

AGENDA SUPPLEMENT (1)

Meeting: Wiltshire Pension Fund Committee

Place: Council Chamber - County Hall, Bythesea Road, Trowbridge, BA14 8JN

Date: Thursday 3 March 2022

Time: 10.00 am

The Agenda for the above meeting was published on 23 February 2022. Additional documents are now available and are attached to this Agenda Supplement.

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2 **Minutes of the Previous Meeting** *(Pages 3 - 14)*

DATE OF PUBLICATION: 2 March 2022

Minutes of the Previous Meeting of the
Local Pension Board

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Local Pension Board

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 17 FEBRUARY 2022 AT VIEW THE ONLINE MEETING HERE.

Present:

Mark Spilsbury (Chairman), Paul Smith (Vice-Chairman), Marlene Corbey, Laura Fisher, Rod Lauder and Mike Pankiewicz

Also Present:

Cllr Richard Britton, Cllr Elizabeth Threlfall, Jennifer Devine, Christopher Moore, Richard Bullen, Andy Cunningham, Kieran Elliott and Cllr Steve Heyes

74 Membership

It was noted that there were two impending changes to the membership of the Local Pension Board; firstly, the requirement to elect a Vice-Chair for the forthcoming year, and secondly, Rod Lauder's upcoming departure from the Local Pension Board.

The Chairman thanked Rod Lauder for his input and dedication throughout his time on the Board and wished him well for the future. Richard Bullen, Fund Governance and Performance Manager, explained the process for recruiting a new member to the Board.

Resolved

The Board elected Marlene Corbey as the Vice-Chair of the Local Pension Board for the forthcoming year, 2022-23.

The Board agreed to allow officers to work with the Chairman to finalise the recruitment process for a new Board member.

75 Apologies

Apologies were received from Ian Jones.

76 Minutes

The Part I (public) minutes of the previous meeting held on 11 November 2021 were considered.

Richard Bullen, Fund Governance and Performance Manager, noted that all of the actions arising from the Board's action log would be considered in later

Agenda Items. The Board's insurance was then raised, and it was noted that the Board was insured until 31 March 2022. Officers would liaise with Aon concerning the Board 2022-23 insurance policy, likely to be aligned with other Pension Boards across the country.

Resolved

The Board approved and signed the Part I (public) minutes of the previous meeting held on 11 November 2021 as a true and correct record, and the Board's action log was noted.

The Board noted that officers would liaise with Aon over the Board 2022-23 insurance cover.

77 **Declarations of Interest**

There were no declarations of interest.

78 **Chairman's Announcements**

There were no Chairman's announcements.

79 **Public Participation**

There were no statements or questions from the public or Councillors.

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

The Part I (public) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee held on 25 November 2021 and 16 December 2021 were considered. Following which, it was:

Resolved

The Board noted the Part I (public) minutes from the last ordinary meetings of the Wiltshire Pension Fund Committee held on 25 November 2021 and 16 December 2021.

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

Andy Cunningham, Head of Pension Administration and Relations, updated the Board on the various Scheme, Legal, Regulatory and Fund updates.

Reference was made to the Triennial Valuation, and it was confirmed that officers had liaised with the actuary with regard to the plan for 2022 and that the next steps would be for officers to present a report to the Wiltshire Pension Fund Committee (WPFC) at their next ordinary meeting which would look to approve some of the approaches to risk relating to key assumptions. It was highlighted that the final results would be received in October 2022 but that key decisions had to be taken early in order to agree assumptions, methodology

and approach. Officers noted that the valuation was important as it aids in the determination of contribution rates applied from April 2023.

The Chairman asked that all updates brought to the WPFC were also brought to the Board to which officers agreed.

Richard Bullen, Fund Governance and Performance Manager, provided a brief update on cyber risk and MiFID II and confirmed that a cyber security assessment quote had been received from Aon which was within the budget cap permitted. The Chairman of the WPFC and the s151 officer were being consulted concerning the scope of the audit/internal review. The Board reaffirmed the importance of the cyber security assessment and indicated that the scope outlined should be more extensive. This view was supported by the Chair of the WPFC who was in attendance. Additionally, the Board were made aware that there were three outstanding member self-certifications and although it was not a legal requirement, it was considered best practice.

Resolved

The Board noted the report.

82 **Training Update**

Richard Bullen, Fund Governance and Performance Manager, updated the Board.

