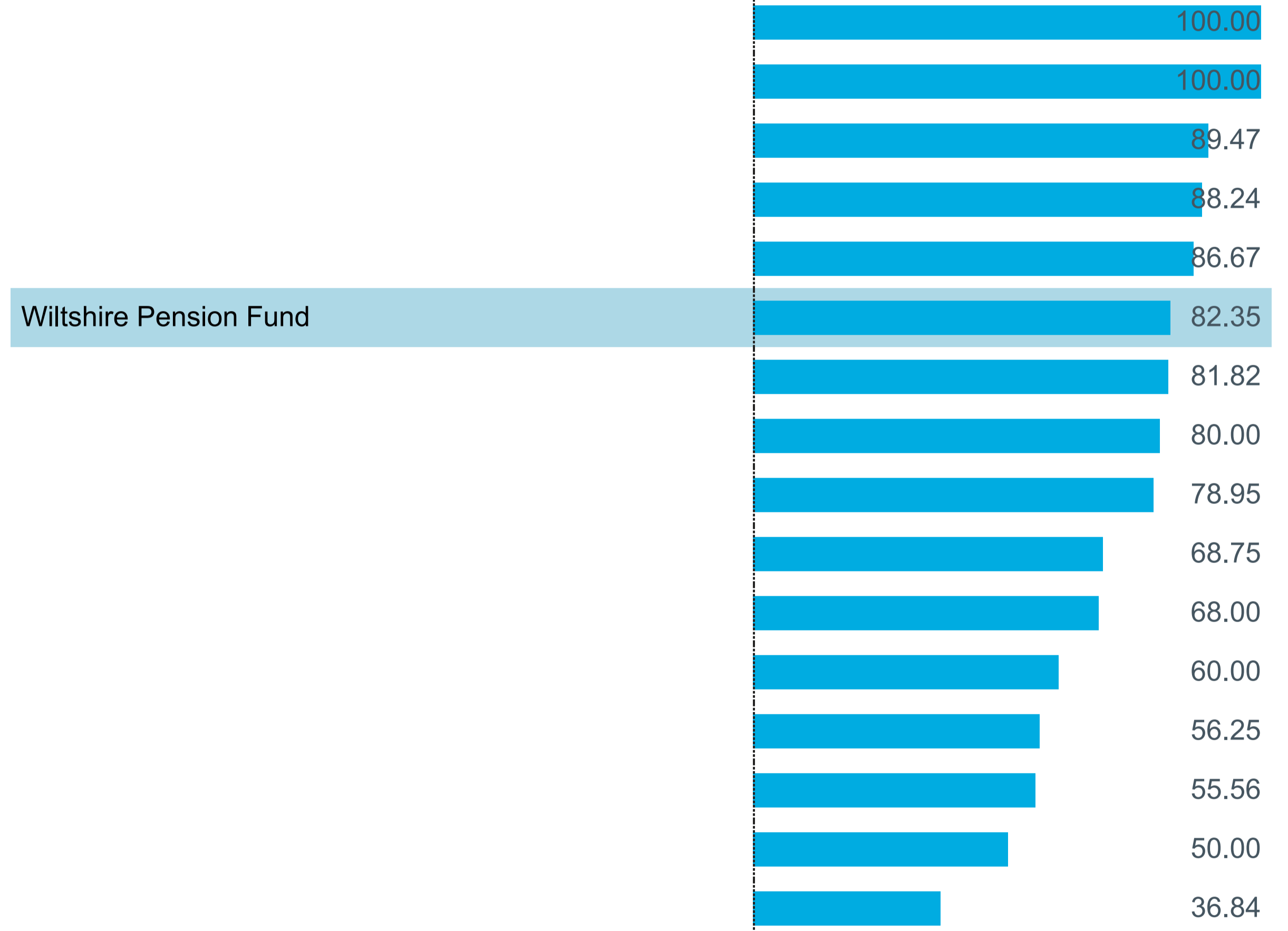
The chart below shows the breakdown of the total number of participants from the Wiltshire Pension Fund, as a proportion of those who could have responded.

Page 63

Role	Participants	Total Number	2022 Participation Rate
Board	6	7	86%
Committee	8	10	80%

Fund

2022 Overall engagement



Engagement

That 14 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a good level; however, it is important to maintain this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

Page 64 There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

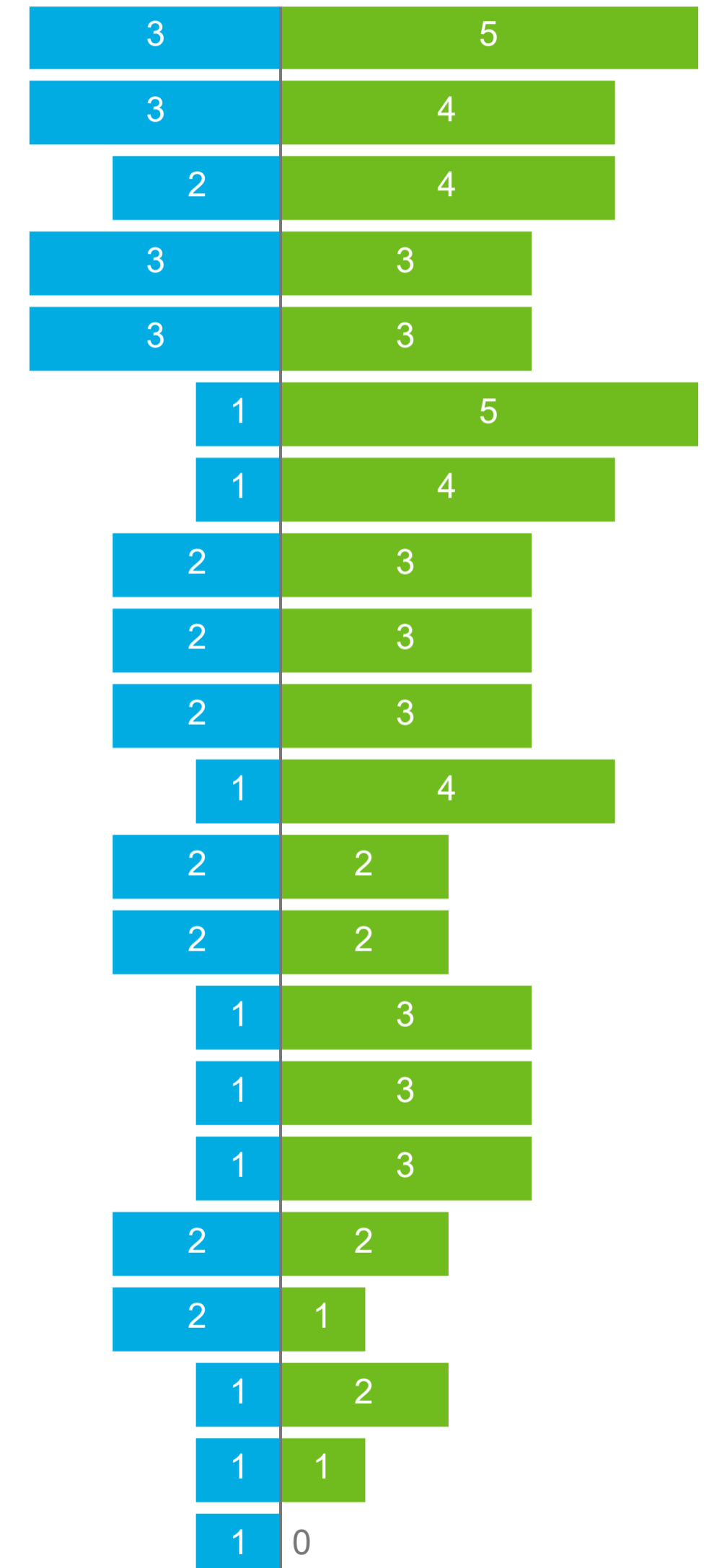
The table on the right summarises the areas in which members indicated training would be beneficial.

A suggested training plan is shown on the next page.

Training requirements

● Board ● Committee

Pensions Accounting and Audit Standards
Financial Markets and Product Knowledge
Committee Role and Pensions Legislation
Pensions Administration
Pensions Governance
The Pensions Regulator Code of Practice
Good Governance
Investment Performance and Risk Managem...
Levelling up and impact investing
Pension Dashboards
Task Force on Climate-related Financial Discl...
Actuarial Methods, Standards and Practices
Cyber security
Environmental, Social and Governance / Res...
LGPS Code of transparency
McCloud impacts
Section 13
Pension Scams
Procurement and Relationship Management
Illiquid asset training
I don't require further training



Training plan

Based on the results from this assessment, we have prepared the adjacent draft 'core' training plan which you may wish to adopt.

This has been prepared based on the overall scores of the Board and Committee combined.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page **'Commentary on results'**, we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were **Pensions Accounting and Audit Standards** and **Financial Markets and Product Knowledge**.

More detail is shown in the chart on the previous page.

Training Plan - Wiltshire Pension Fund - January 2023 to June 2024

<p>Q1 2023</p> <p>Core topic: Accounting & Audit Standards</p> <p>Providing a general understanding of the Accounts and Audit Regulations and the role of internal and external audit</p> <p>Hot Topic: TCFD, 2023 Valuation conclusion and Fund business plan session</p>	<p>Q2 2023</p> <p>Core topic: Investment Performance</p> <p>Providing a general understanding of the relationship between assets and liabilities, the Myners principles and the structure, operation and purpose of investment pooling arrangements</p> <p>Hot Topic: Good Governance (expected in this quarter) and McCloud remedy</p>
<p>Q3 2023</p> <p>Core topic: Procurement & Relationship</p> <p>Providing a general understanding of the public procurement requirement as they apply to the LGPS, and how performance of suppliers can be monitored</p> <p>Hot Topic: Pension Dashboard, Cyber security and Levelling update agenda</p>	<p>Q4 2023</p> <p>Core topic: Financial Markets and Product</p> <p>Providing a general understanding of the risk and return characteristics of the main asset classes, the workings of the financial markets and available investment vehicles and the importance of the Fund's ISS and investment strategy decisions</p> <p>Hot Topic: Pension scams</p>
<p>Q1 2024</p> <p>Core topic: Committee Role and Legislation</p> <p>Providing overview of committee's role and a general understanding of the legislative framework as it applies to the LGPS, in line with CIPFA Knowledge & Skills Framework</p> <p>Hot Topic: Cost transparency</p>	<p>Q2 2024</p> <p>Core topic: Actuarial Methods</p> <p>Providing a general understanding of the role of the Fund actuary and the formal valuation process (including the FSS and inter-valuation monitoring) and the treatment of new and ceasing employers (including employer covenant)</p> <p>Hot Topic: Good Governance (update)</p>

Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Andrew McKerns



Senior LGPS Governance, Administration and Projects (GAP) Consultant

Alan Johnson



LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the Wiltshire Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2022.

Wiltshire Pension Fund Committee & Board Member Training Plan

2023 - 2024

PENSION FUND COMMITTEE

Period	Actual Meeting Date	CIPFA Framework category	Proposed training item	By whom	Meeting Focus
Newly inducted members will receive a Member Handbook, Induction training from Officers, attend the LGPS Fundamentals training course & be required to complete the Pension Regulator's on-line toolkit					
All members, in addition to the organised training set out below will be invited to attend additional internal training events, plus external conferences, seminars & pension forums to supplement & maintain their knowledge & understanding. Technical notes will also be circulated as required.					
Q1 2023	02/03/23	Investment Performance	Investment Manager updates	Officers	Investment
Q1 2023	23/03/23	Governance	Good Governance & TPR Code of Practice update	Officers	Administration
Q2 2023	15/06/23	Accounting & Audit	Cost Transparency	Officers	Investment
Q2 2023	13/07/23	Governance	Roles and responsibilities of each group at differing points during the annual life cycle of the Fund. To include guidance on advisors, scheme of delegation & policies and documents	Officers	Administration
Q3 2023	14/09/23	Financial Markets and Products Knowledge	Risk and return characteristic of the main asset classes, the work of financial markets and available investment vehicles and the importance of the Fund's ISS and investment strategy decisions	Officers	Investment
Q3 2023	05/10/23	Actuarial method	The Actuary, the formal valuation process (including the FSS and inter-valuation modelling) and the treatment of new and ceasing employers (including employer covenants)	Hymans	Administration

MiFID II self certification

Annual self-assessment review

Q4 2023	23/11/23	Financial Markets and Products Knowledge	The Investment Governance framework	Officers	Investment
Q4 2023	14/12/23	Administration	Pensions Dashboard	Officers	Administration
Q1 2024	29/02/24	Accounting & Audit	Treasury Management arrangements	Officers	Investment
Q1 2024	28/03/24	Administration	Complaints, Dispute & Disclosure requirements	Officers	Administration

LOCAL PENSION BOARD

Period	Actual Meeting Date	CIPFA Framework category	Proposed training item	By whom	Comments
Q1 2023	01/02/23	Governance	Good Governance & TPR Code of Practice update	Officers	Committee members to be invited

Q2 2023	24/05/23	Administration	KPI Improvement Plan	Officers	Committee members to be invited
Q3 2023	10/08/23	Accounting & Audit	Accounting & Auditing Standards and the role of the internal and external auditor	Officers	Committee members to be invited
Annual self-assessment review					
Q4 2023	02/11/23	Administration	The background, approach & remedy to "McCloud"	Officers	Committee members to be invited
Q1 2024	13/02/24	Procurement & Relationship Mgt	The Public Procurement requirement and how performance of suppliers can be monitored	Officers	Committee members to be invited
Q2 2024	To be confirmed	Administration	Pension Scams	Officers	Committee members to be invited

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
01 February 2022

Effectiveness review 2022

Purpose of the Report

1. To consider the recommendations identified by Hymans Robertson in their “Member Effectiveness Review” report 2022.
2. To update members on the Fund’s implementation of the Pension Regulator’s (tPR) anticipated new single code of practice and its effective system of governance (ESoG) requirement.

Background

Member Effectiveness Review

3. The purpose of the effectiveness review questionnaire was to provide a framework within which members can comment on the effectiveness of both the Pension Committee (PC) & Pension Board (PB). Overall, the responses received in 2022 followed a similar pattern to those seen in 2018. The responses received to the specific statements set out in the questionnaire suggested a high proportion of positive feedback with the majority of respondents being comfortable with the effectiveness of their respective group.
4. Following the 2018 review a working group was set up to address those recommendations. On comparing the outcomes highlighted in the 2022 report against the 2018 report, officers note that five items continued to be identified as areas of concern by members. These are numbered in paragraphs 5 and 10. However, there were eight 2018 recommendations (listed below) which have been successfully embedded.
 - a) The terms of reference for both groups were updated and restated
 - b) Implementation of tPR guidance on effective pension meetings – In particular, agenda planning meetings & the meetings timetabling
 - c) Clarity over what is Fund business and what is Employer (Wiltshire Council) business at meetings
 - d) Clarification on how the Fund’s action logs are managed by both groups
 - e) A review of the design of the LPB Annual Report
 - f) Initiating a monthly update report from the Head of Pensions
 - g) Fostering cross-observation by Members, by attending each other’s meetings: &
 - h) Implementing induction training for new members
5. Based on the 2022 effectiveness review the concerns raised by members covered the following areas.
 - a) **(1)** Uncertainty from PC members around their role and the relationship between the PC, PB and officers, despite a positive response regarding the overall objectives of the Fund:
 - b) A concern from PC members regarding the escalation process to be followed
 - c) **(2) & (3)** Various concerns, mainly from the PC, around knowledge and training, including use of tPR’s toolkit and Hymans on-line learning academy

- d) The opportunity to adequately input into the Fund's issues log (This relates primarily to the Fund's Risk register)
 - e) A lack of understanding of the Council's Scheme of Delegation
 - f) A lack of understanding amongst some PC members on the role of the investment pool
 - g) A lack of understanding on the role of a number of advisers amongst by the PC members; and
 - h) **(4) & (5)** Some lack of clarity from PC members on all areas concerned with key documents and policies
6. Members will note that the five new areas of concern highlighted consist of the Scheme of Delegation, investment pooling and advisers, which suggests that the roles of outside parties need further clarification. In addition, the Fund's escalation arrangements may need to be further investigated by any working group formed.

TPR Single Code of Practice

7. Following the presentation to members concerning tPR's new Single of Code of Practice last August, officers have prepared an actions log outlining the progress made to date in implementing tPR's anticipated requirements. The actions log is based on tPR's draft consultation document issued in March 2021 and since then the Regulator has received considerable feedback from its stakeholders. At the LGPS Governance Conference on 20 January 2023, the Regulator advised that a further document had been prepared, although not published and that it will include a number of key changes from those advised in March 2021.
8. Given that the final guidance is due in 2023, officers felt it may be better to delay the circulation of their current actions log until such time as the key changes are known. However, it should be noted that to date, officers have determined which of tPR's modules (based on the draft code dated March 2021) the Fund should implement, undertaken a gap analysis of the Fund's strategic internal controls, outlined the data points by which to assess the Fund's effectiveness under this new guidance and created an Own Risk Assessment (ORA) tool & draft policy to conduct the Fund's first assessment of its effectiveness following receipt of final guidance.
9. Along with the Good Governance Review actions log, the final Code of Practice actions log will operate as the Fund's project plan ensuring that the recommendations from both sources are implemented in a co-ordinated manner. In addition, the implementation of these requirements will also incorporate the findings of our member effectiveness review, with the aim of creating an integrated governance framework for the Fund.

Considerations for the Board

Member Effectiveness Review

10. The table below sets out the suggested recommendation identified by Hymans Robertson which the Fund should consider based on feedback from members.

Subject area	Suggested recommendations
Structure & Culture	<ul style="list-style-type: none"> • PC training – to ensure understand distinction between PC/PB and officers • (1) Clarification to be given to the PC on the role and purpose of the PB within an LGPS fund and why both groups have distinctive and different objectives

Management of meetings	<ul style="list-style-type: none"> • Provide guidance to PC and PB members on the process to escalate any issues that might arise during meetings
Knowledge & training	<ul style="list-style-type: none"> • (2) All PC and PB members to be encouraged to complete TPR's online toolkit. • (3) The Fund to ensure it maintains a comprehensive training plan and seeks to ensure relevant training is made available to PC and PB members as required. • As part of training plan and Fund consider relevant LOLA modules required to be completed ahead of relevant PC or PB meeting • Officers to promote use of LOLA amongst PC members
Risks & conflicts	<ul style="list-style-type: none"> • Ensure greater focus is given to covering Fund risks as part of PC and PB agendas, providing training on Fund related risks where appropriate • Provide PC and PB members with access to the Council's Scheme of Delegation and provide explanation of how this relates to Fund business • Officers to provide clarification to the PC and PB on how the Investment pool operates and how this links to the day-to-day business of the Fund
Advisers	<ul style="list-style-type: none"> • Officers to provide clarification to the PC on the role and purpose of advisers and other interested parties, and how they add benefit and provide support to the running of the Fund
Documents & policies	<ul style="list-style-type: none"> • (4) Ensure Fund objectives are clearly defined, and processes are put in place to monitor them and report progress to both the PC and PB • (5) Ensure an improvement plan is in place for the Fund and regularly reported to the PC and PB • Conduct a training session covering the contents of the main Fund policies, and in particular ensuring members are aware of where these are stored, and how often they are reviewed. PC and PB members should also be aware of the role they play in any review/sign off of these policies
General comments & key actions	<ul style="list-style-type: none"> • (1) Clarification given to the PC on the purpose of the PB within an LGPS fund and why both groups have distinctive different roles and objectives • Provide guidance to PC and PB members on the process to escalate any issues that might arise during meetings • (2) PC and PB members to be encouraged to complete TPR's online toolkit and Hymans on-line leaning academy modules • (4 & 5) Confirmation and communication to both the PC and PB on the Funds current improvement plan and the objectives

11. Officers have already reviewed the recommendations and started actioning a number of points raised. These include.

- a) Raising the profile of the risk register and how risk is being managed by the Fund.
- b) Developing a 2023/24 training plan which will address the requirements of the Committee and Board members: and
- c) Preparing a 3-year business plan setting out the objectives of the Fund, a timetable of review against the progress of those objectives, which will include an improvement plan.

