

LOCAL PENSION BOARD

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 22 AUGUST 2019 AT WEST WILTSHIRE ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

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

Also Present:

Ian Jones, Cllr Tony Deane, Andy Cunningham, Roz Vernon and Becky Hellard

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

Ian Jones, CFO White Horse Federation, joined the meeting as an observer.

46 **Membership**

Elections are underway giving all active members a vote to appoint a new active member candidate following the expiry of David Bowater's term of office. Two candidates are standing for election and the Board would like to thank David for his service. The ballot will close on 30th August and the result will be published following approval of the successful candidate by Full Council.

Mike Pankiewicz and Barry Reed were re-nominated by Unison for another four-year period with effect from 14th July 2019.

47 **Apologies**

Apologies were received from Sarah Holbrook.

48 **Minutes**

Resolved:

The minutes of the Local Pension Board held on 23 May 2019 were approved.

49 **Declarations of Interest**

There were no declarations of interest.

50 **Chairman's Announcements**

The chairman clarified the role of the Board as being a non-decision making body that seeks to support the pension fund in being compliant with legislation and regulations.

51 **Public Participation and Councillors Questions**

There were no members of the public present.

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

Resolved:

The minutes of the Wiltshire Pension Fund Committee held on 18 July 2019 and the Investment Sub Committee held on 5 June 2019 were approved.

53 **Training Item: TPR Breach Reporting refresher**

Officers talked through a set of slides that explored tPR breach reporting. Approximately 75% of breaches reported to the tPR are related to data management with the other main cause of breach relating to systems or process failures. It was noted that Wiltshire has a number of significant work streams in place designed to improve quality of data management and that highlighting a breach grants the Fund an opportunity to learn and improve its systems. Not all breaches are reported to tPR, unless they are material and officers highlighted examples of material breaches that members should be alert too.

On review of the Fund's breaches log maintained by officers the subsequent debate addressed how data management processes flag up single and repeated errors, how those errors are escalated and how they are assessed as indicators of the instability of the stakeholder concerned. The links between breach reporting and KPIs was made and the need to understand repeated under-performance of stakeholders was emphasised as errors can arise from change in, for example a payroll provider, as opposed to indicating financial instability.

A wider discussion followed on the requirements for board members to undertake specific training and the Amber risk status used to describe current sub-optimal compliance in this regard.

Resolved:

Officers would continue to raise TPR breaches with the Board on an exception's basis only

All members agreed that completion of tPR's on-line pension training toolkit should constitute a minimum training requirement and were a member had not completed that training it should be completed within 6 months of their appointment.

54 **Internal Audit Report**

Officers talked through a paper summarising the outcome of the Internal Audit report on the Fund's tPR Code of Practice 14 requirements and the SWAP (South West Audit Partnership) report auditing the process by which officers self-assess themselves against the guidance.

An overall improvement in the Fund's compliance was noted with the number of areas in which standards could be improved reducing from 16 in 2018 to 10 in 2019. Within the 10 existing areas for improvement three new areas were identified namely; the Board membership conforming to legal requirements, member training and an understanding of breach reporting. In addition, SWAP recommended sample testing of submissions from managers to establish greater confidence in those submissions.

The debate that followed addressed the value of an audit in the absence of the sample testing of submissions, how pension audit requirements should link to those of the wider authority, the parameters within which the Audit Committee can prioritise demands upon SWAP and clarification that pension's do pay for their own audits. There was also a discussion of how i-Connect will improve data management.

Resolved:

The Board noted the report agreeing to the action plan suggested by officers in addressing the areas of non-compliance within the timeframes indicated.

The Board requested that officers sample tested responses received from managers during further self-assessments

The Board noted that the commissioning of an annual Fund audit plan should be undertaken at an oversight level and that the Fund should seek to work with the Audit Committee to timetable the audit cycle.

55 **tPR Report**

Officers introduced a report published by tPR following the results of the 4th Public Service Governance and Administration survey 2018. It was noted that officers had reviewed the finding of the report against the current working practices of the Fund and highlighted a number of areas where improvements could be made to the Fund's operating arrangements, notably two areas in relation to, cyber-security and data quality. Cyber-security could be monitored by requesting security reports from the Fund's two key software providers and

data quality could be improved by receiving greater clarity on the definitions of data quality from third party organisations such as SAB.

It was noted that tPR will seek to formulate its regulatory approach on the findings of their report and the Chair noted that Wiltshire's performance on compliance was strong.

Resolved:

The Board supported the officers recommendations outlined in their report notably addressing cyber-security through reporting from providers and data quality by seeking clarity on data definitions.

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

Officers talked through the scheme legal and regulatory update report highlighting exit payments, code of practice, fair deal and McCloud case.

The Chair noted the Scheme Advisory Board's (SAB) recent focus on Responsible Investment and asked the Board to note the desire to establish a consistent approach across the LGPS family.

Officers updated the Board on the Member Self-Service mailshot, that this providing online self-service for active members rather than retired members and that the target date of 31 August was achievable.

Resolved:

The Board noted the report.

