

LOCAL PENSION BOARD

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 22 OCTOBER 2015 AT NORTH WILTSHIRE ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Kirsty Cole, Lynda Croft, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

David Anthony, Catherine Dix, Ian Colvin

17 **Membership**

Kirsty Cole explained that she would be resigning her position from the Local Pension Board as she did not have the capacity to dedicate sufficient commitment to the role.

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

Ian Colvin, Head of Benefit Consultancy Hymans Robertson, was in attendance as an advisor. Catherine Dix, Strategic Pension Manager, attended as an observer.

19 **Apologies**

Apologies for absence were received from Cllr Christopher Newbury (Pension Board member), Cllr Dick Tonge (Observer) and Michael Hudson (Treasurer to the Pension Fund).

20 **Minutes**

Members considered that an action tracker would be useful to attach to the minutes of each meeting.

Resolved:

To confirm as a true and correct record the minutes of the meeting held on 16 July 2015.

21 **Declarations of Interest**

There were no declarations of interest.

22 **Chairman's Announcements**

There were no Chairman's Announcements.

23 **Public Participation and Councillors Questions**

There was no public participation.

24 **Amendments to the Terms of Reference**

Libby Beale, Senior Democratic Services Officer, presented amendments to the Board's Terms of Reference that had been recommended by officers. One proposed amendment served to clarify that decisions put to the vote would be won by a simple majority. A further amendment was for meeting agendas to be published 5 days in advance of the meeting, reduced from 7 days, to assist officers in preparing reports. If agreed by the Board, the amendments would be made by the Associate Director for Finance.

Resolved:

To endorse the amendments to paragraphs 47c and 67 of the Terms of Reference to read:

Para 47c 'The chair of the Board....Shall seek to reach consensus and ensure that decisions are properly put to a vote, won by a simple majority, when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.'

Para 67 'The agenda and supporting papers will be issued at least 5 working days in advance of the meeting except in the case of matters of urgency'

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

David Anthony, Head of Pensions, updated on consultations published since the last meeting of the Board.

In July 2015 the Government had announced its intention to pool the assets of Local Government Pension Scheme (LGPS) funds, it had also been suggested that more asset investment should be made in new, UK infrastructure. Guidance on pooling was expected to be issued shortly, however the Local Government Association had asked funds to begin assessing options available to them, the pools of collective investments were expected to be £25-30bln in

size. The Wiltshire Pension Fund was in dialogue with other Funds in the South West to explore the potential for a South West Collective Investment Vehicle, this pooling could involve a range of options from a Collective Investment Vehicle (CIV) to a joint committee approach, but strategic asset allocations would remain with each local fund. A South West Collective Investment Vehicle currently would total £20bln.

The Board raised questions as to whether funds could buy out Private Finance Initiative (PFI) contracts, the officer advised that the Government had not yet commented on this but PFIs would be attractive to Funds due to low development risks. It was commented that the Funds in the Collective Investment Vehicle could potentially buy and sell liquidity between them.

An update was also given on the Government consultation on the Public Sector Exit Cap. It was confirmed that the Fund had responded with a number of concerns, namely that pension straining costs were included in the cap and this could adversely impact upon long-serving low earners in the Fund. The Government had responded to feedback but would continue to include straining costs. The changes were anticipated to come into force in April 2016 and would necessitate changes to Local Government Pension Scheme (LGPS) regulations. Following questions from members, it was verified that approximately 10% of those with pension straining costs were expected to be affected; Full Council could exempt the penalties but this would be on a case by case basis and the expectation was that this would be seldom used. It was commented that other funds were not funded and so not susceptible to straining costs. The Board agreed that the effect of the cap on the Fund's valuation and on employers and members should be reviewed and communicated as soon as possible.

The Board heard that HMRC had launched a consultation on strengthening incentives to save; officers supporting the Fund and advisors from Hymans Robertson were concerned that taxing pension contributions would deter people from contributing. The Board was updated on the Annual Benefit Statement exercise for 2015 which had been the first with the LGPS care scheme in place. It had proved challenging to get details from employers since they now had to provide two figures for year end pay, data from some employers was missing and they had been written to and warned that lateness would need to be reported to the Regulator in future. Due to new statutory requirements, these statements now had to be sent by the end of August instead of November. Although the print extract had been completed prior to the deadline, circulation had been a few days late due to printing problems, however officers did not consider this a material breach, therefore would not report it to the Pensions Regulator (tPR). It was agreed that officers should endeavour to reduce the timescale for sending statements to the printer to mid- August.

Resolved:

To note the updates.

To recommend to the Wiltshire Pension Fund that full consideration is given to the legal duties of the Fund and the administration of assets arising from pooling assets in a Collective Investment Vehicle.