12. The Board is asked to consider Hymans Robertson's recommendations, in conjunction with the full report and offer any additional feedback to officers concerning the implementation of those recommendations.

Environmental Impact of the Proposal

13. Not applicable.

Financial Considerations & Risk Assessment

14. There are no financial considerations.

Legal Implications

15. There are no material legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

16. There are no known implications at this time.

Proposals

17. The Board is asked to recommend that the actions outlined in the Member effectiveness report 2022 be implemented by officers.

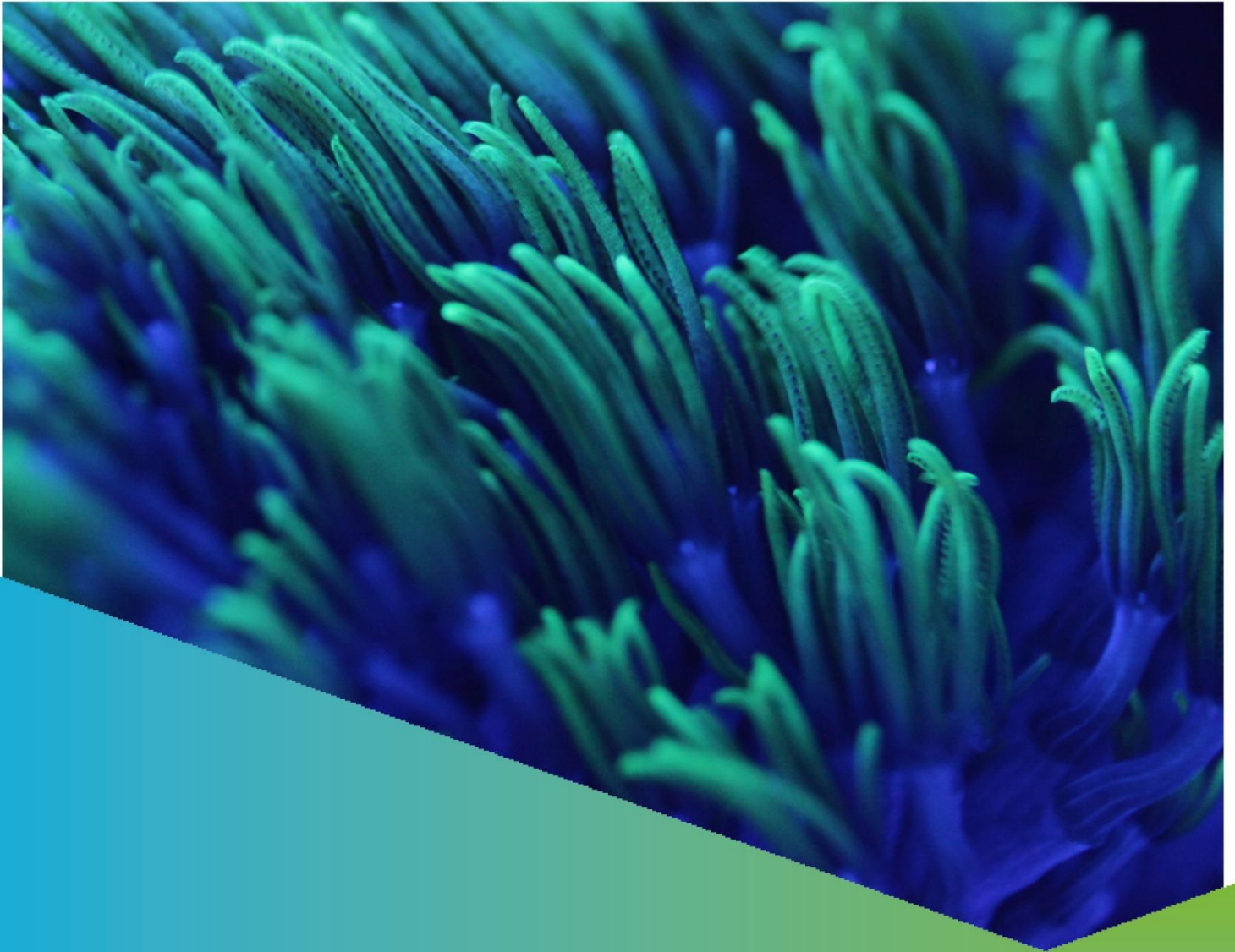
Jennifer Devine
Head of Wiltshire Pension Fund

Report Author: Richard Bullen, Fund Governance & Performance Manager

Appendix 1 – Member Effectiveness Review Report

LGPS

Effectiveness Review - 2022



Wiltshire Pension Fund

Wiltshire Pension Committee and Pension Board - Effectiveness review

Effectiveness Questionnaire – October/November 2022

Over October and November of 2022, members of both the Pension Committee (PC) and Pension Board (PB) were issued with an online questionnaire designed to give a framework for them to provide feedback and comment on the effectiveness of both groups. The areas covered by this review were:

- Structure and culture;
- Management of meetings;
- Knowledge & training;
- Risks & conflicts;
- Advisers;
- Documents & policies

This paper provides details of the key findings from this survey.

Results, Commentary and Suggested Actions

A total of 5 out of 9 PC members and 5 out of 6 PB members responded to the questionnaire. This is a reduction of those who responded to the 2018 review, where **8 out of 10** PC members and **4 out of 4** PB members responded to the questionnaire. Members were presented with 57 statements, over the 6 subject areas and were given 5 optional answers based on the strength of agreement or disagreement with the statements provided.

On the whole the responses provided to the 2022 review followed a similar pattern to that seen in 2018, with more positive responses being received from members of the PB relative to members of the PC. This can be explained in a large part by the fact that membership of the PC changed significantly following the local elections in May 2022. As might be expected, their knowledge and appreciation of the respective roles and responsibilities is not at the level of their PB colleagues who will have held their positions for longer.

Overall though the responses received to the specific statements included a high proportion of positive feedback, suggesting the majority of respondents are comfortable with the effectiveness of their respective group.

Analysis suggests that the responses to the statement being considered were on the whole “agree” or “strongly agree”, there did appear to be some concern in a number of areas, including:

- uncertainty from PC members around their role and the relationship between the PC, PB and officers, despite generally positive responses regarding the overall objectives of the Fund;
- a concern from PC members regarding the escalation process to be followed;
- various concerns, mainly from the PC, around knowledge and training, including use of the Pension Regulator’s (TPR’s) toolkit and Hymans on-line learning academy;
- the opportunity to adequately input into the Funds issues log (This is known as the Fund’s Risk register and actions log);
- a lack of understanding of the Council’s Scheme of Delegation;
- a lack of understanding amongst some PC members on the role of the investment pool

- a lack of understanding on the role of a number of advisers amongst the members of the PC; and
- some lack of clarity from PC members on all areas concerned with key documents and policies.

There was some concern expressed within the comments provided regarding the remit of the Brunel investment pool and a fear it wished to take on wider responsibilities. Concern was expressed that its business plan for future development moved it away from an ‘arms-length’ organisation under the control of its shareholders to one that determined its role semi-independently of constituent Funds primary objectives. It will be critical, therefore, that officers address these concerns, both with PC and PB members and with the pool itself, if deemed appropriate.

Other comments focussed on areas of knowledge and training and need to get up to speed on all of the different topics covered by TPR, CIPFA and the Hymans on-line learning academy.

It was good to see also positive comments from some participants on the effectiveness of the PC and PB in working together to identify key issues and agreeing further actions or investigations required and the support given to them by officers.

High Level Summary

The following charts show the percentage of responses in each section where members selected either “agree” or “strongly agree” within the statement for both the 2022 and 2018 reviews.

Overall, you can see that in the latest survey the PB is more in agreement with the statements made than the PC in all areas. This is most likely attributable to the fact at membership of the PB is well established, whereas there has been significant change to the makeup of the PC following the local elections in May 2022. As the new PC members become more established in their role we would expect their position to improve.

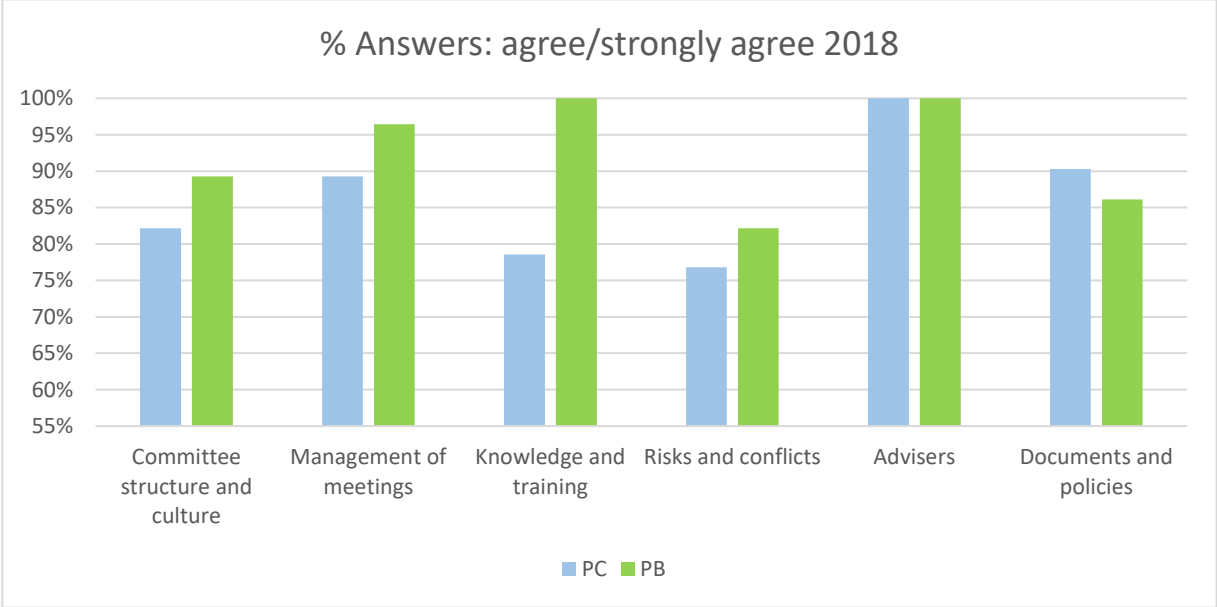
The most significant area of difference between both groups was on Advisers, with the PB in strong agreement with the statements made in this section.



2018 Effectiveness Review Summary

It is worthwhile comparing the 2022 results with those from the earlier review in 2018. While we can explain the drop in positive responses from members of the PC, we can also see a slight drop in positive responses from PB members in the areas of knowledge & understanding and the role of advisers. This would suggest that work is needed to address these areas, as previously both had 100% of positive responses, and this has now fallen.

Comparison also suggests a very slight drop across committee structure & culture and management of meetings, but this is not at a level to cause concern. Possibly areas to keep a watchful eye on. It is encouraging though to see an improvement in positive responses from PC members in relation to risks & conflicts and documents & policies, evidencing success in addressing concerns raised in 2018 (particularly in relation to risks & conflicts).



Section 1 – Committee structure and culture

Results

Question		No. of responses			
		Committee	Board	Total	
1	Committee structure and culture				
1.1	I understand my role and obligations under the LGPS Regulations and Committee's/Board's own terms of reference.	Strongly Agree	0	3	3
		Agree	3	2	5
		Neither Agree nor Disagree	2	0	2
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
1.2	The Committee/Board has sufficient time and resources available for the ongoing management of the Fund.	Strongly Agree	0	0	0
		Agree	5	4	9
		Neither Agree nor Disagree	0	1	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
1.3	I believe members of the Pension Committee and Pension Board are clear on the Fund's objectives	Strongly Agree	0	1	1
		Agree	5	4	9
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
1.4	The current sizes of the Committee/Board is about right	Strongly Agree	0	0	0
		Agree	5	5	10
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
1.5	The distinction between the roles of Elected Members, Pension Board members and Officers is understood.	Strongly Agree	0	0	0
		Agree	4	5	9
		Neither Agree nor Disagree	0	0	0
		Disagree	1	0	1
		Strongly Disagree	0	0	0
		Committee	Board	Total	
1.6	Sufficient time is given to reviewing the Funds governance structure to ensure it remains appropriate.	Strongly Agree	2	1	3
		Agree	2	4	6
		Neither Agree nor Disagree	1	0	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
1.7	The Pension Committee and Pension Board work effectively as a team.	Strongly Agree	0	0	0
		Agree	1	4	5
		Neither Agree nor Disagree	3	1	4
		Disagree	1	0	1
		Strongly Disagree	0	0	0

			Committee	Board	Total
1.8	I believe that members of the Pension Committee and Pension Board work effectively with Fund Officers.	Strongly Agree	0	1	1
		Agree	5	4	9
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0

Commentary – Section 1

Commentary	Suggested Action
<p>There was mostly agreement with the statements within this section on the structure of the PC and PB and the culture of each body.</p> <p>The results from the assessment would suggest there is clarity around the roles PC, PB and officers in terms of achieving the fund’s objective. It is clear from the majority of responses that the roles of elected members, board members and officers are understood and that all parties work effectively with each other.</p> <ul style="list-style-type: none"> “LPB and Committee largely work 'in parallel' with each other.” <p>Although the majority of answers are positive, some PC members reported neutral responses in some areas, particularly towards whether the PC and PB work effectively as a team. For some members this can be attributed to experience in the role, as per the following comment:</p> <ul style="list-style-type: none"> “I have only been a member since May 22, so I am still learning the role and finding out how the committee works and how it interacts.” <p>This was the lowest scoring question for the PC, and might merit further investigation to identify any areas which could improve the feeling of teamwork.</p>	<ol style="list-style-type: none"> 1. PC training – to ensure understand distinction between PC/PB and officers 2. Clarification to be given to the PC on the role and purpose of the PB within an LGPS fund and why both groups have distinctive and different objectives

Section 2 – Management of meetings

Results

Question		No. of responses			
2	Management of Meetings		Committee	Board	Total
2.1	The number of scheduled meetings is sufficient for the Committee/Board to conduct its business	Strongly Agree	0	1	1
		Agree	5	4	9
		3 Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
2.2	The Committee's/Board's agendas focus on the right topics to allow me to carry out my role.	Strongly Agree	0	2	2
		Agree	5	3	8
		3 Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
2.3	Meetings are run such that there is sufficient time to discuss all the issues properly	Strongly Agree	2	1	3
		Agree	2	4	6
		3 Neither Agree nor Disagree	1	0	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
2.4	The scheduling of Pension Committee and Pension Board meetings enables sufficient time for minutes to be shared between both in a timely manner	Strongly Agree	2	0	2
		Agree	3	5	8
		3 Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
2.5	Committee/Board meetings are well managed and productive	Strongly Agree	0	2	2
		Agree	5	3	8
		3 Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
2.6	A suitable structure exists to ensure any issues can be appropriately escalated	Strongly Agree	0	1	1
		Agree	1	4	5
		3 Neither Agree nor Disagree	4	0	4
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
2.7	The Chair has the right qualities in order to perform the role	Strongly Agree	2	2	4
		Agree	3	2	5
		3 Neither Agree nor Disagree	0	1	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0

			Committee	Board	Total	
2.8	Meetings are chaired in an even-handed manner, with all opinions being heard and consensus being sought		Strongly Agree	4	2	6
			Agree	1	3	4
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0






Commentary – Section 2

Commentary	Suggested Action
<p>Overall this was the most positively answered section. There was agreement in all, but one question. These positive responses are represented in the below comment.</p> <ul style="list-style-type: none"> “I believe our Board and Committee are effective in identifying key issues requiring further action or investigation. We are well supported by our Officers. <p>However, there was a largely neutral response from PC members on question 2.6 regarding a suitable structure that exists to ensure that any issues can be appropriately escalated.</p>	<ol style="list-style-type: none"> 1. Provide guidance to PC and PB members on the process to escalate any issues that might arise during meetings

Section 3 – Knowledge and training

Results

Question		No. of responses			
3 Knowledge and Training		Committee	Board	Total	
3.1	I have sufficient knowledge and understanding to enable me to properly discharge my duties as a Committee/Board member or Fund Officer.	Strongly Agree	0	1	1
		Agree	2	3	5
		Neither Agree nor Disagree	1	1	2
		Disagree	2	0	2
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.2	I am familiar with the principles of the Fund's training strategy.	Strongly Agree	1	3	4
		Agree	2	2	4
		Neither Agree nor Disagree	2	0	2
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.3	There is sufficient time dedicated to gaining the appropriate knowledge and understanding.	Strongly Agree	0	0	0
		Agree	4	4	8
		Neither Agree nor Disagree	1	0	1
		Disagree	0	1	1
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.4	The Committee/Board receives appropriate briefings from officers and advisers on current topics and new developments.	Strongly Agree	2	3	5
		Agree	1	2	3
		Neither Agree nor Disagree	2	0	2
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.5	I am familiar with the objectives of the Fund.	Strongly Agree	3	2	5
		Agree	2	3	5
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.6	I have completed the Pension Regulator's online Toolkit.	Strongly Agree	1	3	3
		Agree	2	1	3
		Neither Agree nor Disagree	0	1	1
		Disagree	2	0	2
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.7	I have completed the Fund's online learning academy modules.	Strongly Agree	0	2	2
		Agree	2	2	4
		Neither Agree nor Disagree	0	1	1
		Disagree	3	0	3
		Strongly Disagree	0	0	0
		Committee	Board	Total	

			Committee	Board	Total	
3.8	The Committee/Board is kept up to date with any legal or regulatory changes impacting the scheme.		Strongly Agree	2	3	5
			Agree	3	2	5
			Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0

Commentary – Section 3

Commentary	Suggested Action
<p>As was the case in 2018 this was the section which received the most positive responses from members of the PB, perhaps reflecting the statutory requirement imposed upon them by the Public Service Pensions Act 2013 (unlike PC members, where such a statutory requirement is not imposed despite their decision making responsibilities). PB members have also made it clear that they are working hard to achieve the expected standard of knowledge</p> <ul style="list-style-type: none"> • <i>“I am in the process of completing the training. I will dedicate time to this. Have just been very busy in working life as well as personal.”</i> • <i>“Having been an employer rep for just a year and put forward for the role rather than volunteering, I feel that I am on a steep learning curve. I feel that papers as presented to the Board and discussion points, these I understand but having completed the knowledge assessment there is more to learn - especially around financial markets and investments performance. This is a big ask on top of the day job and I have struggled this past year to complete and digest all the training”</i> <p>The least agreed statement for the PC was in this section and related to the completion of the Fund Online Learning Academy Modules</p> <ul style="list-style-type: none"> • <i>“Difficult to find blocks of time in which to address the online learning available.”</i> • <i>“I am half way through my online training stuff and have attended the first day of the 3 day LGA LGPS training.”</i> <p>These responses are also in line with the recent NKA results which showed the PB members scored on average 8% higher than the PC members. It is important to note that the PC members’ results were strong relative to other committees.</p>	<p>Suggested actions are much the same as was the case in 2018:</p> <ol style="list-style-type: none"> 1. PC and PB members to be encouraged to complete TPR’s online toolkit 2. The Fund to ensure it maintains a comprehensive training plan and seeks to ensure relevant training is made available to PC and PB members as required. <p>In addition we would add in specific suggested actions around promotion and use of the on-line learning academy (LOLA)</p> <ol style="list-style-type: none"> 3. As part of training plan and Fund consider relevant LOLA modules required to be completed ahead of relevant PC or PB meeting 4. Officers to promote use of LOLA amongst PC members