57 **Risk Register update**

Officers outlined the changes to Risk Register designed to make it more dynamic, evidence-based and granular.

The debate that followed noted and welcomed the significant progress in risk management that the updated register demonstrated. The debate addressed; the value of the register to members and officers as an oversight and management tool, the linkage of the risk register to project management and how changes made to risk assessment can be documented to make that assessment more transparent.

In concluding the report to the Board supporting the changes to the risk register officers drew the Board's attention to a number of key factors concerning the future management of the register. Namely that on a quarterly basis;

- New risks would be presented to the Committee and the Board;
- Ceased or dormant risks would be removed from the register submitted to the Committee and Board, however they would continue to be

monitored by officers and only represented in the event of a change in a risk's risk rating;

- That for a risk to be placed in the cessation or dormant category of the register, going forward a reason for that categorisation should be approved by the Committee;
- That all red rated risks would continue to be submitted to each quarterly meeting;
- That where risks had changed or been re-categorised during the last quarter would they be highlighted to members to demonstrate the risk's direction of travel; and
- That a full report of all the Fund's risks would continue to be published in key Fund documents.

It was noted that the implementation of these measures would help to make the risk register a more manageable document.

Mike Pankiewicz challenged the risk rating of PEN041 concerning the Fund's approach to Climate change, based on the heightened level of scrutiny this subject was currently receiving. It was agreed that officers would alter the rating of this risk to an amber status until appropriate mitigations had been set by the Committee.

The Chair congratulated the team on developing a live, working tool to manage Risk.

Resolved:

The updated risk register was noted and endorsed by the Board.

The Board agreed that officers would maintain the risk register based on the criteria determined above.

Officers would alter the risk rating on risk PEN041.

58 **Administration Key Performance Indicators**

Officers talked through the KPI tables updating the Board on performance, priorities and resources being used to manage performance over the longer term.

The debate clarified the value of the IT solutions being implemented and how mortality data is used to ensure accuracy of payments.

The Chair was assured by Officers that the Administration Strategy Review was on-going and would be brought to Board in the Autumn and that it would be implemented by the next financial year.

Resolved:

The Board noted the report.

Officers to submit the Fund's revised Pension Administration Strategy document for review at the Board's November meeting.

59 **LPB SAB Survey II**

Officers shared the draft survey responses with the Board which had been prepared by officers and the Chair. The Board expressed its approval of the responses.

Resolved:

The Board noted the report.

The Chair agreed to submit the prepared responses to SAB on issuance of the formal survey.

60 **Accounts, annual report & external audit update**

Officers advised the Board that delays to Wiltshire Council's audit have had knock-on delays upon the pensions funds accounts and audit as these audits share an ISO Certificate. The Board was advised that the annual report and accounts of the pension fund had been published.

Resolved:

The Board noted the delay and the publication of the Annual Report.

61 **Good Governance Report**

Officers introduced the Good Governance Report which had been commissioned by SAB and published by Hyman Robertson in July 2019. The purpose of the good governance review was to examine the effectiveness of the current LGPS governance models and consider alternatives or enhancements which could strengthen LGPS governance going forward.

In conducting their review four governance models were used to determine a qualitative recognition of governance within the LGPS structure, namely improved practice, greater ringfencing, joint Committee and a separate Local Authority. The results of the review indicated that more than 70% of respondents preferred the improved practice and greater ringfencing models recognising that the operations of many Fund's tended to gravitate towards that style of management and that there continued to be distinct advantages to be part of an existing Local Authority structure.

It was noted that the Hyman's report concluded that a one size fits all solution would not be suitable in this situation and that the report generally was considered to be a fair assessment of the current LGPS governance arrangements.

The Chair emphasised the importance of the report and drew the Board's attention to four key recommendations made by Hymans with their report that will require Officer and Member inputs, work and reporting. The four key recommendations being;

- To develop an outcome-based approach;
- To identify the critical features of an outcome-based model;
- To establish enhanced training requirements; and
- To update relevant guidance and better signposting.

Anticipated guidance on the role of Section 151 Officer was also highlighted.

Resolved:

The Board noted the report.

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

The Chair clarified the role of the Board as being that of a non-decision making body that seeks to ensure compliance.

The relationship of Board and Committee was raised and the lead on taking this work and the revision of the terms of reference for both Board and Committee was identified as Andy Cunningham.

Resolved:

That Officers would take forward the revision of Terms of Reference and enhance the relationship of Committee and the Board.

63 **How did the Board do?**

The Chair invited comment and feedback from the Board and that feedback was summarised as being about good papers, good responses to questions making for a good meeting.

64 **Urgent items**

A discussion of the Board's legal insurance and its fees took place.

65 **Date of next meeting**

The next Board meeting was to be held on 14 November 2019.

66 **Exclusion of the Public**

There were no members of the public present.

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

Resolved:

The part 2 minutes of the Wiltshire Pension Fund Committee and Investment Sub-Committee were noted.

68 **Minutes**

Resolved:

The part 2 minutes of Local Pension Board were approved.

(Duration of meeting: 10:30 – 12:35)

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

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