Members were encouraged to contact officers with regard to any additional training so that their training logs could be updated. Furthermore, officers highlighted the Hymans-Robertson online training tool available to members and noted that reports had been received to say that activity had been quiet. It was further noted that three Committee members were still to complete the mandatory tPR training (the Pensions Regulator).

Reference was made to Pages 41 – 52 of the Agenda Pack which contained training on breaches of law. It was noted that on receipt of the new tPR Single Code of Practice, officers would review changes to the Fund's breach policy. The policy had not been updated since 2015, although it was reviewed in 2018. Officers explained what a breach was and what constituted a breach, who was responsible and the steps to follow if one occurred. Officers then went on to explain each step in more detail with examples, as shown in the slides, and reiterated that if members were ever unsure, they should seek advice from an officer. It was highlighted that officers were looking to make a change to review the policy on a three-year basis but that breaches should be reported annually, thus fostering an atmosphere of transparency and openness in the Fund's operations. Strong record keeping would also aid in the event that a 'Red' breach needed to be reported to tPR as all of the necessary information would be easily accessible.

In response to a question, officers clarified that there had one been one 'Red' breach last year but that the breach itself had not been materially significant

enough to escalate further, and members were reassured that there were none at the time of the meeting. It was noted that the breach in question had only been recorded as 'Red' because of the existing, inflexible Fund policy wording and not because it fulfilled the wider tPR interpretation of a reportable breach.

The Chairman noted all of the above and requested that the three members who were still to complete the mandatory training were sent a reminder and the appropriate Chairman notified if a response was not received.

Resolved

The Board noted the update.

The Board recommended that the Fund's breach policy was reviewed every three years.

The Board requested that officers send a reminder to Members who had not completed their mandatory training.

83 **Business Plan 2022-25**

Jennifer Devine, Head of Wiltshire Pension Fund, gave a brief verbal update and explained that historically, a draft would have been brought to the Board but with the recent leadership structure changes, officers wanted to further understand any issues and where more resources were needed. A review was currently being carried out by Aon into the resourcing and performance of the administration function, to help determine where the key issues were, and where more resourcing might be needed to support the Fund in delivering a top quality service. Once the Aon review had been completed then it was noted that these results would help inform actions for the Business Plan and Budget from next year. It was again confirmed that any potential actions would be discussed with the Board after the WPFCA.

84 **LPB Budget 2022-23**

Chris Moore, Pension Fund Accounting and Investments Officer, presented the report and highlighted the forecast for the end of the year which was calculating an underspend.

A question was asked as to the forecasted cut to the consultancy budget, and it was explained that this was because there were no specific works set forward by the Board. Additionally, with regard to the insurance cover it was highlighted that the premium could be significantly higher and as such, it was noted that there should be a contingency in place.

With regard to the training budget, it was asked if there were any proposal to have future training opportunities circulated to members, to which officers agreed to see what was available but also highlighted the Hymans-Robertson online training tool which could be further utilised by members.

The Chairman noted the need for further discussions regarding the Board insurance and expressed eagerness for the results of the Aon review which would aid the decision.

Resolved

The Board agreed the draft Local Pension Budget and recommended to the Pension Fund Committee that this is included in the Fund's Administration budget for 2022-23.

The Board agreed to monitor their budget on a quarterly basis. The Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Pension Fund Committee.

85 **Key Financial Controls**

Chris Moore, Pension Fund Accounting and Investments Officer, presented the report to members.

It was explained that the report had evolved to include a summary dashboard which would be reviewed monthly alongside new graphs and tables for reporting cash flows and forecasting which looked at historic data to aid monitoring. Attention was then drawn to Paragraph 18, and it was noted that officers were following up with the one outstanding employer. The WPF Annual Reports and Accounts for financial year ending 2020 was then highlighted and it was noted that these were being brought forward to the Audit and Governance Committee alongside the Council Accounts in due course for formal sign off and once this had been completed then the Accounts for year ending 2021 could be brought together with the Accounts for year ending 2022.

With regard to the late contribution payments, it was clarified that there was no penalty as officers prioritised fostering relationships with employers to encourage best practice, however it was highlighted that a charge for additional administration could be incurred.