Section 4 – Risks and conflicts

Results

Question		No. of responses				
		Committee	Board	Total		
4	Risks and Conflicts					
4.1	I am aware of the need to disclose any conflict of interest that arises.		Strongly Agree	4	4	8
			Agree	1	1	2
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
4.2	I have the opportunity to disclose conflicts of interest.		Strongly Agree	4	4	5
			Agree	1	1	5
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
4.3	The Committee/Board regularly sees the Fund's Risk Register.		Strongly Agree	2	3	5
			Agree	1	2	3
		3	Neither Agree nor Disagree	2	0	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
4.4	The Committee/Board is given adequate opportunity to input into the development of and actions within the Fund's Risk Register.		Strongly Agree	2	2	4
			Agree	1	3	4
		3	Neither Agree nor Disagree	2	0	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
4.5	The Committee/Board and Fund Officers are clear on where the ultimate ownership of the Risk Register lies.		Strongly Agree	1	2	3
			Agree	3	3	6
		3	Neither Agree nor Disagree	1	0	1
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
4.6	In meetings the distinction between "Fund business" and "Employer business" is clearly understood.		Strongly Agree	2	1	3
			Agree	3	3	6
		3	Neither Agree nor Disagree	0	1	1
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
4.7	I am confident that the Fund is managing risk appropriately.		Strongly Agree	1	0	1
			Agree	4	5	9
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0

























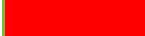
			Committee	Board	Total
4.8	I understand how the Council's Scheme of Delegation works in relation to the running of the Pension Fund.	Strongly Agree	1	1	2
		Agree	1	4	5
		Neither Agree nor Disagree	3	0	3
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
4.9	If I suspected a breach of the law, I would know the proper process to follow.	Strongly Agree	2	2	4
		Agree	3	3	6
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
4.10	I believe there is a clear understanding of the remit of the investment Pool and how this links with the business of the Fund.	Strongly Agree	1	0	1
		Agree	3	4	7
		Neither Agree nor Disagree	1	0	1
		Disagree	0	1	1
		Strongly Disagree	0	0	0

Commentary – Section 4

Commentary	Suggested Action
<p>There were significant strong responses from both the PC and PB members regarding the requirement on them to disclose conflicts of interest and having the opportunity to do so.</p> <p>Responses became more neutral or less positive when commenting on the visibility of and input to the Fund's risk register and the Council's Scheme of Delegation</p> <p>Neutral or less positive responses, particularly from the PB, were also made regarding the understanding of the remit of the investment Pool and how this links with the business of the Fund.</p> <p><i>"Brunel's Business Plan for potential future development moves it away from an 'arms length' organisation under the control of its shareholders to one that determines its role semi independently of the constituent funds primary objectives."</i></p>	<ol style="list-style-type: none"> 1. Ensure greater focus is given to covering Fund risks as part of PC and PB agendas, providing training on Fund related risks where appropriate 2. Provide PC and PB members with access to the Council's Scheme of Delegation and provide explanation of how this relates to Fund business 3. Officers to provide clarification to the PC and PB on how the Investment pool operates and how this links to the day-to-day business of the Fund

Section 5 – Advisers

Results

Question		No. of responses			
		Committee	Board	Total	
5	Advisers				
5.1	Advisers make a useful contribution to the Committee/Board meetings and in supporting Fund officers.	 Strongly Agree	2	2	4
		 Agree	3	3	6
		 Neither Agree nor Disagree	0	0	0
		 Disagree	0	0	0
		 Strongly Disagree	0	0	0
		Committee	Board	Total	
5.2	I understand the role of the Fund's actuary.	 Strongly Agree	2	2	4
		 Agree	0	3	3
		 Neither Agree nor Disagree	3	0	3
		 Disagree	0	0	0
		 Strongly Disagree	0	0	0
		Committee	Board	Total	
5.3	I understand the role of the Fund's investment advisers.	 Strongly Agree	2	2	4
		 Agree	1	3	4
		 Neither Agree nor Disagree	2	0	2
		 Disagree	0	0	0
		 Strongly Disagree	0	0	0
		Committee	Board	Total	
5.4	I understand the role of the Fund Committee/Pension Board.	 Strongly Agree	2	3	5
		 Agree	1	2	3
		 Neither Agree nor Disagree	2	0	2
		 Disagree	0	0	0
		 Strongly Disagree	0	0	0
		Committee	Board	Total	
5.5	I understand the role of external partners such as the SAB, DLUHC, investment pool and pensioner officer group and the opportunities available to the Committee/Board and officers to use these various networks.	 Strongly Agree	0	0	0
		 Agree	2	4	6
		 Neither Agree nor Disagree	1	1	2
		 Disagree	2	0	2
		 Strongly Disagree			
		Committee	Board	Total	

Commentary – Section 5

Commentary	Suggested Action
<p>There was a distinct split across the PC and PB on the understanding of advisers to the fund. The PB were largely in agreement in the understanding of the role advisers play, whereas PC members were mostly neutral or at some points, negative about the role advisers play, especially in the question regarding external partners such as SAB, DLUHC, investment pool and pensioner officer group.</p> <p><i>No comments were provided from members.</i></p>	<ol style="list-style-type: none"> 1. Officers to provide clarification to the PC on the role and purpose of advisers and other interested parties, and how they add benefit and provide support to the running of the Fund.

Section 6 – Documents and policies

Results

Question		No. of responses				
6 Documents and Policies		Committee	Board	Total		
6.1	I know where to find up to date copies of the Fund's key documents.	Strongly Agree	2	2	4	
		Agree	1	3	4	
		Neither Agree nor Disagree	0	0	0	
		Disagree	2	0	2	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
6.2	I understand the purpose of the Fund's Funding Strategy Statement.	Strongly Agree	2	2	4	
		Agree	1	3	4	
		Neither Agree nor Disagree	2	0	2	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
6.3	I understand the purpose of the Fund's Investment Strategy Statement	Strongly Agree	2	3	5	
		Agree	3	2	5	
		Neither Agree nor Disagree	0	0	0	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
6.4	I understand the purpose of the Fund's Communications Policy	Strongly Agree	2	1	3	
		Agree	1	4	5	
		Neither Agree nor Disagree	2	0	2	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
6.5	I understand the purpose of the Fund's Administration Strategy	Strongly Agree	2	2	4	
		Agree	1	3	4	
		Neither Agree nor Disagree	2	0	2	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
6.6	I am satisfied that the Fund undertakes regular reviews of its member data, in line with Pensions Regulator guidelines	Strongly Agree	0	1	1	
		Agree	3	4	8	
		Neither Agree nor Disagree	2	0	2	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
6.7	A data improvement plan is in place, with progress against objectives reviewed regularly	Strongly Agree	1	1	2	
		Agree	2	3	5	
		Neither Agree nor Disagree	2	1	3	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	

Question		No. of responses				
6 Documents and Policies				Committee	Board	Total
6.8	The Committee/Board is informed of changes to the Fund's key documents, enabling them to be signed off with confidence		Strongly Agree	1	2	3
			Agree	2	3	5
		3	Neither Agree nor Disagree	2	0	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0
				Committee	Board	Total
6.9	I am aware of the Fund's business plan, including its goals and objectives		Strongly Agree	2	1	3
			Agree	3	4	7
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
				Committee	Board	Total
6.10	There are adequate processes and a structure in place to monitor performance against the Fund's objectives		Strongly Agree	1	1	2
			Agree	2	4	7
		3	Neither Agree nor Disagree	2	0	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0

Commentary – Section 6

Commentary	Suggested Action
<p>There was significant level of agreement with the statements, expressed by both the PC and PB (scoring as either “strongly agree” or “agree”).</p> <p>However, there were levels of disagreement with a number of PC members scoring neutral or disagree to a number of questions. From the answers selected, two PC members are not sure where to find the Fund's key documents. Concern was also raised from one member of the PC regarding the Fund's schedule to review members data, in line with the Pensions Regulator guidelines</p> <ul style="list-style-type: none"> “Unsure about "data review"; not aware of review schedule.” <p>No other comments were left.</p>	<p>Suggested actions based on these responses are:</p> <ol style="list-style-type: none"> 1. Ensure Fund objectives are clearly defined and processes are put in place to monitor them and report progress to both the PC and PB. 2. Ensure an improvement plan is in place for the Fund and regularly reported to the PC and PB 3. Conduct a training session covering the contents of the main Fund policies, and in particular ensuring members are aware of where these are stored, and how often they are reviewed. PC and PB members should also be aware of the role they play in any review/sign off of these policies.

General comments

As an overview of the PC and PB effectiveness, this assessment provides a picture of generally strong agreement with the individual statements within each section. This is particularly so with regard to PB members given they will likely have been in that role for longer than many on the PC.

Given many PC members will only have joined the Committee following the local elections in May 2022 it is perhaps understandable that they may provide a higher proportion of neutral or negative responses.

That said, it is still encouraging that many of the responses from the PC were positive. As with the 2018 review this indicates that the main foundations of the Fund's governance are in place. The Fund should aim to maintain on this success and look to build in continuous improvements to the current position.

Action should be taken to continue the good work in raising awareness of the Fund's risk register amongst the PB, in order that members of the PC have the same levels of understanding and appreciation of this key Fund document.

There also appears to be a significant issue regarding knowledge and training amongst PC members and to a lesser extent PB members, which we recommend further action is taken to address.

At the same time consideration should be given to the need to explain the purpose and role of the investment pool and that of external advisers and other interest parties.

One area of concern however is the level of engagement with this review. Four committee members and one Board member did not participate. This amounts to one third of those eligible to respond, choosing not to do so.

For the committee and Board to function effectively, it is important that all members actively participate and engage in their roles. This is somewhat inconsistent with the engagement levels seen in the recent National Knowledge Assessment however, where encouragingly, engagement levels seemed slightly higher.

Key Actions and next steps

1. Clarification given to the PC on the purpose of the PB within an LGPS fund and why both groups have distinctive different roles and objectives
2. Provide guidance to PC and PB members on the process to escalate any issues that might arise during meetings
3. PC and PB members to be encouraged to complete TPR's online toolkit and Hymans on-line leaning academy modules
4. Confirmation and communication to both the PC and PB on the Funds current improvement plan and the objectives

Prepared by:-

Pete Riedel and Calum Robertson

January 2023

For and on behalf of Hymans Robertson LLP

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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-December 2022

Performance over the period 1 October to 31 December 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%	339	416	326	429	▲	74%	▲
High	Retirements	10/20 days	95%	497	713	614	596	▲	79%	▲
High	Refunds	10 days	95%	2	174	175	1	▼	99%	▶
Medium	Transfers Out	10/20 days	90%	204	285	274	215	▲	30%	▲
Medium	Transfers In	10/15/20 days	90%	27	37	44	20	▼	39%	▲
Medium	Aggregations	23 days - 1 year	90%	3388	831	688	3531	▲	82%	▲
Medium	Leavers	23 days - 46 days	90%	3504	2099	2073	3530	▲	35%	▲
Medium	Divorce	20 - 25 days	90%	11	58	41	28	▲	56%	▲

Table 2: Monthly breakdown of completion on target percentage

Priority Category	Process	SLA (Working days)	Tolerable Performance	October	November	December
				Completed on target	Completed on target	Completed on target
High	Deaths	5/10/20 days	95%	51%	71%	84%
High	Retirements	10/20 days	95%	73%	80%	87%
High	Refunds	10 days	95%	100%	99%	99%
Medium	Transfers Out	10/20 days	90%	34%	16%	46%
Medium	Transfers In	10/15/20 days	90%	17%	20%	57%
Medium	Divorce	20 - 25 days	90%	75%	45%	64%
Medium	Aggregations	23 days - 1 year	90%	83%	79%	87%
Medium	Leavers	23 days - 46 days	90%	25%	46%	51%

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

Table 4: 'Ready to go' aging analysis

Priority level	Age analysis (working days)						Total
	1-5	5-10	10-15	15-20	21-40	2+ months	
High	22	26	123	57	22	10	260
Medium	34	61	249	101	406	5729	6580

Table 4: ‘In office’ tasks within 6 days off the target date (excluding backlog areas) as at 31 December 2022

	High priority	Medium priority	Total
In office tasks	89 (+54)	94 (+21)	183 (+75)

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 over October and November there was a steady decrease, before a reversal over the Christmas period.

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 December 2022)

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	14324	C 8,700 (total =c 23,000)	62.3%
Employers	137	45 (total = 182)	75.3%

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	50.0%*
DEFERRED	
Registered	13,060*
Total	30,588*
Percentage	42.7%*
TOTAL	
Registered	24,098*
Total	52,662*
Percentage	45.8%*

*Excludes members with password resets or disabled account.

4. Internal targets - Employers

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 19th of the month following the month the data relates to.

Month		Sep			Oct			Nov		
		On-time	Late	% on time	On-time	Late		On-time	Late	
iConnect Submissions	Large (250>)	7	0	100%	5	1	83%	6	0	100%
	Medium (50-250)	24	0	100%	24	4	86%	26	1	96%
	Small (10-50)	30	0	100%	29	2	94%	29	1	97%
	X Small (<10)	47	4	92%	54	6	90%	50	8	86%
Total		108	4	96%	112	13	90%	111	10	92%

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
01 February 2023

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

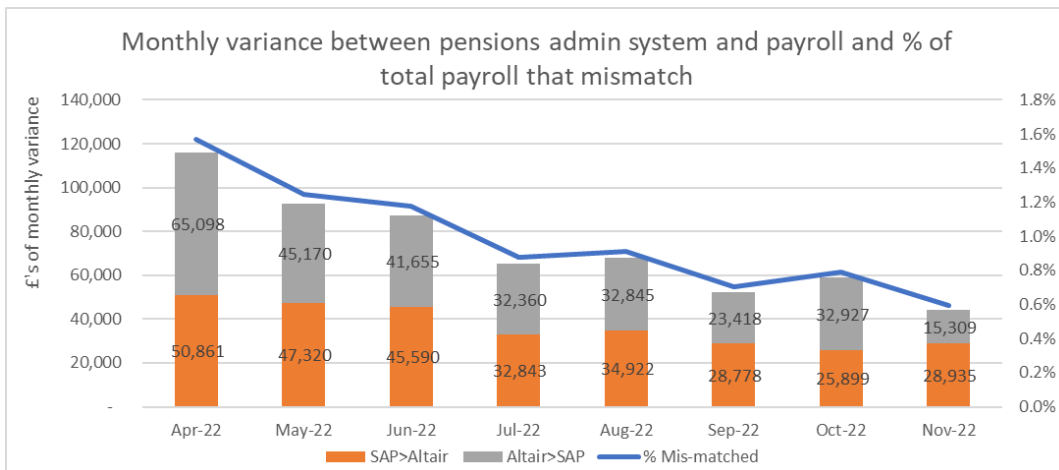
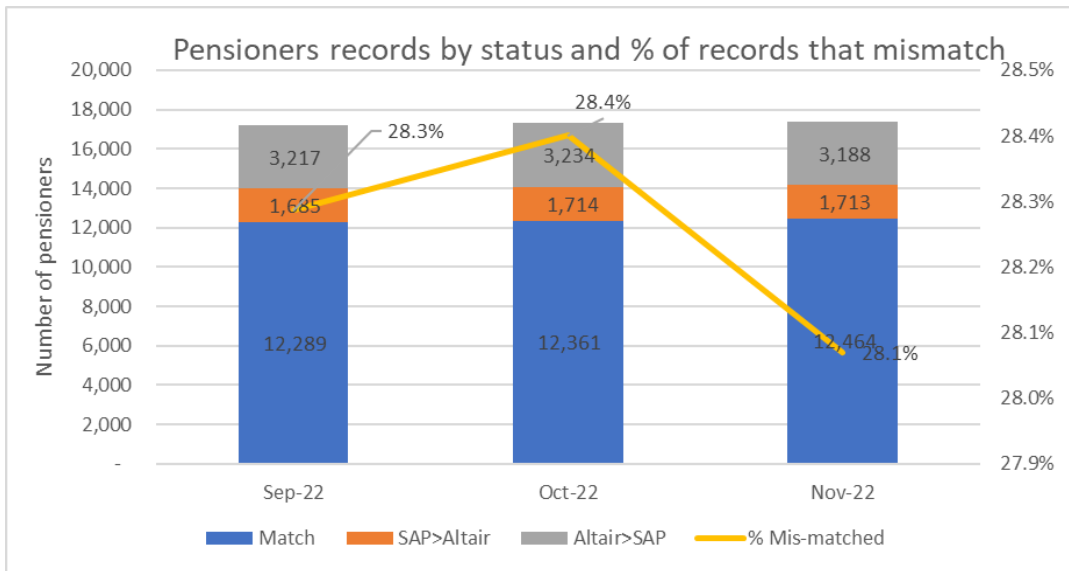
3. Final sign off for the full Wiltshire Council Accounts for 2019/20 and 2020/21 continues to be delayed, the Pension fund accounts form a part of the full Council accounts and the delay, which is due to an issue within the Wiltshire Council figures, has meant the pension fund accounts have not received 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.

- 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.



- 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.
- 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
	Dec-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	-	158	18	-
Q1	May-22	7,732	4,723	3,003	63.6%	7.9	-	156	20	-
Q1	Jun-22	7,815	7,794	22	0.3%	18.9	-	166	10	-
Q2	Jul-22	7,835	6,993	66	0.9%	5.8	-	168	6	-
Q2	Aug-22	7,520	7,265	255	3.5%	16.1	-	163	10	-
Q2	Sep-22	7,536	7,522	14	0.2%	8.1	-	162	14	-
Q3	Oct-22	7,814	7,004	811	11.6%	8.8	-	167	8	-
Q3	Nov-22	9,207	9,182	25	0.3%	9.5	-	164	12	-
Q3	Dec-22	9,818	9,812	6	0.1%	1.0	2.0	173	2	1
Total	Q1	23,646	17,773	5,867	33.0%	15.4	-	480	48	-
Total	Q2	22,891	21,780	335	1.5%	10.0	-	493	30	-

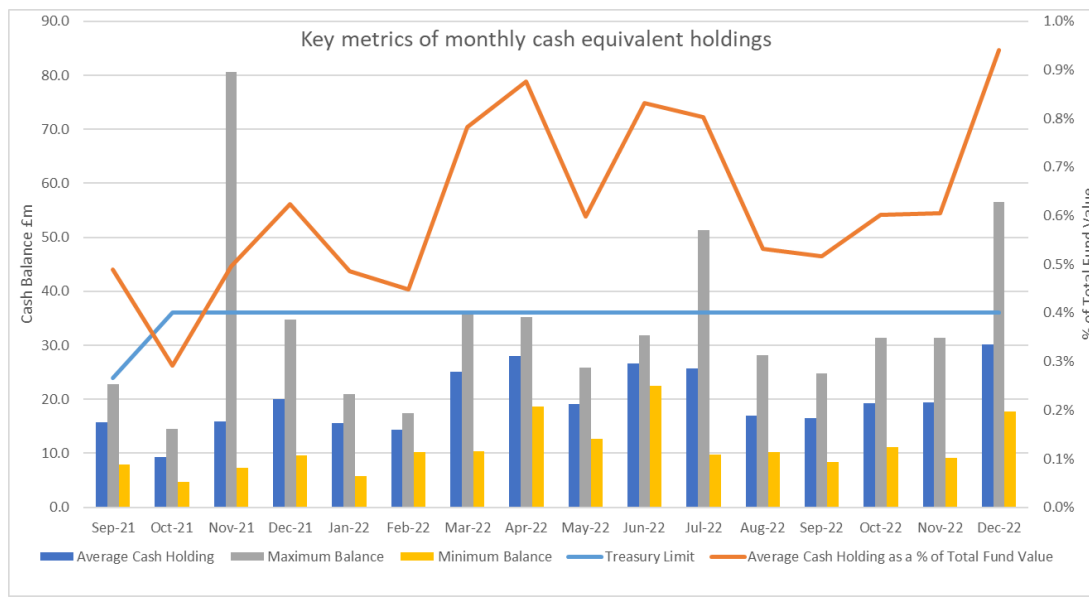
14. One payment remains outstanding as at 20th January 2023, this is only 1 day overdue and is being actively chased by the fund. The majority of the late payments are received within a day or two of the deadline and all employers who have not paid are contacted immediately after the deadline day to 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.