To recommend to the Wiltshire Pension Fund that changes arising from the public sector exit cap be communicated to employers and members and that the impact of changes on the Funds valuation be considered.

To recommend to the Wiltshire Pension Fund that plans are put in place with employers and printers to ensure all Annual Benefit Statements are issued by the 31st August 2016.

26 Review of Pension Fund Annual Report and Financial Statements

The Board received the Pension Fund Annual Report for 2014/15, including its Financial Statements approved by the Pension Fund Committee for review. The Chairman suggested that updates on governance be brought forward in future Annual Reports, a 5 year timeline to illustrate performance be included and any breaches reported to the Regulator also to be included. The Board would produce its own annual report which would be available on the Pension Board part of the fund's website.

Resolved:

To note the Pension Fund Annual Report for 2014/15.

To recommend that future Annual Reports contain details of governance earlier in the report, a five-year timeline for performance, and details of breaches reported to the regulator.

27 Review of External Audit Report

A report presented the KPMG External Audit report for review; officers advised that since there were no actions arising from the report a separate report to that of the administering authority was not required. The Board thanked the Pensions team for their hard work.

Following questions, members heard that auditors were appointed by Council and following a partner rotation and suggested that clarification of the audit appointment process be sought and a review be undertaken if necessary. It was confirmed that the auditors had reviewed and signed off the Fund's Annual Report. The Chairman requested that in future, the Board be able to scrutinise the Annual Report and Accounts and the external auditors report before the publication of the Annual Report.

Resolved:

To note the External Audit Report from KPMG.

That the Head of Pensions confirm to the Board the process for appointing external auditors.

To request that the 2015/16 Annual Report, Accounts and the external auditor report are reviewed by the Board prior to external publication.

28 Update on the Internal Audit Report

A report presented the latest position in regards to the agreed action plan within the SWAP Internal Audit report. It was explained that all of the actions had been completed with the exception of 1.7a Workflow Procedures and 2.1a GMP Procedures, and 3.6a Performance Management. These actions had been delayed due to staff vacancies in the posts of Technical and Compliance Manager and Fund Development Manager. The positions had recently been filled and the actions would be completed by the end of the year. As with the external auditors, the internal auditors had been appointed by Council.

Resolved:

To note the updated position of the internal audit report and action plan.

29 Review of the Risk Register

David Anthony presented the Fund's Risk Register for note, he explained risks were registered according to impact and significance. Since the last report PEN008 'Failure to comply with LGPS and other regulation' had increased from a low to medium risk. Another notable risk was the vacant post of Employer Relationship Manager.

The Board recommended that the collective pooling of funds and the public sector exit cap be added to the Risk Register. There was concern that there may not be sufficient assets in the South West for a Collective Investment Vehicle and around the extra administrative burdens of establishing a Collective Investment Vehicle and applying the exit cap. Members questioned PEN 004 and it was confirmed that should the Wiltshire Council web system go down, the pensions system could still be accessed remotely. It was agreed that the Board should regularly review the Risk Register and suggested that risks be categorised, in addition to numbered, under strategic headings of 'Regulatory and Governance', 'Funding and Investments', 'Benefits Administration and Communications'.

Resolved:

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

To recommend the adding of the pooling of investments and the public sector exit cap as risks.

To recommend the risks be categorised, under strategic headings of 'Regulatory & Governance', 'Funding & Investments', Benefits Administration & Communications'.

30 Training Items: Conflicts of Interest and Code of Conduct

Hymans Robertson presented a short training session on the reasons for implementing a Conflicts of Interest policy and how conflicts were to be identified and managed. It was highlighted that members would be asked to declare any interests on a Register of Interests and again if relevant items came up at meetings. It was explained that potential conflicts could be managed but real conflicts were not permitted. Members were reminded that perceived conflicts should also be reported to Democratic Services. Examples of conflicts of interest were discussed.

The advisor also presented on a policy for the Fund to respond to breaches of the law. The steps of the breaches policy were explained as: identifying a potential breach, assessing whether there was reasonable cause, the material significance of the breach, reporting it and keeping a record of breaches and actions taken. It was confirmed that breaches would be reported to the Committee and Board. The Pensions Regulator, in the first instance, would work with Funds to establish processes to prevent future breaches; persistent breaches would trigger legally binding courses of action and then fines. Members considered whether in certain situations it may not be appropriate for the Section 151 officer to report breaches, and the whistleblowing policy would refer this to a different appropriate officer, such as the Monitoring Officer.

The Board thanked Ian Colvin for his informative session.

31 Code of Conduct and Conflict of Interest Policy

The Board was presented with a Code of Conduct and Conflict of Interest policy in line with regulations and advice from Hymans. It was confirmed that the Register of Interest for members would be published on the website and conflicts of interest would also be disclosed and published.