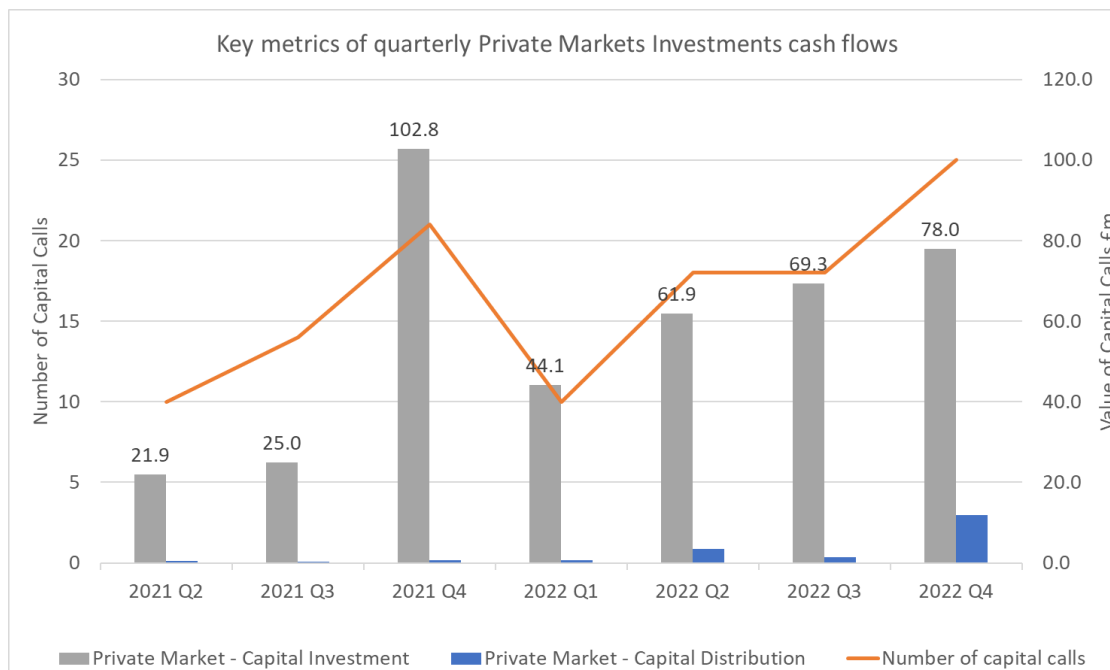
16. The average cash equivalent holding as a % of total fund assets remains small at around 0.8% - 0.5% to minimise the detrimental effect of cash drag on overall performance.

Summary Cashflow statement for Wiltshire Pension Fund														
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	
£m equivalent		Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	2022/23
Opening Cash Balance		28.7	18.9	25.9	22.5	10.1	12.0	16.8	31.4	17.9	22.7	27.2	9.0	28.7
Operating	Income	39.9	6.9	11.6	8.8	8.7	9.2	8.9	9.3	10.4	10.1	7.7	7.8	139.4
Operating	Expenditure	(9.5)	(10.9)	(9.1)	(11.4)	(10.0)	(10.1)	(9.7)	(10.3)	(13.5)	(9.5)	(10.2)	(10.5)	(124.7)
Investing	Private Market - Capital Investment	(40.1)	(5.8)	(15.9)	(43.8)	(21.2)	(4.3)	(6.3)	(22.5)	(49.2)	(6.2)	(15.7)	0.0	(231.1)
Investing	Private Market - Capital Distribution	0.0	3.5	0.0	0.0	1.3	0.0	1.6	0.0	10.3	0.0	0.0	0.0	16.8
Investing	Listed Market - Capital Withdrawal	0.0	13.3	10.0	34.0	23.0	10.0	20.0	10.0	47.0	10.0	0.0	0.0	177.2
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
Closing Cash Balance		18.9	25.9	22.5	10.1	12.0	16.8	31.4	17.9	22.7	27.2	9.0	6.3	6.2
Maximum Balance		35.2	25.9	31.8	51.4	28.1	24.7	31.4	31.3	56.5	39.9	27.2	14.9	
Minimum Balance		18.6	12.7	22.4	9.7	10.3	8.4	11.1	9.2	17.7	22.5	9.0	6.2	
Average Cash Holding		28.0	19.2	26.6	25.7	17.0	16.5	19.2	19.4	30.1	30.0	20.0	9.3	
Average Cash Holding as a % of Total Fund Value		0.9%	0.6%	0.8%	0.8%	0.5%	0.5%	0.6%	0.6%	0.9%	0.9%	0.6%	0.3%	
Number of capital calls		6	6	6	7	8	3	5	9	11	6	1	0	68
Number of listed market withdrawals		0	1	1	1	2	1	1	1	2	1	0	0	11
Maximum Balance		35.2	25.9	31.8	51.4	28.1	24.7	31.4	31.3	56.5	39.9	27.2	14.9	
Minimum Balance		18.6	12.7	22.4	9.7	10.3	8.4	11.1	9.2	17.7	22.5	9.0	6.2	
Net Cashflow from Operating		30.4	(3.9)	2.4	(2.6)	(1.3)	(0.9)	(0.8)	(1.0)	(3.1)	0.6	(2.5)	(2.7)	14.6
Net Cashflow from Investing		(40.1)	10.9	(5.9)	(9.8)	3.2	5.7	15.4	(12.5)	8.0	3.8	(15.7)	0.0	(37.0)

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. The fund briefly exceeded the treasury limit ahead of a large capital call payment.



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.



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	Amber	LPB Action Point – SLA Recharge Pension Fund Officers have received a an updated SLA charge from the Council finance team. Work is being progressed to produce a full SLA document.
*RAYG = Red/Amber/Yellow/Green			
	Red	Significant concern	
	Amber	Not started	
	Yellow	Work has commenced	
	Green	Significant progress made	
	Light Green	Completed/situation under control	

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

21. There are no known implications at this time.

Proposals

22. The Board 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

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
02 February 2023

WILTSHIRE PENSION FUND INVESTMENT STRATEGY STATEMENT

Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Investment Strategy Statement, ISS, (Appendix 1).

Background

2. The Strategic Asset Allocation, SAA, of the Fund was reviewed in line with the triennial actuarial valuation in November 2022. The recommended changes following this review are relatively minor and represent an evolution of the strategy. Changes to investment classification and category rationalisation represent the majority of amendments.
3. The ISS has been updated with the new SAA together with several other amendments. These changes can be summarised as follows:
 - The Strategic Asset Allocation and balance of investments have been updated
 - Contextual amendments have been made where references to 'recovering deficits' should now read 'maintaining the funding level'
 - Cashflow considerations and risk have been updated following the rise in inflation
 - The sections on environmental, social and governance factors (ESG) and voting have been removed as these are now covered in detail in a separate [but interlinked] policy document.
4. Officers have provided this updated draft ISS to the Local Pension Board and will circulate it to Employers for consultation before a final version is presented for agreement at the Pension Fund Committee meeting on 02 March 2023.

Key Considerations for the Board

5. The role of the Local Pension Board should be interpreted as covering all aspects of governance and administration of the LGPS, including funding and investments.
6. Under [\[7\] of The Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#) the administering authority must, after taking proper advice, formulate an investment strategy.
7. It is under (7) of the above Regulation that the authority has reviewed and revised its investment strategy and will publish this revised ISS. In revising the investment strategy, the Pension Fund Committee has received advice from its Investment Consultant, Mercer, and the ISS has been drafted in accordance with [guidance issued from time to time by the Secretary of State](#).
8. As background, it is expected that the [Department for Levelling Up, Housing and Communities](#) (DLUHC) will consult on LGPS pooling and other investment issues in 2023. This may result in further amendment to the ISS depending upon the outcome.

Financial Implications

9. No direct implications.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications currently.

Proposals

13. The Board is asked to note the attached draft Investment Strategy Statement, ISS, (Appendix 1) and provide any comments to the Pension Fund Committee (via officers) by Thursday 23 February 2023.

JENNIFER DEVINE
Head of Wiltshire Pension Fund

Report Author: Liam Robson, Pension Fund Accounting and Investments Officer
Unpublished documents relied upon in the production of this report: NONE

Wiltshire Pension Fund

Investment Strategy Statement



November 2022

Table of Contents

1. Introduction and Background	3
2. Investment of Money in a wide variety of investments.....	5
3. Investment strategy and the process for ensuring suitability of investments.....	9
4. Approach to risk and how its measured & managed	15
5. Approach to Pooling Investments, use of collective investment vehicles & shared services....	19
6. Policy for ESG, the exercise of rights (including voting rights) attaching to investments and stewardship.....	21
7. Other Investment Policies	22

WILTSHIRE PENSION FUND (“the Fund”)

1. Introduction and Background

Outline of Local Government Pension Scheme

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

The LGPS is a funded defined benefit scheme. The rate of contributions paid by Scheme members and the calculation of benefits paid to them are contained in the statutory provisions. Employer bodies also contribute to the cost of the Scheme.

Role of the Administering Authority

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

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

Statutory Background

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

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

This ISS is a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a

risk register, and has been kept short, in order to be read in as user-friendly manner as is possible.

The Fund also has a Responsible Investment Policy (RI Policy), which will be reviewed and updated annually. The RI Policy is an integral part of the ISS, and can be found here: <https://wiltshirerensionfund.org.uk/Policies-and-strategies-investments>

This statement will continue to be reviewed by the Wiltshire Pensions Committee at least triennially or more frequently should any significant change occur.

This Investment Strategy Statement was reviewed following an updated Strategic Asset Allocation agreed by the Pension Fund Committee at its 17 November 2022 meeting.

2. Investment of Money in a wide variety of investments

Objectives of the Pension Fund

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

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

Funding Strategy Statement

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

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

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

Therefore, the best that can be achieved is a sensible balance between these different objectives, while considering the affordability of employer contributions.

The FSS and ISS are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed at the link below:

<https://www.wiltshirepensionfund.org.uk/media/5113/funding-strategy-statement-final.pdf><https://wiltshirepensionfund.org.uk/Policies-and-strategies>

Investment Powers

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

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

Responsibility for Decisions

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from its Investment Consultant (Mercer) and from the Head of Wiltshire Pension Fund and the Treasurer to the Pension Fund (the Director of Finance and Procurement). The Committee is also supported by its Independent Adviser (Anthony Fletcher). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions. Increasingly, as implementation of pooling takes place, the Brunel Pension Partnership Limited (“the pool”) will be responsible for the appointment of external investments managers to implement the Fund’s investment policy.

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

Types of Investments held

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

The Fund therefore invests in pooled funds managed by properly authorised organisations (equities, property, infrastructure and government bonds) and sterling and overseas cash deposits. The Fund also hedges a proportion of its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property. The Fund also invests and has commitments to private markets mandates, including Infrastructure, Private Equity, Private Lending & Secured Finance.

Balance between the Various Types of Investments

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

Based on the Fund's current target portfolio, the Fund invests 24.0% on a passive (index tracking) basis and 76.0% on an active basis (to outperform the benchmark). In the long-term investment strategy the Fund's passive (index tracking) investment allocation is 19.5% and therefore 80.5% on an active basis.

Expected Returns on Investments

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk. The target return set by the actuary at the valuation is 2.0% per annum in excess of gilt yields. Based on the Actuarial valuation carried out by Hymans, this is currently estimated at 4.1% p.a.

Risk Control

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

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

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

Investment Beliefs and Objectives

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

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

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term.
- In order to protect the Fund's investments into the future, the Fund supports a global warming scenario of well below 2°C, and states an ambition to achieve net-zero carbon emissions across all investment portfolios by 2050.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.
- We seek to invest in a way that, where possible, aligns the interests of the Fund with those of the contributing employers and the Fund membership.
- Investing with a positive social and environmental impact is an increasingly important issue for investors, and can be achieved alongside competitive market returns. Investing with impact can also help incorporate risk and return drivers which would otherwise not be considered. The Fund wishes to invest in a way that minimises negative impacts on society and the environment, and where possible, makes a positive contribution.
- Stewardship and engagement are generally more effective tools than divestment in encouraging changes that will help safeguard the Fund's investments. The Fund values the benefits of working with other investors to strengthen these activities and achieve better outcomes.

Securities Lending

The Fund engages in securities lending through the Brunel portfolios, to increase returns.

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

Funding Policy

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

Given the on-going restructuring of public bodies the Fund is now maturing increasingly faster. The positive cashflow position is declining (investment income is available if the Fund does go cashflow negative) and this position is being closely monitored. The recent changes made to the Fund's long-term investment strategy, with increased allocations to income generating assets, will help with ongoing cashflow needs. At this time, following the review in November 2022, it is not felt necessary to change the investment strategy of the Fund any further.

As the Fund has a small surplus of assets against liabilities (102% funded at the 31 March 2022 Triennial Valuation), the Committee wishes to employ the appropriate amount of risk in order to maintain the funding level close to 100%. Over time as the funding level has increased, the Committee have reduced the level of risk inherent in the investment strategy, in order to protect the strong funding position, whilst being mindful that a degree of future investment return and therefore risk is necessary to maintain the funding level over time.

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

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

Investment Goal

The Wiltshire Pension Fund's investment objective is to achieve a relatively stable "real" return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities.

Investment Strategy

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

- A relatively large allocation to equity investment to achieve higher returns;
- Allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure, multi-asset credit and private markets to achieve stabilisation; and

The Committee took the decision, following the 2019 review, to de-risk the Fund's investment strategy, which involved a reduction in the allocation to equities and alternative growth assets, in order to increase the allocation to income generating assets and protection assets. It has taken some time to move towards the new long-term strategic asset allocation; therefore an interim asset allocation was used to benchmark progress towards the long-term asset allocation.

Where commitments to private market mandates have been made, the Fund seeks to attain exposure to these asset classes in the interim to their drawdown of commitments through the use of asset classes that have moderate to strong correlation (risk and return) to that of the private market asset class, while being sufficiently liquid to ensure monies can be sourced efficiently for drawdowns.

The Fund's current and long-term target strategic asset allocations, along with an overview of the role each asset class plays is set out in the table below:

Asset Class	Sub Asset Class/mandate	LONG TERM TARGET ALLOCATION	Role within strategy	MANAGER	BENCHMARK / TARGET P.A.
Listed Equity	Paris-aligned Equity (Passive)	12.5%	Long-term growth in excess of inflation expected. Reduce carbon footprint through low carbon mandates	Brunel Paris-aligned Developed Passive	FTSE Developed World PAB Index TR UKPD
	Global Equity (Active)	6.0%		Brunel Global High Alpha	MSCI World +2-3% p.a.
	Sustainable Global Equity (Active)	6.0%		Brunel Sustainable Equities	MSCI World +2-3% p.a.
Private Equity		7.5%		Brunel Private Equity	MSCI ACWI + 3%
Emerging Markets (Equity and Debt)		10.0%		Ninety One Emerging Market Multi-Asset	50% MSCI Emerging Market Equity NDR Index, 25% JP Morgan EMBI Global Diversified Index, & 25% JP Morgan GB-EM Global Diversified Index +2-4% p.a.
Equities		42.0%			
Multi Asset Credit		7.5%	Diversified source of income and provides a degree of protection from interest rate changes. Some return above gilts expected.	Brunel Multi-Asset Credit	GBP SONIA + 4-5%
Private Debt		7.5%	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium.	Brunel Private Debt	GBP SONIA + 4%
Growth Fixed Income		15.0%			
Core Infrastructure	Private infrastructure	4.0%	Provides access to a diversified (but long term, illiquid) return source and a stream of inflation related income	Partners Group	8-12% p.a. net IRR
	Brunel Private infrastructure			Brunel Infrastructure	CPI + 4%
	Listed infrastructure			Magellan Select Infrastructure Fund	CPI + 5% p.a. over the business cycle
Renewable Infrastructure / Climate Solutions		7.0%	Returns primarily derived from income from operational assets, some degree of exposure to	TBC	6-8% net IRR

			construction type risks. Positive environmental impact.		
Secured Income		8.0%	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium.	Brunel Secured Income	CPI + 2%
Impact Affordable Housing		5.0%	Inflation linked returns primarily derived from income with a small element of capital appreciation. Positive social impact and the potential for local (Wiltshire) investment	CBRE, Gresham House, Man Group	CPI + 2-4%
Core Property		8.0%	Diversification; income; some inflation sensitive exposure; illiquidity premium.	Brunel	Check, CBRE was IPD UK Quarterly Property Fund Index +0.4% p.a.
Real Assets		32.0%			
Index Linked Gilts	(Passive)	7.0%	Provide protection from changes in real yields both in terms of capital value and income.	Brunel >5 Year Passive Index Linked Gilts	FTSE-A UK index linked gilts over 5 years
Liquid Loans		4.0%	Serves as a warehouse for capital that has yet to be drawn down into the Private Lending mandate, allowing interim exposure to the asset class.	Pinebridge Global Secured Credit Fund	80% S&P LLI / 20% S&P ELLI Index + 0.5-1.0% p.a.
Liquidity Sleeve (ETF) [SALAMI]		0.0%	New holding to provide liquidity buffer to support private market drawdowns; return neutral; allocation will vary in practice	BlackRock Investment Management	Strategic benchmark
Cash		-			
Low Risk		11.0%			
Total		100.0%			

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

*BPP have not initially offered an Emerging Markets Multi-Asset Fund, so the Fund will need to go through the Create/Amend/Delete ('CAD') process for this mandate.

Timeframe for Investment Managers' Targets

Three-year targets are generally preferred when monitoring investment managers because of the need to see clear evidence of added value as soon as possible. The Committee recognises, however, that three-year periods may not be appropriate for particular managers' styles, or for specific asset classes. Five year rolling periods, rather than three-year periods, are therefore adopted where appropriate. Further, even longer measurement periods may be appropriate for the Fund's investments in private markets (for example 7-10 years for private equity).

Review and Policy

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

- The required level of return that will ensure that the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the order of magnitude of the various risks facing the Fund is established so that a priority order for mitigation can be determined.
- The desire for diversification across asset class, region, sector, and type of security.
- Approach to how environmental, social or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

The Committee takes the view that the Fund should only take as much risk as is necessary to recover the deficit and maintain contribution rates at an affordable, sustainable level.

The Committee formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis. All Members of the Committee receive quarterly performance and asset allocation figures based on reports provided by the Fund's global custodian, State Street.

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

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

Fee Structures

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

The Fund pays special attention to the monitoring of fees paid in respect of private markets mandates, as these typically have more complicated fee structures. An additional layer of complexity is also added from having a fund of fund structure, which requires further oversight.

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

4. Approach to risk and how its measured & managed

Risk measurement and management

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

(a) Investment Risks

Provided below is commentary on the major investment risks the Fund is running:

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

Inflation, and in turn interest rates, began to rise rapidly during 2022 after a long period of stability. The impact of this on the Fund was reviewed and published as a [Cost-of-living report](#).

Equities – The other large risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a large negative impact on the Fund's assets. The Fund holds equities in order to provide the necessary long-term expected returns to help ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensate for the level of risk equities bring to the Fund. As shown by the long term Strategic Asset Allocation above, the Committee is working towards a slight increase in equity exposure against the current level, helping to maintain the return contribution from equities accordingly.

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

Liquidity risk – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the

Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice. Where commitments have been made to private market mandates that have not yet drawn down all of the committed capital, the Fund has invested these assets in liquid interim asset classes that have a moderate degree of risk & return correlation to the private markets assets. In this way, some exposure to the desired asset class is retained and as the interim asset classes are liquid, the risk that the Fund would have to be a forced seller to meet these drawn downs, is mitigated.

In addition, the Fund has also implemented a portfolio that will utilise Exchange Traded Funds (ETF's) to broadly match the overall Fund Strategic Asset Allocation. The SALAMI portfolio (Strategic allocation to liquid asset matching investments) will provide liquidity to manage cashflow for private market investments and reduce cash drag (the need to hold uninvested cash).

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

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

Asset Class	GEU A	GEH A	EME UA	PE	MAC	EMD LC	EMD HC	PDs	PDj	UK P	LLP	IUE	LL	ILG O5
Global Equity Unhedged Active	1.00	0.92	0.66	0.79	0.51	0.38	0.27	0.27	0.33	0.30	0.32	0.65	0.10	0.22
Global Equity Hedged Active	0.92	1.00	0.73	0.86	0.58	0.40	0.38	0.31	0.38	0.35	0.36	0.72	0.12	0.21
EM Equity Unhedged Active	0.66	0.73	1.00	0.59	0.49	0.49	0.38	0.23	0.28	0.33	0.30	0.61	0.07	0.15
Private Equity	0.79	0.86	0.59	1.00	0.48	0.33	0.31	0.24	0.30	0.29	0.32	0.61	0.11	0.17
MAC Illiquid	0.51	0.58	0.49	0.48	1.00	0.63	0.62	0.71	0.80	0.49	0.48	0.58	0.09	0.16
EMD Local Currency	0.38	0.40	0.49	0.33	0.63	1.00	0.79	0.28	0.26	0.24	0.26	0.37	0.14	0.14
EMD Hard Currency	0.27	0.38	0.38	0.31	0.62	0.79	1.00	0.34	0.30	0.25	0.29	0.36	0.23	0.19
Private Debt senior	0.27	0.31	0.23	0.24	0.71	0.28	0.34	1.00	0.47	0.43	0.41	0.34	-0.04	0.06
Private Debt junior	0.33	0.38	0.28	0.30	0.80	0.26	0.30	0.47	1.00	0.42	0.39	0.39	-0.01	0.08
UK Property	0.30	0.35	0.33	0.29	0.49	0.24	0.25	0.43	0.42	1.00	0.79	0.47	0.02	0.09
Long Lease Property	0.32	0.36	0.30	0.32	0.48	0.26	0.29	0.41	0.39	0.79	1.00	0.46	0.22	0.40
Infra Unlisted Eq	0.65	0.72	0.61	0.61	0.58	0.37	0.36	0.34	0.39	0.47	0.46	1.00	0.14	0.24

Leveraged Loans	0.10	0.12	0.07	0.11	0.09	0.14	0.23	-0.04	-0.01	0.02	0.22	0.14	1.00	0.50
ILG Over5	0.22	0.21	0.15	0.17	0.16	0.14	0.19	0.06	0.08	0.09	0.40	0.24	0.50	1.00

Source: Mercer Asset Model of absolute return correlations as at 30 September 2022 (note that figures are estimates for modelling purposes and may not be a true reflection of actual asset correlations in the future, particularly for illiquid asset classes).

(b) Cashflow management risks

The Fund is becoming more mature and although it is cashflow positive after taking investment income, managing cashflow has become an increasingly important consideration in setting the investment strategy. Specifically this position was considered closely in light of inflation (CPI 10.1% September 2022), so that, mitigating actions, where necessary can be taken to manage cashflow accordingly and anticipated well ahead of time.

(c) Demographic risks

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

(d) Governance risks

The Pension Fund Committee believes that there is a benefit to the Fund to be gained from good governance in the form of either (or both) of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit. The current delegations assist in managing this risk. There is also additional governance risk from the Fund's participation in the BPP and the ways this can be mitigated and managed were developed.

(e) Financial ESG risks

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially

material to the Fund is essential. **These risks are dealt with in detail in the Responsible Investment Policy, which is an integral part of this ISS.**

Contingency Plans

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

The Fund also monitor the funding level and if it falls by more than 20% from the funding position recorded at the last actuarial valuation, this triggers an immediate review. This review is undertaken in conjunction with the Fund's investment consultants and Actuary, with appropriate action taken. Given that a fall in the funding level could be realised through a number of different channels, there is no set framework here, with actions tailored to the individual circumstances the Fund finds itself in.

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

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

The Fund pools investments with 8 other local authorities and the Environment Agency through the Brunel Pension Partnership and its operator Brunel Ltd.

The Fund first transferred assets to BPP Ltd in July 2018 and, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This includes ensuring BPP Ltd are able to implement the Committee's strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

BPP Ltd is a company which is wholly owned by the Administering Authorities. The company is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within investment portfolios with defined risk and return characteristics. In particular it researches and selects the underlying investment managers needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Fund is a client of BPP Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement is in place which sets out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

The governance of the Brunel partnership is of the utmost important to ensure the Fund's assets are invested well and the needs of the Fund and its beneficiaries are met. Governance controls exist at several levels within Brunel.

- As shareholders in Brunel the Fund entered into a shareholder agreement with the company and the other shareholders. This gives considerable control over Brunel – several matters, including significant changes to the operating model and finances, are reserved matters requiring the consent of all shareholders.
- An Oversight Board comprising representatives from each of the Administering Authorities has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.

- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel, which are appointed by the Fund and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.
- Finally, as an authorised firm, Brunel has to meet the extensive requirements of the FCA which cover standards such as conduct, good governance, record keeping, training and competency, policy and process documents, and internal controls.

The arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. The Fund's first investment assets were transitioned across to BPP in July 2018. At the time of writing BPP were still working to finalise a number of their portfolio offerings, with the expectation that this will continue to be ongoing as strategies evolve. An investment timetable can be found on Brunel's website which sets out Brunel's current expectations around fund launches. Until such time as transitions take place, and in the absence of equivalent offerings or ability to implement strategy, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance.

Following completion of the transition plan, with the property mandate transferred in April 2022, the majority of the Wiltshire Pension Fund's assets (>70%) are invested through BPP Ltd. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios being set up by BPP Ltd.

Currently not all current and proposed portfolios offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate, although this could be substituted with the use of separate Emerging Market equities and bond portfolios, and this is one of the ways that BPP can deliver the same outcomes by providing a different solution. In this case, where BPP cannot accommodate a specific solution, these assets would remain outside the Fund and continue to be managed by the Fund until such time as they are liquidated, and capital is returned.

6. Policy for ESG, the exercise of rights (including voting rights) attaching to investments and stewardship

The fund believes that ESG and voting are an integral part of responsible investment and this is detailed in the Fund's separate [Responsible Investment Policy](#).

The Fund became a signatory to the Stewardship Code 2020 in 2022 and is actively exploring opportunities to enhance its own stewardship activities as well as those of the investment pool (Brunel).

Advice Taken

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

7. Other Investment Policies

Responsible Investment Policy

The Fund has a Responsible Investment Policy (RI Policy), which is an integral part of this ISS, and can be found here: <https://wiltshirepensionfund.org.uk/Policies-and-strategies-investments>. The RI Policy contains all the information on the Fund's approach to responsible investment issues, including climate change, stewardship and voting, in one convenient place. The RI Policy will be reviewed annually.

Stewardship Code 2020

As a signatory to the Stewardship Code 2020, the Fund will report annually against the 12 principles. This involves highlighting activities and outcomes in areas that include Purpose and Governance, Investment Approach, Engagement and Exercising Rights and Responsibilities.

Investment Consultant Objectives

The Fund has set objectives for its Investment Consultant, Mercer, in conjunction with the recent Competition & Markets Authority "CMA" directive. The Fund's Investment Consultant is measured against these objectives in the Annual Reporting review, which is detailed in a separate document. A statement has been submitted to the CMA annually regarding compliance with setting these objectives.

Markets in Financial Instruments Directive (MiFID)

In 2017, when the Markets in Financial Instruments Directive (MiFID) was integrated into UK financial regulation, local authorities were reclassified automatically to 'Retail clients' due to the UK local authorities being in the unique position of managing pension funds. Whilst Retail status provides increased investor protection relative to Professional clients, there are a number of disadvantages including:

- Restricted access to investment managers as few firms are authorised to deal with retail clients.
- Limited products and services available as only certain types of investments are deemed suitable for retail clients. Many private markets products are not deemed suitable for Retail clients, namely Infrastructure funds, Private Equity funds, Hedge Funds, this is not consistent with the Fund's current investment strategy.
- Significant implications for pooling
- Sale of assets not available to retail clients and respective exit charges implications.

For the reasons outlined above, local authorities engaged with the FCA, and whilst the Retail Status will not change, the Fund has been able to 'opt-up' to Professional status to ensure none of the aforementioned drawbacks of Retail status apply.

In order to remain compliant and maintain professional investor status, Pension Fund Committee members and those involved in the decision making process must collectively maintain knowledge and understanding of financial markets and investment products.

As an elective Professional client, the Fund is responsible for keeping asset manager and advisory firms informed of any change deemed to be relevant to categorisation and the 'opt up' assessment made on or after January 2018.

Wiltshire Pension Fund
November 2022

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

01 February 2023

Fund Audit Update

Purpose of the Report

1. To update the Board on the Fund's audit plan for 2023/24 approved by the Committee at their meeting on 10 January 2023.
2. To review the progress of the SWAP Key Financial Controls (KFC) and Brunel Cost Savings audit and actions for the Scheme Year 2022/23.

Background

Audit Plan 2023/24

3. The plan seeks to cover both the Fund's internal & external noting that the stated aims and objectives of the Fund's package of commissioned audits is to ensure independent assurance that all the laws, regulations & practice by which the Fund operates are being appropriately adhered to. In addition, it enables a dynamic audit strategy by which the oversight of new practices and innovations can be monitored.
4. For the Scheme Year 2023/24 the approved plan of audits were:

Audit	Proposed auditor	Proposed completion date	Comments
Standard Annual Audits – 2023/24			
Annual Report & Accounts	Council Appointment	31/07/2023	For sign off and publication by 1 st December 2023
Key Financial Controls	SWAP	30/09/2023	Review the Fund's internal controls, including outsourcing progress, McCloud & Dashboard readiness
BPP Cost Transparency	ClearGlass	02/03/2023	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.
Audits targeting Fund innovations, progress improvements & new regulations, based on a risk identification approach			
Payroll Migration	SWAP	31/03/2024	An audit on the project management and transition arrangements ultimately to Altair
Investment governance	Appointment tbc	30/09/2023	Holistic review of investment governance arrangements including TCFD

5. In approving the plan (Committee minute 7) two points were noted concerning Committee member feedback. Firstly, if possible, officers should negotiate with SWAP on an earlier completion date for the Key Financial Controls audit and secondly, that the scope of the payroll migration audit should receive further consideration. In particular, whether the audit could be conducted in two parts, namely a pre-migration audit covering the project planning and a post-migration audit reviewing the execution of the migration.

Audit update 2022/23

6. **SWAP KFC Audit** – Following SWAP’s KFC audit in March 2022 in which they recorded a “no assurance” rating, SWAP have undertaken their 2022/23 audit in November 2022 this time recording a “Limited assurance” rating. Members will note that during 2022 officers undertook a significant programme of work based on the actions identified by SWAP in March 2022, the outcomes of which has shown a general strengthening of the internal controls of the Fund.
7. However, whilst significant improvements have been made SWAP’s attached audit report for 2022/23 has made a number of recommendations identifying areas of further development. These include:
 - a) Aggregation processing and backlogs – To accurately establish the number of cases involved, develop, and execute a plan for their timely completion and further develop a plan for casework management going forward:
 - b) Pension payroll reconciliation project – To resolve the 35 outstanding cases still sat with the Fund, prior to the pension increase exercise:
 - c) New i-Connect enrolments – Encourage employers to join i-Connect, prioritising the largest remaining employers: and
 - d) Management of undecided leavers (Status 2) – To accurately establish the number of cases involved, develop, and execute a plan for their timely completion and further develop a plan for casework management going forward.
8. **Brunel Cost Savings Audit update** – ClearGlass were appointed as auditor in November 2022. At the time of writing this report officers have compiled all key documentation for ClearGlass and have provided them with the necessary background to undertake the audit. Officers are working with ClearGlass as they undertake their review. It is anticipated that the audit and fieldwork will be concluded by early February. A report will then be prepared, and it is anticipated that it can be presented to members in May 2023.

Considerations for the Board

Audit Plan 2023/24

9. Although the plan for 2023/24 has been approved by Committee, members are asked to consider whether the range of audits approved adequately covers all the laws, regulations & practice by which the Fund operates. In the event that a further audit area is identified by the Board, officers will present that recommendation to the Committee.

Auditing actions 2022/23

10. Based on the finding of the SWAP KFC audit, officers will prepare an actions log, which will include the agreed target dates set out in SWAP’s full report and provide regular updates on progress to the Board.

Environmental Impact of the Proposal

11. Not applicable.

Financial Considerations & Risk Assessment

12. There are no known implications at this time.

Legal Implications

13. There are no material legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications at this time.

Proposals

15. For the Board to note the Committee's approval of the audits commissioned on 10 January 2023.

16. For the Board to endorse the recommendations made by SWAP in their 2022/23 audit report and that officers should prepare an actions log based on those recommendations.

Jennifer Devine
Head of Wiltshire Pension Fund

Report Author: Richard Bullen, Fund Governance & Performance Manager


Appendix 1 – SWAP Audit Report 2022/23 Summary







Appendix 2 – SWAP Audit Report 2022/23 Full

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Audit Objective

To ensure key controls are operating effectively for the administration of the Pension Fund.

Assurance Opinion	Number of Actions		Risks Reviewed	Assessment
	Priority	Number		
 <p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority 1	2	Failure to have effective administration of the scheme resulting in incorrect payments, inefficiencies in the process and inadequate oversight over the fund.	High
	Priority 2	9		
	Priority 3	2		
	Total	13		

Key Findings	
	Following our previous audit which identified a number of unresolved aggregations resulting in a significant backlog; the Fund outsourced 3500 cases to be resolved over the next 11 months. During this review a further 500 cases were found that had not been identified in the original data to be outsourced.
	The Fund has introduced a new workflow management system, this is only live in the Member Services Team and should be implemented, as a priority, in the Employer Services Team. Whilst the workflow has improved the management of the Member Services Team tasks, we noted that the process for managing over payments are has not been fully implemented. Our review also identified that amendments, aggregations, and Status 2 Members are not being managed efficiently.
	To enhance the Funds oversight over the work completed by both teams, in our previous report, management agreed actions to ensure that quality assurance was conducted over a sample of tasks on a regular basis. Whilst quality assurance has commenced in the Member Services Team, we identified weaknesses in the process being followed and noted that no quality assurance has been introduced in the Employer Services Team.
	A weekly KPI report is distributed to the management team to help processing delays. Whilst the report provides greater transparency, we identified several weaknesses where the KPIs should be improved. For example, the KPIs were not always accurate as the correct data was not captured for aggregations, transfers in and Status 2 Members. Additionally, the KPIs do not cover all tasks completed by the Fund, in particular the tasks completed by the Employer Services Team such as new joiners and amendment processing.
	To bring overall assurance over the operational risks posed by the Fund, the Fund has introduced a Risks and Controls Register. The Management Team meet on a monthly basis to discuss whether the controls across the Fund are operating effectively and in turn assess the risks faced. Whilst this is a great step forward, our review identified that the register is still in the early stages, and more work is required to ensure this operates effectively long term.
	Whilst key controls within the Fund still need strengthening, improvement has been made since our last No Assurance review in March 2022. For example, new joiner letters and activation keys are no longer delayed, SAP to Altair reconciliations are being carried out on a regular basis, the payment approval's structure now has clear segregation of duties, the frozen refunds process has improved, and Status 3 member data has been cleared from Altair and a data retention policy and process has been introduced.