Resolved:

To approve the attached Code of Conduct and Conflict of Interest policy guidelines.

32 Breaches Policy

The Board received a draft Breaches policy that the Pension Fund Committee was to consider its next meeting.

It was acknowledged that in the event of a breach, a special meeting of the Board may need to be called to discuss these between scheduled meetings. Comments on the breaches policy included that breaches should be monitored by the Board, and reported in the Fund's annual report and also on the Fund's website. The Head of Pensions would ensure that all members of the Board undertook the Pension Regulator (tPR) training as this was a statutory requirement, and the Board strongly recommended that Pension Fund Committee members also undertake this training. It was suggested that a collective session for both Board and Committee members could be appropriate. There was also discussion as to whether the Monitoring Officer should be the person responsible for the reporting of breaches and not the Section 151 Officer due to the potential for a conflict of interest. Officers felt that this could be managed and that the Board would be monitoring the reporting of breaches

Resolved:

To endorse the draft Breaches Policy and recommend adoption by the Pension Fund Committee subject to the following additional requirements: that breaches be reported to the Board, published in the Fund's annual report and also on the Funds website

That the Pension Fund Committee consider whether the Monitoring Officer should be responsible for the reporting of breaches instead of the Section 151 officer.

That future amendments to the Breaches Policy be reported to the Local Pension Board.

To recommend to the Pension Fund Committee that its members undertake tPR training.

33 Training Plans Update

The Head of Pensions updated on the progress in implementing a training plan for the Local Pension Board; members had already received some training sessions and would continue to receive these on a permanent basis. Training resources were to be collated to construct a handbook and the Pensions Regulator toolkit could also be used. Members had been sent self-assessment forms and were reminded to return these as soon as possible, the Chairman encouraged his colleagues to attend conferences and training sessions externally and record these in their training log. It was noted that training for Local Pension Board members was a legal requirement and officers were

requested to publish training records in the Annual Report. The Chairman invited members to feedback from conferences they had attended as a standing item on the agenda.

Resolved:

To note the update on training plans.

To receive an update at the next meeting on self-assessment forms.

To include members training records in the Annual Report.

34 Local Pension Board Work Plans

The Chairman introduced a proposed work plan for the Local Pension Board which was designed around the Fund's own work plan and the Boards requirements to secure compliance with LGPS regulations and Pension Regulator requirements. Members agreed that the work plan should be reported to the Committee to assist its understanding of the Board's contribution.

It was acknowledged that the work plan was ambitious and that approximately six items of business would need to be considered at each meeting; certain items had been deferred to allow the Board to be sufficiently trained to consider them. It was stressed that the Board could make recommendations to the Committee and also request information and resources; it was commented that the Board would be well-placed to examine operational issues that would not normally go to the main Committee along with governance arrangements. The next meeting would include: training items on tPR code, budget setting, the training programme, inputting into the audit process, the Business Plan and the Funds discretions policy. It was suggested that the work plan also be categorised under topics and the July 2015 meeting be added to track the Board's progress from inception. It was felt that as the work plan developed the Board and the Fund would need to consider PEN 19 on the Risk Register relating to the resource required to support the Board.

Resolved:

To note the report and rational for a forward work plan.

To approve the draft work plan as outlined in the appendix.

To report the work plan to the Pension Fund Committee.

35 How did the Board do?

The Chairman invited the Board to feedback from the meeting. Comments included that the work plan was beginning to follow a structure and the general policy update from the Head of Pensions had been very useful.

36 **Urgent items**

It was confirmed that the profiles of members and their Registers of Interest would be published on the website in advance of the next meeting.

37 **Date of next meeting**

The next regular meeting of the Board was to be held on 14 January 2016.

38 **Exclusion of the Public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in minute number 39 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.

39 **Draft Wiltshire Pension Fund Committee and Investment Sub-Committee Minutes and Key Decisions**

Members considered the minutes of the last meetings of the Wiltshire Pension Fund Committee and Investment Sub Committee. It was commented that the Board's work plan may help to address questions the Committee had about its purpose. The Chairman advised that the Pension Fund Committee should consider different flight path options to ensure it could challenge the advice from the actuary. The Head of Pensions advised that he would provide an overview of the flight paths at the next meeting.

Resolved:

To note the draft minutes of the Wiltshire Pension Fund Committee and Investment Sub Committee meetings.

(Duration of meeting: 10.30 am - 12.55 pm)

The Officer who has produced these minutes is Libby Beale (Senior Democratic Services Officer), of Democratic Services, direct line 01225 718214, e-mail Elizabeth.beale@wiltshire.gov.uk

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