Audit Scope
<p>An audit has been undertaken of the Pensions Key Controls. Our Audit included the following areas:</p> <ul style="list-style-type: none"> A. Enrolments; B. Contributions; C. Lump sum payments; D. Transfers in; E. Amendments; F. Operational Management G. Monitoring; H. Pension Projects; and I. Pensions risk and controls management. <p>We would like to thank all staff involved for their assistance during the audit.</p>

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Finding	Action												
<p><u>A: New Enrolments</u></p> <p>At the time of our audit about 60% of employers within the Fund were enrolled in the Fund’s Pensions Administration System I-Connect which was introduced in 2020. We were advised that the Fund was having difficulty onboarding the remaining employers as they were unable and or unwilling to provide the data submissions in the required format to be uploaded into I-Connect. If an employer is not enrolled on I-Connect it has a negative effect on the time it takes the Fund to process administrative duties for those members and there is a greater risk of things being processed incorrectly as more manual entry and manipulation is required.</p> <p>To help encourage employers to invest time in formatting their data, the Fund has discussed issuing additional administrative charges using an employer score card to determine employers which are more cumbersome. During our review we identified that the employer score cards have not been finalised and no employers have been issued charges for additional administrative time.</p>	<p>We will finalise the employer score cards to help identify employers which require additional administrative time and implement reasonable charges to address this.</p> <p>We will continue to encourage employers to join IConnect, prioritising the largest remaining employers.</p> <table border="1"> <tr> <td>Priority</td> <td>2</td> <td>SWAP Reference</td> <td>425</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Wiltshire Pension Fund and Employer Services Manager (once in post)</td> </tr> <tr> <td>Timescale</td> <td colspan="3">30/09/2023</td> </tr> </table>	Priority	2	SWAP Reference	425	Responsible Officer	Head of Wiltshire Pension Fund and Employer Services Manager (once in post)			Timescale	30/09/2023		
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Finding	Action												
<p><u>B: Overpayments</u></p> <p>When a member leaves the Fund, an overpayment maybe made due to processing delays and as such needs to subsequently be recovered by the Fund. At the time of our review there were member overpayments going back to 2016 amounting to £153,509, and in addition to this since 2021 £24,002 has been written off. We were informed that anything which is below £250 is automatically written off however, the Fund was not following the write off process for values above this amount.</p> <p>We were also advised that the Fund does not review the outstanding overpayments on a regular basis. As mentioned in finding J below, there are no KPIs for chasing aged debt and as such it is not monitored in the management report.</p>	<p>We will ensure outstanding overpayments are reviewed and chased on a regular basis. The monitoring of this will form part of the KPI (Action J) below.</p> <p>We will ensure the aged debt is reviewed on a regular basis to determine if anything should be written off. This will follow the write off process contained in the overpayment’s procedure.</p> <table border="1"> <tr> <td>Priority</td> <td>2</td> <td>SWAP Reference</td> <td>426</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Member Services Manager</td> </tr> <tr> <td>Timescale</td> <td colspan="3">30/04/2023</td> </tr> </table>	Priority	2	SWAP Reference	426	Responsible Officer	Member Services Manager			Timescale	30/04/2023		
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Finding	Action												
<p><u>C: Lump sum Payments</u></p> <p>We reviewed a sample of members in receipt of lump sum payments because of death, transfers out of the Fund or retirement and determined if the agreed process had been followed. See summary of issues below.</p> <p>Deaths:</p> <ul style="list-style-type: none"> 2 out of 10 from the sample tested had been closed without final letters being sent to the beneficiary or the estate. The Fund had identified this as a reoccurring issue during our audit and as such were determining if a report could be run to identify any anomalies. The Fund advised that it will be introducing this report as an additional control which will be run on a quarterly basis. <p>Transfers out:</p> <ul style="list-style-type: none"> 1 of the 11 lump sum payments made were signed off after the SLA deadline. This payment exceeded 100k, members of the Member Services Team were not aware that the Head of the Wiltshire Pension Fund has authority to sign off payments above this value and should be contacted if another staff member with authority is not available. 	<p>We will finalise the report to help identify death cases which have been closed without final letters being sent. We will ensure letters are sent for any cases identified and run the report to identify anomalies on a regular basis going forward, so issues are addressed in a timely manner.</p> <p>We will ensure that all team members are aware of who has authority to sign off lump sum payments and to what level.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e6f2ff;">Priority</td> <td style="background-color: #ffc107;">2</td> <td style="background-color: #e6f2ff;">SWAP Reference</td> <td>427</td> </tr> <tr> <td style="background-color: #e6f2ff;">Responsible Officer</td> <td colspan="3">Member Services Manager</td> </tr> <tr> <td style="background-color: #e6f2ff;">Timescale</td> <td colspan="3">30/04/2023</td> </tr> </table>	Priority	2	SWAP Reference	427	Responsible Officer	Member Services Manager			Timescale	30/04/2023		
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Finding	Action												
<p><u>D: Transfers into the Fund</u></p> <p>In our previous audit in March 2022, we identified when a member transfers into the Fund, the 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. Since our previous audit the unallocated money has fallen from £5 million in July 2022 to £1 million at the time of our audit.</p> <p>We were advised that any cases that are not allocated within 20 days of receipt of the money fall outside of the Fund’s SLA deadline and as such should be flagged as an issue. We reviewed the aging analysis for unallocated transfers in and noted there were 153 cases which date back to 2018. This has not been flagged in the weekly KPI and performance reports which go to the Management team as an issue. There is therefore a risk of this going unresolved.</p> <p>We reviewed a sample of 3 transfers in and noted all 3 had significant delays, including one which was sat with the fund for 11 months before being actioned. This case had not been flagged as being overdue in the KPIs as a task had not been set up in Altair.</p>	<p>We will ensure Altair is updated with any historical missing liabilities.</p> <p>Any delays will be accurately highlighted in the weekly KPI report. This action is also reflected in the Finding J below regarding KPIs.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e6f2ff;">Priority</td> <td style="background-color: #ffc107;">2</td> <td style="background-color: #e6f2ff;">SWAP Reference</td> <td>428</td> </tr> <tr> <td style="background-color: #e6f2ff;">Responsible Officer</td> <td colspan="3">Member Services Manager</td> </tr> <tr> <td style="background-color: #e6f2ff;">Timescale</td> <td colspan="3">31/12/2023</td> </tr> </table>	Priority	2	SWAP Reference	428	Responsible Officer	Member Services Manager			Timescale	31/12/2023		
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<p><u>E: Amendments</u></p> <p>We reviewed a sample of amendments made to members files and determined if the correct process was followed; this included changes to the members name, address and nominated beneficiary. See summary of issues noted below:</p> <p><i>Nomination change:</i></p> <ul style="list-style-type: none"> • 1 of the 8 nomination changes, the Fund had not saved evidence in Altair to support the reason for the nomination change. <p><i>Address change:</i></p> <ul style="list-style-type: none"> • 1 of the 10 address changes, the correspondence address had not been updated in Altair, the Fund had overwritten the address on a correspondence letter only. • 1 of the 10 address changes, the Fund had been trying to trace a member since 2020 through a tracing agency called Target. A low match had been received back from Target, but a workflow task had not been set up to schedule a full search and as such no further progress has been made. 	<p>We will remind staff of the importance of saving evidence to support any changes made in Altair.</p> <p>We will remind staff of the processes which should be followed when making address changes and ensure this is monitored as part of the Quality Assurance (Action K) below.</p> <table border="1" data-bbox="1344 571 2134 745"> <tr> <td data-bbox="1344 571 1456 619">Priority</td> <td data-bbox="1456 571 1731 619">3</td> <td data-bbox="1731 571 1960 619">SWAP Reference</td> <td data-bbox="1960 571 2134 619">429</td> </tr> <tr> <td data-bbox="1344 619 1731 699">Responsible Officer</td> <td colspan="3" data-bbox="1731 619 2134 699">Member Services Manager</td> </tr> <tr> <td data-bbox="1344 699 1731 745">Timescale</td> <td colspan="3" data-bbox="1731 699 2134 745">30/04/2023</td> </tr> </table>	Priority	3	SWAP Reference	429	Responsible Officer	Member Services Manager			Timescale	30/04/2023		
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Finding	Action												
<p><u>F: Aggregations Processing and Backlog</u></p> <p>Aggregations are where a member has multiple pensions within the Fund (i.e. from different roles), it is a legislative requirement that these pensions are aggregated into one pension.</p> <p><i>Aggregations Historical Backlog:</i> In our previous audit we found there were a number of unresolved aggregations resulting in a large backlog of work. Since our last audit the Fund has outsourced 3500 cases to a company called Hymans who have agreed to work through the cases over the next 11 months. However, during our review 500 additional cases were identified. We were advised that these had not been picked up in the original data to be outsourced as a workflow status had not been set against them in Altair and as such did not appear in the data.</p> <p><i>Aggregations Ongoing Backlog:</i> We reviewed the process followed to manage future ongoing aggregations to determine if they are being processed in a timely manner to ensure a backlog does not occur again in the future. Aggregations processing is managed by the Employer Services Team however, we were advised that they do not have a robust workflow allocation process to manage this work. Furthermore, no targets have been set for processing the work and the manager believed that the team do not see the importance of completing this work and as such it is prioritised behind other tasks.</p>	<p>We will ensure that the additional 500 aggregation cases identified are analysed and workflows are updated in Altair to ensure a complete picture is reported in the weekly KPI reports. A plan will be developed to ensure timely completion of these tasks and progress updates will be reported to the Pensions Committee on a regular basis.</p> <p>We will determine if there are any other historical aggregations which have not been outsourced.</p> <p>We will implement a robust process to ensure future aggregations are processed in a timely manner by setting defined SLAs for completion. This action also forms part of the Workflow (Action I) below.</p> <p>We will ensure the SLAs for future aggregations are regularly monitored for adherence and included in the weekly KPI report. This action is also reflected in the Finding J below regarding KPIs.</p> <p>We will remind staff of the importance of completing the aggregation tasks and any under performance in this area will be formally addressed.</p> <table border="1" data-bbox="1330 933 2123 1157"> <tr> <td>Priority</td> <td style="background-color: red; color: white; text-align: center;">1</td> <td>SWAP Reference</td> <td>430</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Wiltshire Pension Fund, Operations Manager and Employer Services Manager (once in post)</td> </tr> <tr> <td>Timescale</td> <td colspan="3">30/09/2023</td> </tr> </table>	Priority	1	SWAP Reference	430	Responsible Officer	Head of Wiltshire Pension Fund, Operations Manager and Employer Services Manager (once in post)			Timescale	30/09/2023		
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Page 146

Finding	Action												
<p><u>G: Status 2 Members</u></p> <p>When a member leaves their employer, they will initially go from being an Active Member to a Status 2 Member in Altair. A Status 2 member represents a leaver where their future pension status has not yet been determined, for example if their fund is going to be deferred or if they will have a refund etc.</p> <p>We reviewed a report which identified that there was a backlog of 4277 cases currently at the Status 2 stage. We compared this to the outstanding leavers referenced in the latest KPIs reported to management and noted that this only stated 3501 cases (circa of 1200 short). We were advised that the figures differed as the KPI report does not include Status 2 cases where a workflow has not been set up in Altair and it also does not include cases which have been assigned a 'Status 2 Chase' workflow.</p> <p>Status 2 processing is managed by the Employer Services Team however, we were advised that they do not have a robust workflow allocation process to manage this work and no targets have been set for processing the work.</p> <p>We were also advised that the Fund does not have a clear picture of the types of leavers that are currently unprocessed i.e., if they are deferments, aggregations, refunds etc. Without this information it is difficult for the Fund to forecast how long it is going to take to clear the outstanding work.</p>	<p>We will ensure the KPI report is amended so that it captures all Status 2 outstanding cases clearly. This will form part of the KPI action in Action J below.</p> <p>We will implement a robust allocation method to ensure Status 2 cases are processed in a timely manner against defined SLAs. This will form part of the Workflow (Action I) below.</p> <p>We will monitor performance and formally address any underperformance in this area.</p> <p>We will ensure that the leaver backlog is fully analysed as a priority (action timescale 28/02/2023), and a plan made to clear the cases which are not outsourced to Hymans in a timely manner.</p> <table border="1" data-bbox="1326 766 2123 1018"> <tr> <td data-bbox="1326 766 1444 805">Priority</td> <td data-bbox="1444 766 1720 805">2</td> <td data-bbox="1720 766 1982 805">SWAP Reference</td> <td data-bbox="1982 766 2123 805">431</td> </tr> <tr> <td data-bbox="1326 805 1720 981">Responsible Officer</td> <td colspan="3" data-bbox="1720 805 2123 981">Head of Wiltshire Pension Fund and Employer Services Manager (once in post)</td> </tr> <tr> <td data-bbox="1326 981 1720 1018">Timescale</td> <td colspan="3" data-bbox="1720 981 2123 1018">30/09/2023</td> </tr> </table>	Priority	2	SWAP Reference	431	Responsible Officer	Head of Wiltshire Pension Fund and Employer Services Manager (once in post)			Timescale	30/09/2023		
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Finding	Action												
<p><u>H: Retired Members</u></p> <p>Retired members are those who are over 75 years old and therefore have reached an age that their pension must be paid. The Fund confirmed that there were no retired members which had not been contacted however, they are currently waiting for a report to be written to enable bulk letters to be sent out to members on a regular basis. In the absence of this, each retired member has to be contacted individually, taking away time which could be spent on resolving other issues highlighted in this report.</p>	<p>We will finalise the report to enable letters to be sent to retired members in bulk.</p> <table border="1" data-bbox="1326 1284 2123 1430"> <tr> <td data-bbox="1326 1284 1444 1324">Priority</td> <td data-bbox="1444 1284 1720 1324">3</td> <td data-bbox="1720 1284 1982 1324">SWAP Reference</td> <td data-bbox="1982 1284 2123 1324">432</td> </tr> <tr> <td data-bbox="1326 1324 1720 1396">Responsible Officer</td> <td colspan="3" data-bbox="1720 1324 2123 1396">Member Services Manager</td> </tr> <tr> <td data-bbox="1326 1396 1720 1430">Timescale</td> <td colspan="3" data-bbox="1720 1396 2123 1430">31/03/2023</td> </tr> </table>	Priority	3	SWAP Reference	432	Responsible Officer	Member Services Manager			Timescale	31/03/2023		
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Finding	Action												
<p>I: Workflow Management</p> <p>Member Services Team</p> <p>Our previous audit identified that the Fund was using the workflow built into Altair to distribute tasks however, there were many flaws in this system and as such the team’s work was not being effectively managed and allocated. Since our last audit, a new workflow system has been introduced for to help manage the tasks completed by the Member Services Team which distributes tasks by a pre-defined priority of high to medium. A report is distributed to the team 3 times a week, the team must complete the high tasks first followed by medium tasks once all high tasks have been completed. We reviewed the corresponding KPIs and noted that medium tasks were falling behind the SLA deadlines on a regular basis. This was supported by our sample testing which identified the following exceptions:</p> <ul style="list-style-type: none"> • Retirements – for 2 out of 10 of the sample tested the Election form, quote and member declaration form was not sent within the SLA deadline. • Transfers out – for 6 out of 11 of the sample tested the letter of calculation was not sent out by the Fund within the SLA deadline. These cases were all set as medium priority as they were all LGPS funds. <p>Employer Services Team:</p> <p>The new workflow system referenced above has not been implemented in the Employer Services Team. We were advised that the Fund plan to do this, but they need to work out the best way to pull the data to enable it to work effectively. Our sample testing over the Employer Services Team task identified the following exceptions regarding SLA adherence which may not have occurred if the tasks were appropriately managed and prioritised:</p> <ul style="list-style-type: none"> • Name change - 3 out of the 8 name changes were not processed within the SLA deadline. • Nomination change - 2 of the 8 nomination changes were not updated within the SLA deadline. • Address change - 1 out of 10 the address change was not updated within the SLA deadline. <p>Finding F regarding Aggregations and G regarding Status 2 Members also highlights issues with how tasks in the Employer Services Team are managed.</p>	<p>We will review how medium tasks are managed and ascertain if any of these should be re prioritised. This will consider if the backlog of tasks is impacting compliance with the SLA deadlines.</p> <p>We will introduce a process to manage overpayments (see Finding B above).</p> <p>We will implement a robust workflow system to manage the tasks completed by the Employer Services Team.</p> <table border="1" data-bbox="1328 1098 2134 1337"> <tr> <td data-bbox="1328 1098 1720 1137">Priority</td> <td data-bbox="1720 1098 1989 1137">2</td> <td data-bbox="1989 1098 2134 1137">SWAP Reference</td> <td data-bbox="2134 1098 2134 1137">433</td> </tr> <tr> <td data-bbox="1328 1137 1720 1297">Responsible Officer</td> <td colspan="3" data-bbox="1720 1137 2134 1297">Head of Wiltshire Pension Fund and Employer Services Manager (once in post), and Member Services Manager</td> </tr> <tr> <td data-bbox="1328 1297 1720 1337">Timescale</td> <td colspan="3" data-bbox="1720 1297 2134 1337">30/06/2023</td> </tr> </table>	Priority	2	SWAP Reference	433	Responsible Officer	Head of Wiltshire Pension Fund and Employer Services Manager (once in post), and Member Services Manager			Timescale	30/06/2023		
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<p><u>J: KPIs, Reports and Monitoring of Staff Productivity</u></p> <p>A weekly KPI report is produced and monitored by the Management team to help determine if tasks are being completed in line with the agreed SLAs. We reviewed the KPIs report and identified the following issues:</p> <p><i>Inaccuracy of KPIs</i></p> <ul style="list-style-type: none"> • The aggregations KPIs were not accurate as it did not include aggregations where a workflow had not been set up. • The Status 2 KPIs fall under the leavers data but this was not accurate as it did not include Status 2 members where a workflow had not been set up and did not include ‘Status 2 Chase’ workflows. • The backlog of transfers in allocations was not flagged as an issue. • The weekly KPI reports were not consistent with themselves as each week the closing position for the previous week did not agree to the new opening position. We were advised that this has been raised with the systems external support team; Heywoods. <p><i>KPIs not captured</i></p> <ul style="list-style-type: none"> • There are no KPIs to monitor the progress of overpayment aged debt chasing. • There are no KPIs to monitor new joiners processing. • There are no KPIs to monitor amendments processing. <p>We also reviewed how the Fund monitors the data recorded for active members to ensure the data quality requirements set by The Pensions Regulator are met. We were advised that a data quality report can be run but this is only done on an ad hoc basis and the results are not reported to management to monitor.</p> <p>Finally, we reviewed how the Fund monitors staff productivity and found a weekly report has been introduced for the Member Services Team. For each type of task, the management team have determined an average time it should take to complete. A report is then produced weekly to look at the tasks which have been completed against the team members availability. In return a productivity percentage is produced. This is not yet live for the Employer Services Team but is in the testing phase.</p>	<p>We will review the KPIs and address the inaccuracy issues identified.</p> <p>We will introduce KPI monitoring for overpayments, new joiners, amendments.</p> <p>We will regularly monitor the data quality for active members and ensure the requirements set by The Pensions Regulator are met.</p> <p>We will implement the staff productivity monitoring report in the Employer Services Team.</p> <table border="1" data-bbox="1348 1037 2123 1276"> <tr> <td data-bbox="1348 1037 1736 1085">Priority</td> <td data-bbox="1736 1037 1960 1085" style="background-color: #FFD700;">2</td> <td data-bbox="1960 1037 2123 1085">SWAP Reference</td> <td data-bbox="2123 1037 2123 1085">434</td> </tr> <tr> <td data-bbox="1348 1085 1736 1228">Responsible Officer</td> <td colspan="3" data-bbox="1736 1085 2123 1228">Head of Wiltshire Pension Fund and Employer Services Manager (once in post), and Member Services Manager</td> </tr> <tr> <td data-bbox="1348 1228 1736 1276">Timescale</td> <td colspan="3" data-bbox="1736 1228 2123 1276">30/04/2023</td> </tr> </table>	Priority	2	SWAP Reference	434	Responsible Officer	Head of Wiltshire Pension Fund and Employer Services Manager (once in post), and Member Services Manager			Timescale	30/04/2023		
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<p><u>K: Quality Assurance</u></p> <p>Our previous audit identified that no quality assurance was being carried out over the work processed within the Employer Services and Member Services Teams. Our review found that the Member Services Manager and their deputy have been completing quality assurance reviews of the Member Services Team since May 2022, but we identified the following weaknesses in the process:</p> <ul style="list-style-type: none"> • The quality assurance sample is selected at random and is not proportionality split by Officers and transaction types. There is therefore a risk that the sample is not representative. • The number of cases reviewed each month differed, ranging from 1 case up to 20 cases. The Fund has not defined how many cases should be reviewed each month. • The quality assurance is being completed at the same time and by the same person that reviews and signs off the case. The sign offs are therefore not independently quality assessed. <p>We also identified that no quality assurance reviews have been carried out over the work completed by the Employer Services Team. We were advised that the Fund is hoping to have this in place by the end of January 2023.</p>	<p>We will review the quality assurance process and ensure all samples are representative in terms of officer and transaction types. We will also define how many cases should be reviewed each month and ensure the reviewer has not been involved with the case previously We will continue to monitor adherence through the Risk and Controls register and management reports.</p> <p>We will ensure a quality assurance process is implemented for the Employer Services Team and adherence is monitored on a regular basis.</p> <p>We will ensure the issues identified in Finding E above are including in the quality assurance checks for amendments.</p> <table border="1" data-bbox="1328 710 2134 952"> <tr> <td data-bbox="1328 710 1444 751">Priority</td> <td data-bbox="1444 710 1722 751">2</td> <td data-bbox="1722 710 1989 751">SWAP Reference</td> <td data-bbox="1989 710 2134 751">435</td> </tr> <tr> <td data-bbox="1328 751 1722 911">Responsible Officer</td> <td colspan="3" data-bbox="1722 751 2134 911">Head of Wiltshire Pension Fund and Employer Services Manager (once in post), and Member Services Manager</td> </tr> <tr> <td data-bbox="1328 911 1722 952">Timescale</td> <td colspan="3" data-bbox="1722 911 2134 952">30/04/2023</td> </tr> </table>	Priority	2	SWAP Reference	435	Responsible Officer	Head of Wiltshire Pension Fund and Employer Services Manager (once in post), and Member Services Manager			Timescale	30/04/2023		
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Timescale	30/04/2023												

Finding	Action												
<p><u>L: Pensions Payroll Reconciliation Project</u></p> <p>There has been an ongoing Payroll Reconciliation Project in the Fund as it became apparent that pensions payments to members were not always paid at the current rate. This was due to recording differences between the Pensions system, Altair, and the Council’s payroll system, SAP. The work to rectify the differences has now been outsourced to a third party however, our review noted there were 35 outstanding cases still sat with the Fund to resolve. We were advised the following:</p> <ul style="list-style-type: none"> • 11 cases are not in the correct payroll area and they need to be altered by the Payroll Team, but the Payroll Team had not been informed of this; • 4 cases have an issue on Altair which need to be resolved (not payment related); and • 20 cases have payment discrepancies that need to be resolved. <p>We were informed that no deadlines had been set to resolve the above issues and their resolution was not being formally monitored by management.</p>	<p>We will ensure the issues noted with the 35 outstanding cases still sat with the Fund are resolved.</p> <table border="1" data-bbox="1337 593 2123 767"> <tr> <td>Priority</td> <td>1</td> <td>SWAP Reference</td> <td>436</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Wiltshire Pension Fund and Operations Manager</td> </tr> <tr> <td>Timescale</td> <td colspan="3">31/03/2023</td> </tr> </table>	Priority	1	SWAP Reference	436	Responsible Officer	Head of Wiltshire Pension Fund and Operations Manager			Timescale	31/03/2023		
Priority	1	SWAP Reference	436										
Responsible Officer	Head of Wiltshire Pension Fund and Operations Manager												
Timescale	31/03/2023												
<p><u>M: Pension Fund’s Risk and Controls Register</u></p> <p>Since our previous audit the Fund has introduced a Risk and Controls Register which is reviewed monthly to help determine if controls are operating effectively. The controls are linked to a list of risks to help determine a risk score.</p> <p>Each month it is the managers responsibility to document and evidence in the Risk and Controls Register if their controls for the month have been completed. We reviewed the minutes and registers from previous meetings and noted that not all managers have been updating the register and as such the output on corresponding risks is not accurate.</p>	<p>We will continue to embed the Risk and Controls Register and formally address managers performance when controls are not updated ahead of the monthly risk and controls meeting.</p> <table border="1" data-bbox="1337 1082 2123 1227"> <tr> <td>Priority</td> <td>2</td> <td>SWAP Reference</td> <td>437</td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">Head of Wiltshire Pension Fund</td> </tr> <tr> <td>Timescale</td> <td colspan="3">31/03/2023</td> </tr> </table>	Priority	2	SWAP Reference	437	Responsible Officer	Head of Wiltshire Pension Fund			Timescale	31/03/2023		
Priority	2	SWAP Reference	437										
Responsible Officer	Head of Wiltshire Pension Fund												
Timescale	31/03/2023												

Further observations:

1. When the new joiners are enrolled outside of I-Connect a data sheet is uploaded into Altair. An error report flags any missing fields however we noted that it will not flag missing salary information if the report contains a 0 digit in the field. We were advised that the impact of this is minimal.
2. In our previous report in March 2022, we said the Fund should also consider if the one-off payments module should be purchased so BACs payment runs can be directly produced out of the Altair system. This would reduce the risk of errors between SAP and Altair and eliminate the need to carry out as many checks. This is still being considered but has not been implemented.
3. In our previous report in March 2022, we identified that the Fund maintains its own operating budget. Some services are provided by the Council and then recharged to the Fund, for example, payroll, legal, internal audit etc. However, the Fund do not receive underlying data from the Council to substantiate the amounts recharged. We advised that this should be reviewed and this had not been finalised at the time of this audit.

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
01 February 2023

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 Board

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 Board is asked to note the work done and the impacts on the Fund.

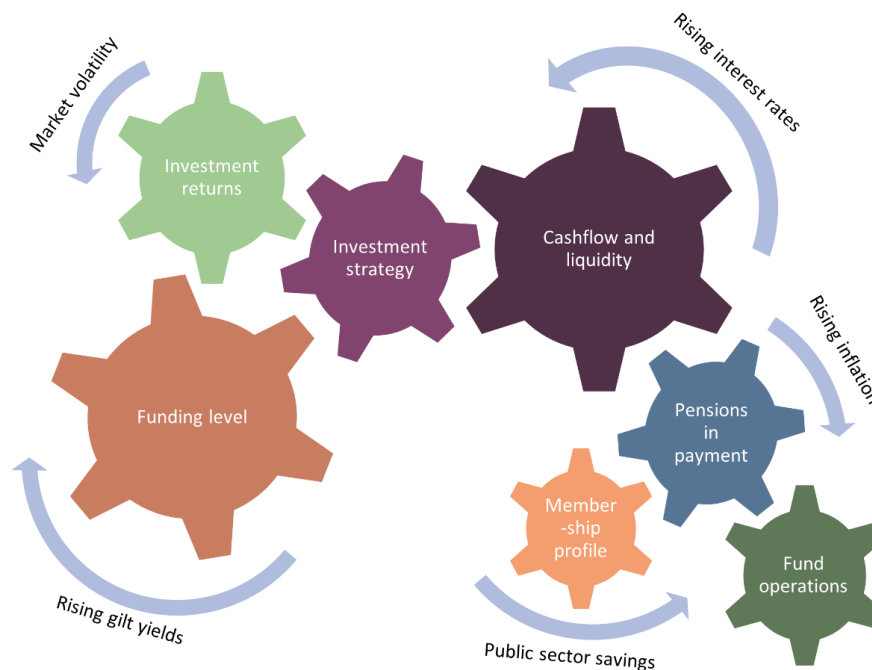
Report Author: Jennifer Devine, Head of Wiltshire Pension Fund

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

Appendices

Appendix 1 – Cost of Living review paper

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%.

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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.

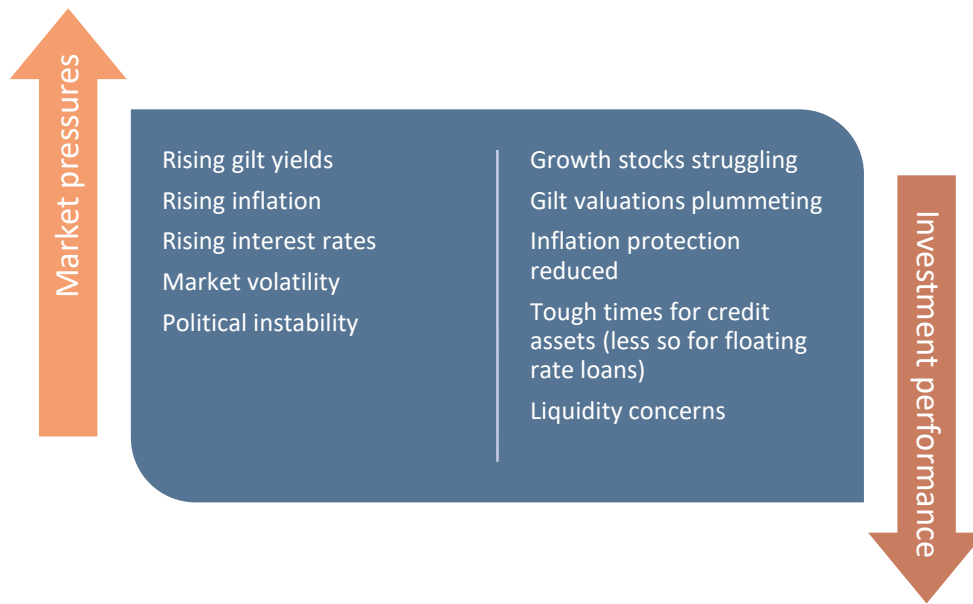


Maintaining a well-diversified investment portfolio and assets with inflation linkage to ensure investment returns are maintained. Monitoring the markets and ensuring managers are working well to maintain and protect investment returns.



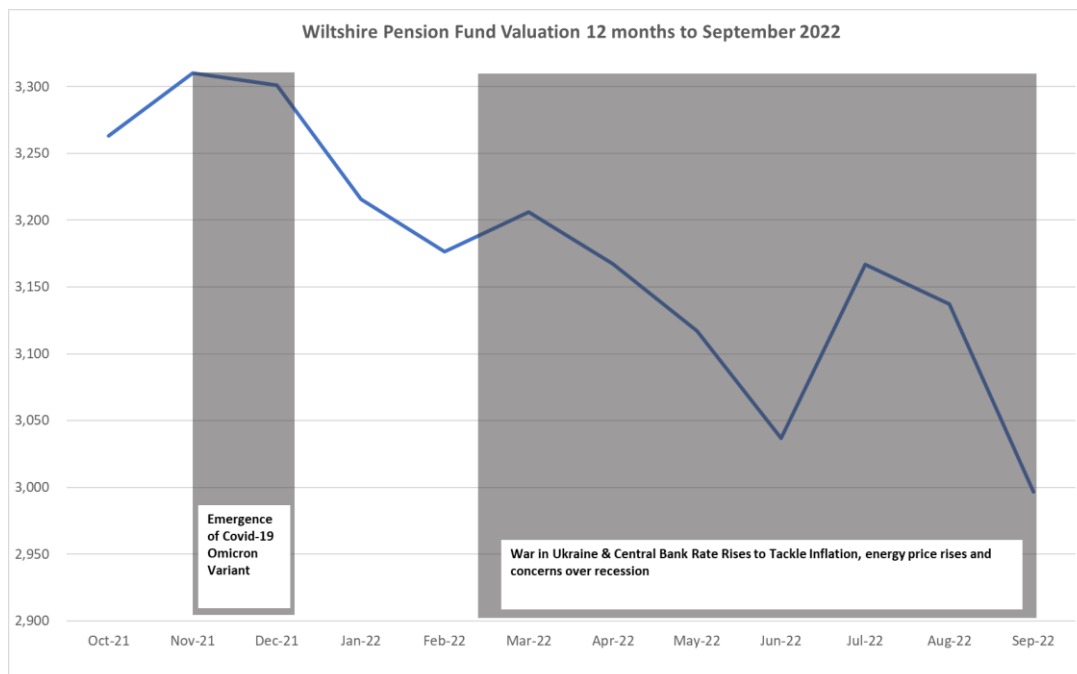
The Fund's value of **long term thinking** conveys our approach to assessing risks and planning ahead. As a signatory of the Stewardship Code 2020, the Fund needs to assess how effective we have been in serving the best interests of our beneficiaries (principle 1), and take account of beneficiary needs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

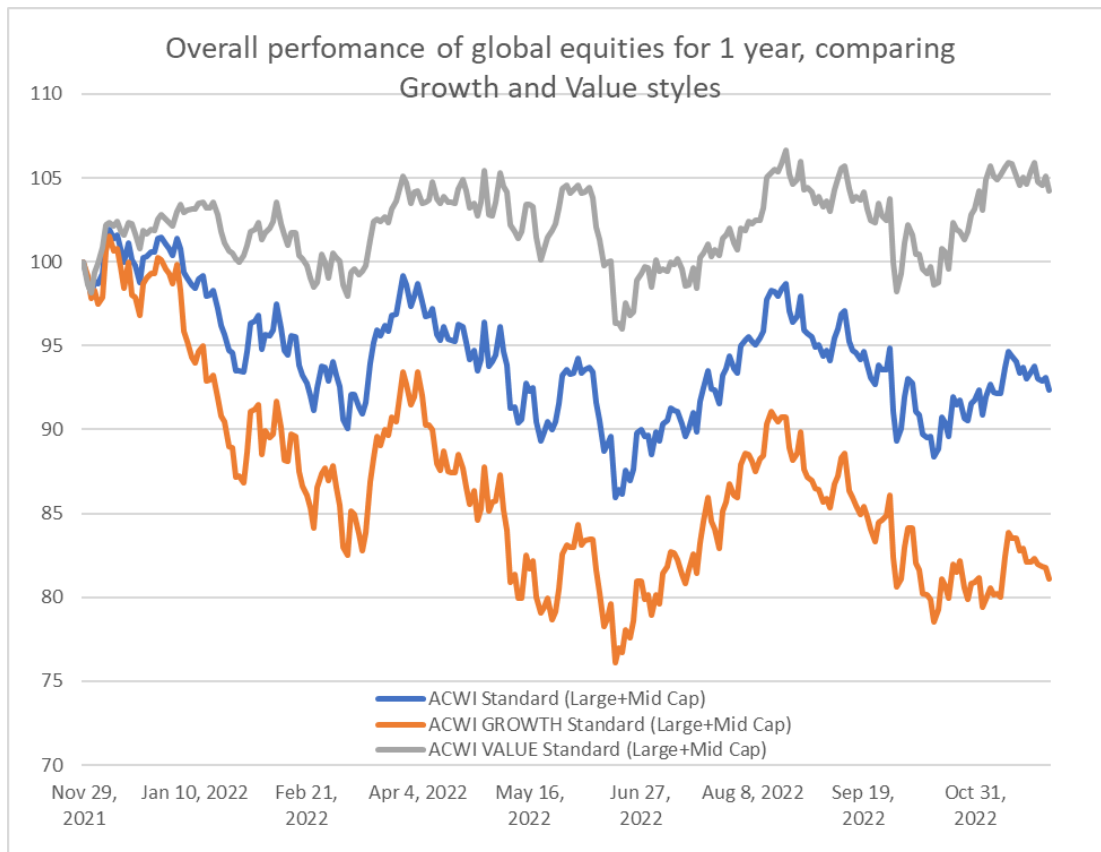


Equities

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%.

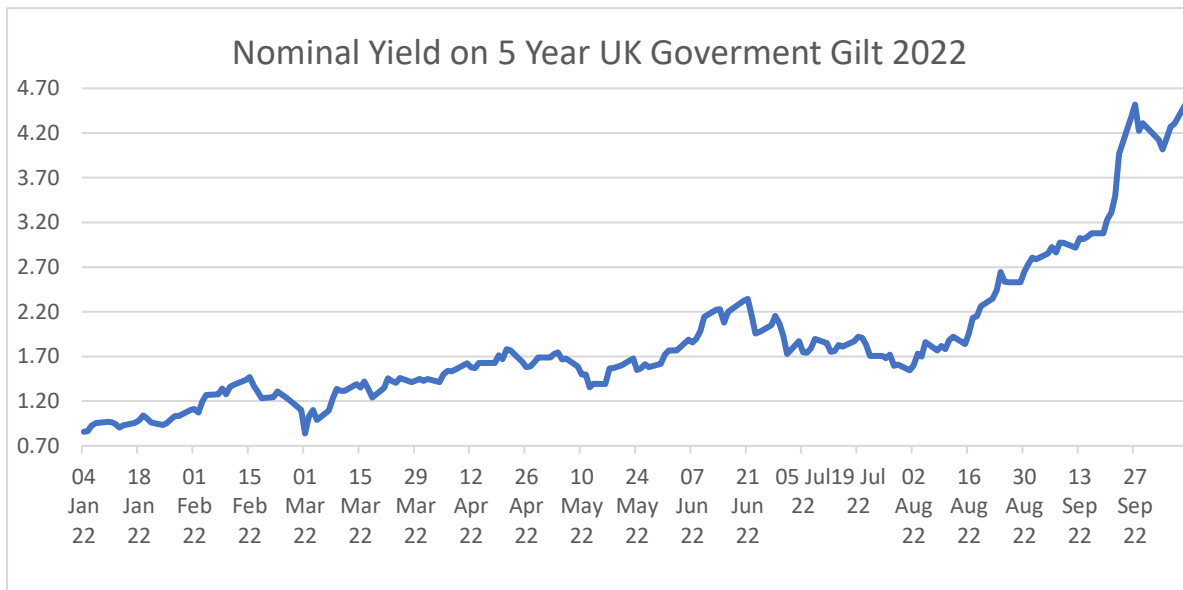


The fund is a long-term investor and has benefited from the relative outperformance of growth stocks over an extended length of time preceding this period, we remain committed to our investment strategy, employing managers with a long-term focus for investment returns. The shift to higher inflation and 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.

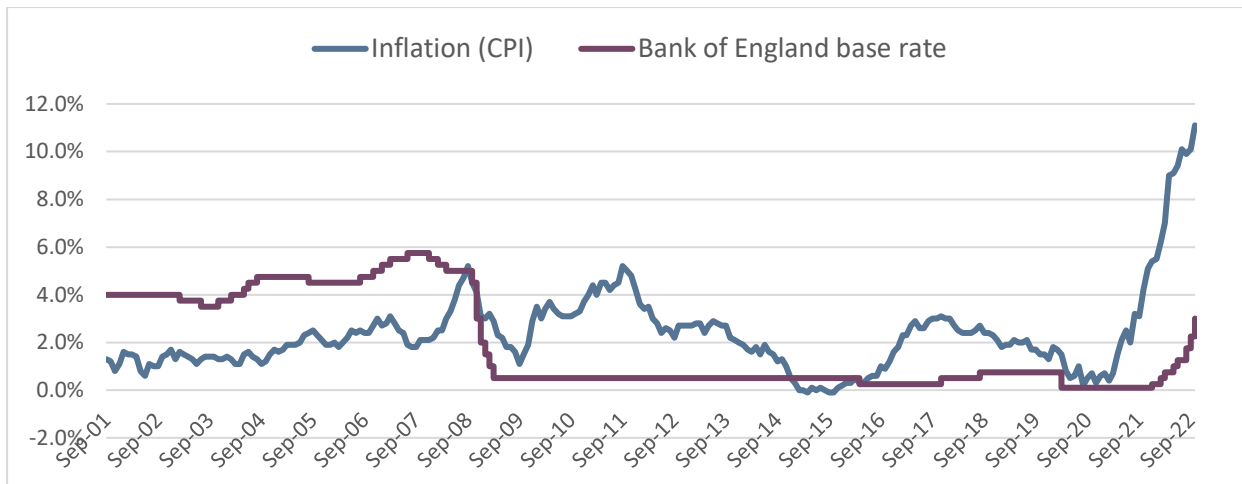


The fund has been diversifying away from holding a large proportion of the fund in this asset class. In March 2020 the long-term allocation to Gilts was 25%, this reduced to 15% with a new allocation to Secured Income made in June 2020. This further reduced to 7% in December 2021 with new portfolios 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.

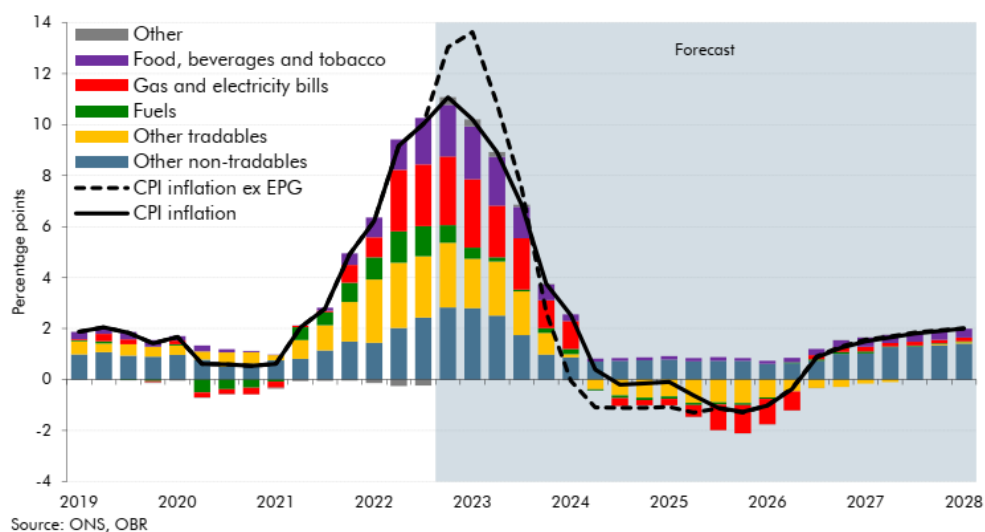


The *rate of change* of inflation has been particularly alarming in 2022. Over the past decade, interest rates have been low. A combination of factors; fiscal and economic policies, the war in Ukraine, energy price crisis and in turn, the cost rises for food, has resulted in a significant spike. Longer 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.

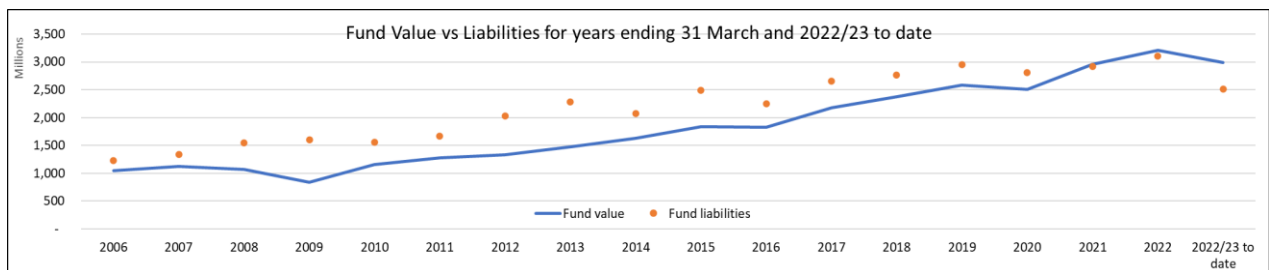
From our discussions with the individual managers, circumstances vary, but we are reassured that the **managers are taking a balanced view of affordability for tenants vs achieving returns**, and are focussed on long-term financial sustainability for both parties.

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?

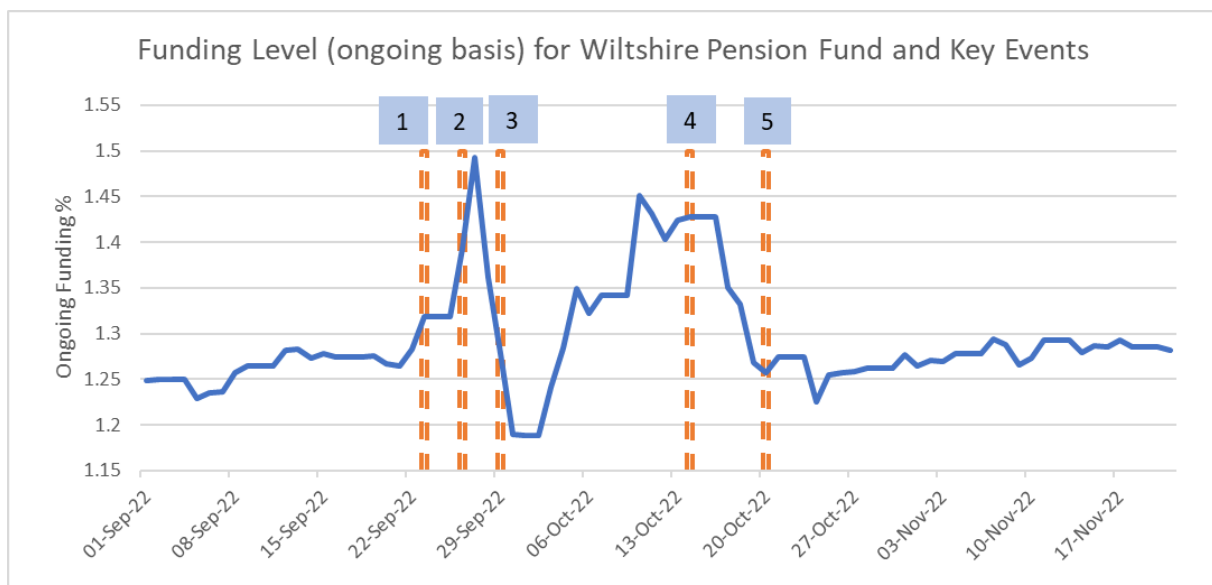
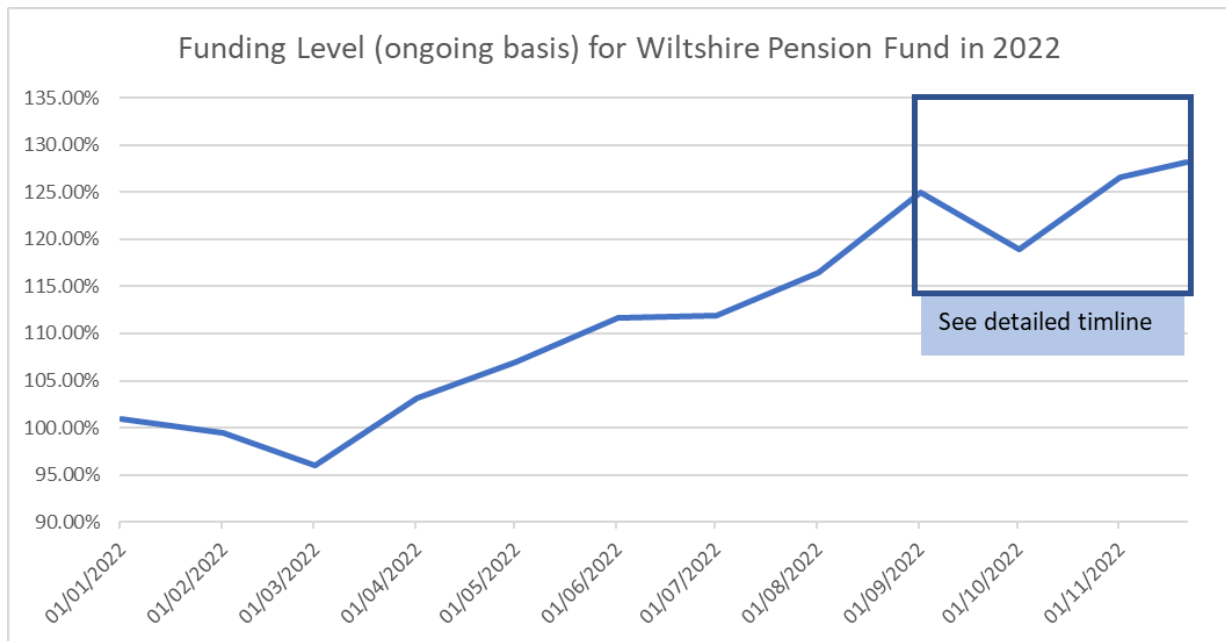
From: To:

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. 23rd September 2022 - Mini Budget Delivered
2. 26th 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. 29th September 2022 - BoE implement support for Gilts through purchasing
4. 14th October 2022 - Kwasi Kwarteng resignation
5. 20th 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.

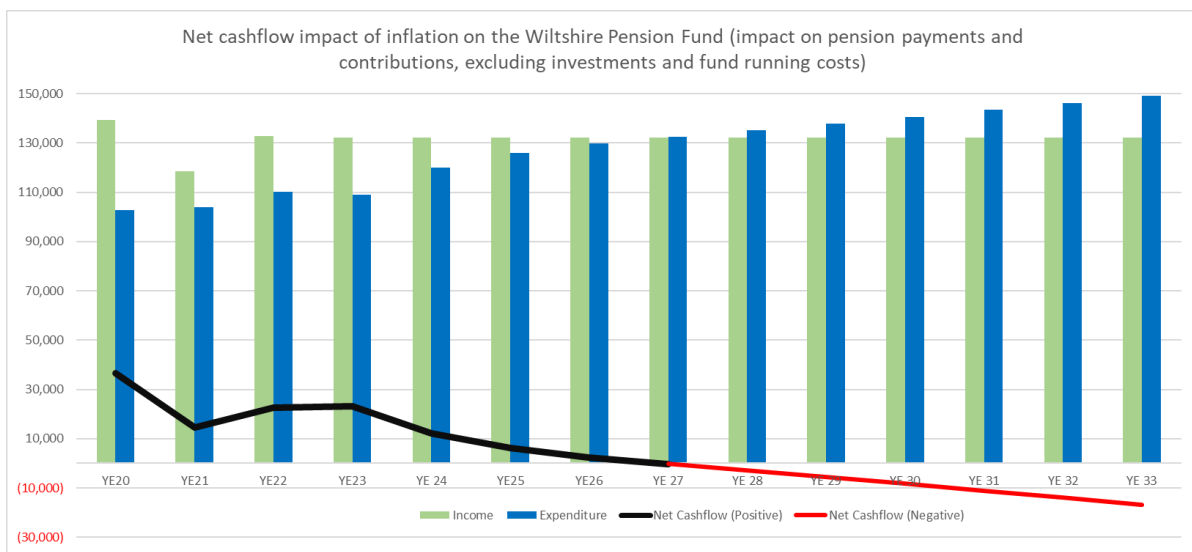
Given the financial pressures on the employers in the fund, we have forecast they will award below inflation pay rises and be under financial pressure to constrain costs, such as implementing recruitment freezes. This may lead to no increase in member and employer contributions to offset the increase 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>1</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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LOCAL PENSION BOARD - WORK PLAN 2022-23

Meeting:	LPB Term of Reference item	Description of scope as defined by the LPB ToR	05/05/22	18/08/22	27/10/22	01/02/23	No expected review in 2022/23	24/05/23	Guidance comments
GOVERNANCE - Board Specific									
Comments									
Election of Vice Chair	42	Appointments made as defined in the Board's Term of Reference				✓			Annual appointment between Member & Employer Reps. Member reps to be appointed in odd years
Board Annual Report	85	Recommendation under the legislation	✓					✓	Draft submission to the Board for their approval
Board Budget setting	78	Review & recommend to the Committee the budgetary requirements for the Board during the next Scheme year				✓			Review in conjunction with the Look Forward plan in order to anticipate future costs
Review Board's Terms of Reference (if and as required)	81g	Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.						✓	This review should be in conjunction with the Committee 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.
Effective System of Governance (ORA document)	81g	Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.				✓			To prepare on publication of tPR Single Code of Practice
Board Annual Training Plan Update (To include Member training policy)	80i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.				✓			To be completed each Scheme year for subsequent inclusion in the Board's Annual Report & the Fund's AR&A. Officer training strategy attached too.
Member Training review	80i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.	✓			✓		✓	To receive a six monthly update of both Committee and Board member training.
Effectiveness review	81g	Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.				✓			3 year plan last raised with the Board on 12/12/2018. The LPB should also compare itself against its own core functions as set out in its ToR. Last completed on 24/01/2019
Training Item relevant to agenda	80i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.	✓	✓	✓	✓		✓	To be consistent with Member's training & development strategy

Code of Conduct & Conflicts of Interest Policy	80d	Review such documentation as is required by the Regulations including the Single Code of Practice and Good Governance Review					✓		3 year plan last approved on 15/10/2020. Annual reviews should be undertaken by Democratic Services in each Q4
Review Actions from previous meetings	n/a	Maintained by officers to enable Members manage their responsibilities	✓	✓	✓	✓		✓	Address primarily during pre-meeting planning meeting
Forward Work Plan Review	87	Maintained by officers to enable Members manage their responsibilities	✓	✓	✓	✓		✓	Officers to update the next Scheme year's plan in time for the new Scheme year. Annual reviews to therefore be undertaken in Q2
GOVERNANCE - Fund Specific									Comments
Review of Risk Register	81e	Review the risk register as it relates to the scheme manager function of the Administering Authority	✓	✓	✓	✓		✓	Quarterly review. Recommendations are made to the Committee, via LPB minutes. Redesign register on publication of code of practice
Fund update & comments on minutes of the Pension Fund Committee	80a	Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.	✓	✓	✓	✓		✓	Amongst other purposes Members should use the minutes to identify risks which can be added to the register
Review Governance Compliance Statement	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						✓	4 year plan last approved on 30/03/2021.
Review Fund Training Programme	80i	Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.				✓			Complete 4 year training plan last approved on 16/12/2021. Annual reviews undertaken in Q4 each year.
Review all Fund Declarations of Interest	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.			✓				2 year plan last approved on 12/12/2020. Annual reviews should be undertaken by Democratic Services in each Q4
tPR Code of Practice 14/record keeping compliance survey results	80b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.	✓					✓	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 Scheme of sub-Delegations and internal controls. This should consider the Fund's internal escalation strategy	80b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.						✓	3 year plan last raised with the Board on 17/02/2022. To review again in the 2022/23 to include changes arising from the new Single Code of Practice and SAB Good Governance Review.
Scheme Legal, Regulatory & Fund update	n/a	A summary for Board members the latest legal, regulatory and Fund issues affecting the Pension Fund	✓	✓	✓	✓		✓	Quarterly update by the Head of Pensions

Review service providers, both internal & external. Include advisor appointments, processes, controls & SLAs	81b	Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.			✓				Committee requested Board annually review advisors & services providers. Plus the Procurement framework by which it is done
Monitor Internal Audit Report	81d	Monitor internal and external audit reports		✓		✓			Audit recommendations actioned
Monitor External Audit Report	81d	Monitor internal and external audit reports		✓		✓			Audit recommendations actioned
Input to Annual External Audit Plan	n/a	Recommend to Committee the audit scope & timetable to be commissioned in the next Scheme year			✓				Committee to liaise with the Audit Committee concerning the scope of Council's AR&A's audit
Input to Annual Internal Audit Plan	n/a	Recommend to Committee the audit scope & timetable to be commissioned in the next Scheme year			✓				Committee to liaise with the Audit Committee concerning the scope of SWAP's audit
GOVERNANCE - Fund Plans, policies & strategies									Comments
Review Business Plan	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓			3 year plan last approved on 05/04/2022. Interim review due on 23/03/2023
Review Pension Administration Strategy	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.	✓						3 year plan last approved on 17/12/2019
Review Communication strategy	80e	Review scheme members and employers communications as required by the Regulations and Relevant Legislation					Not expected		3 year plan last approved on 16/12/2021. E-communication strategy update and customer service assessment
Review Data Improvement Plan	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						✓	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	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.	✓						2 year plan last approved on 17/12/2019
Review Admin Authority Discretions	80j	Review the complete and proper exercise of employer and administering authority discretions					Not expected		3 year plan last approved in 30/03/2021
Review Cessations policy	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.					Not expected		3 year plan last approved in 17/12/2020
Review Funding Strategy Statement	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓			3 year plan last approved on 17/12/2019. Next Fund Valuation 31/03/2022
Review Compliance with FRC stewardship code	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.					Not expected		Last approved on 05/04/2022. Annually - Consider TCFD requirements as part of the process

Review Investment Strategy Statement	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.				✓			3 year plan last approved on 25/11/2021 (Ensure inclusion of MiFID II arrangements)
Review Fund "Responsible Investment Strategy"	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.			✓				To be reviewed in conjunction with the Investment Strategy Statement. To cover Climate Change Statement. To also cover topical changes on policy relating to BPP & ESG
Review the Fund's Annual Report & Accounts	80l	Review draft accounts and Fund annual Report		✓					To ensure CIPFA compliance requirements have been applied
Review Internal Audit Reports	80k	Review the outcome of internal and external audit reports		✓		✓			Three Reports in 2022/23 - Report 1: Brunel Cost Savings, Report 2: Key Financial Controls, Report 3: Payroll Reconciliation.
Review External Audit Report	80k	Review the outcome of internal and external audit reports		✓	✓				Three Reports in 2022/23 - Report 1: AR&A's - Published by 1st December, Report 2: Cyber Security, Report 3: Good Governance Review. Recommendations to feed into the commissioning of the 2023/24 audit plan
Employer Admissions Policy	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.					Not expected		3 year plan last approved in 16/07/2020
Staff & Employer Training Policy	80d	Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.						✓	Both every 3 years. Staff plan last approved in 14/11/2019 & Employer plan last approved in 06/08/2020
ADMINISTRATION									Comments
Review Fund fraud risk prevention and mitigation measures	80b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.						✓	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	80b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.		✓					Also cover Cyber Security reporting on an annual basis. Cyber security last reviewed 16/12/2021
Payroll migration, i-Connect & Members Self-service update	80b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.		✓					Present as part of a Fund digital platform update. Progress report on take up and functional developments
Receive an annual report of an complaint & IDPR cases, including a review of the Fund's procedures	80f, 80g & 80h	Monitor complaints and performance on the administration and governance of the scheme & review the Internal Dispute Resolution Process & Pensions Ombudsman cases	✓					✓	Covered in Low Volume Performance Report.

Review of Data Security & Business Recovery	80b	Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.			✓			✓	Report set out the arrangements in place & when they were last tested. BCP last reviewed 26/03/2020. Sept. 21 Interim GDPR document updates 18/08/2022
Review GMP Rectification	81a	Monitor performance of administration, governance and investments against key performance targets and indicators		✓		✓			Regular update concerning SAP & Altair database reconciliation. To consider migration to new payroll system.
Board KPIs to monitor	81a	Monitor performance of administration, governance and investments against key performance targets and indicators	✓	✓	✓	✓		✓	Quarterly Administration performance reporting. Including outsourced backlog KPIs
Benchmark KPIs in Annual Report & Accounts information with other Funds	80f	Monitor complaints and performance on the administration and governance of the scheme				✓			Annual Report & Accounts must be disclosed each 1st December
Review of Annual Benefit Statement process	81a	Monitor performance of administration, governance and investments against key performance targets and indicators			✓				Percentage issued, action plan to issue outstanding ABSs & process improvement review
Review employers compliance (data)	80c	Review the compliance of scheme employers with their duties under the Regulations and Relevant Legislation			✓				Ideally incorporate with ABS review process & update on Fund's Data Improvement Plan. Establish Report Cards

FUNDING & INVESTMENTS									Comments
Review Triennial Valuation Process	n/a	Consider how the whole valuation exercise was executed & what recommendations may be made to improve the process next time				✓			Next valuation currently due 31/03/2022
Review Triennial Valuation Results	81f	Review the outcome of actuarial reporting and valuations				✓			Verify that the FSS, ISS & Valuation results are consistent
Brunel Governance review	81g	Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.	✓			✓			To receive an annual update on Brunel governance and operational issues
Pension Fund budget outturn	81c	Monitor investment costs including custodian and transaction costs.		✓				✓	To receive a monitoring update on the Fund's actual expenditure against its budget for the previous Scheme Year
Treasury Management Strategy	81c	Monitor investment costs including custodian and transaction costs.						✓	Annual review, including cashflow forecasting and preferred bank account maintenance (Last reviewed 05/04/2022)
Cost transparency of BPP, Managers & the Custodian	81c	Monitor investment costs including custodian and transaction costs.		✓					To be presented in conjunction final Annual Report & Accounts
Review Investment performance against Fund's benchmarking criteria	81a	Monitor performance of administration, governance and investments against key performance targets and indicators				✓			To be presented in conjunction final Annual Report & Accounts

Total number of Agenda Items:	14	17	16	26		20
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