The Chairman raised Paragraph 5 of the report and expressed disappointment in the delays. Officers confirmed that the delay in the 2020-21 Accounts sign off would be added onto the Breach Log and Members agreed that it should be recorded at an 'Amber' rating. Furthermore, the Chairman noted that he felt the matter of cyber security should be taken forward urgently and that independent assurance should be sought on the technical and complex issue of accurate cyber security arrangements. Officers shared the Chairman's concern and, alongside other members, noted that stronger communication between Fund officers and the Council's ICT department was needed. Officers additionally noted that they would approach Aon and request to change the scope of the review to a more technical perspective.

Resolved

The Board noted the progress made against resolving the issues identified within the report, and the progress made to develop accounting and control improvements.

The Board proposed that the Terms of Reference for the Cyber Security Review be finalised as soon as possible and should include a technical examination from an independent IT consultant who should review the information provided to date by the two key providers, together with further discussion with other providers as required, in order to give an independent opinion of the adequacy of the current cyber security arrangements.

86 **Key Performance Indicators (KPIs)**

Andy Cunningham, Head of Pension Administration and Relations, introduced the report presenting the Fund's administration KPIs.

Officers explained that they were trialling a reporting system called 'Insights' which they were likely to purchase as it aided in producing data in a quicker way which would make it easier to embed and therefore have a positive impact on the KPIs as it would provide more real time information.

Page 67 of the Agenda Pack was referred to and the two figures that were not close to 100% were highlighted. It was noted that the 'Transfers Out' figure was lower as Fund members could access the relevant information themselves, hence it was less of a priority for officers to rectify. Regarding the other figure, 'Joiners', was cited as being an ongoing technical issue as officers continued trying to collate the different ways in which starters were set up but it was confirmed that this was close to being solved and as such, the figure would soon rise. The continued backlogs were then raised, and officers noted that they were slowly coming down and that resourcing third party administration to clear the aggregation cases was being considered. Officers acknowledged the expense that would come with it but reinforced that they believed it was the best method going forward. It was emphasised that as they were not the only Fund to encounter this problem, there were a number of organisations in the market that could provide the specific support needed. Jennifer Devine, Head of Wiltshire Pension Fund, noted that this was being examined within the Business Plan as at the current rate it was being reduced by could take up to 9 years to clear. It was cited that the potential cost of outsourcing could be anywhere up to £300k but that officers were waiting for further guidance from Aon.

In response to a question, officers clarified that the figure thresholds for Page 67 were set out in the disclosure legislation but that the template was one adopted from CIPFA as it was required for the Annual Reports and Accounts. However, it was noted that the legislation was becoming harder to interpret due to them being written before the digital age.

i-Connect was raised by the Chairman who sought clarification on when officers were expecting Swindon Borough Council (SBC) to be onboarded. Officers explained that they were struggling to engage with SBC in order to retrieve the information as to when they changed payroll systems; this change has meant that officers have had to in effect, restart the process. A timeline of 3-4 months was estimated but it was reiterated that this was dependant on SBC's cooperation. The Vice-Chairman, Paul Smith, highlighted his role in SBC and stated that he would be happy to help improve communication flows.

Resolved

The Board noted the current situation and the Fund's plans for improvement.

87 **Pensioner Payroll Database Reconciliation**

Andy Cunningham, Head of Pension Administration and Relations, updated the Board on the progress of the project.

A change to the layout of Paragraph 3 was highlighted and it was explained that a table was included to ease monitoring and to reflect the scope expansion to include all dependants. It was confirmed that a lot of resource was being used on the project but due to the complexity of the project progress was slow.

In response to a question with regard to procedure, officers explained that each person was being written to as their case was being reviewed as each letter was bespoke and specific to that person's circumstances and as such, if a person had any questions, then they should first make contact with the officer who had sent them their letter.

The Chairman made reference to the £8.25m provision that had been made in the 2021 accounts and asked for an update. Jennifer Devine, Head of Wiltshire Pension Fund, confirmed that officers had taken a prudent view and had calculated that figure by assuming that all cases needed to be rectified, however it was confirmed that officers now expected the final figure to be much lower but again could not provide an exact figure due to the number of cases still outstanding.

Resolved

The Board noted the update.

88 **Investment Governance**

Jennifer Devine, Head of Wiltshire Pension Fund, introduced the report and provided updates to the Board.

It was noted that many of the areas in which the Fund were moving forward with were not legally required but were instead considered best practice such as: setting objectives with the Fund's investment advisers that would be the basis of

their annual reviews and signing up to the Stewardship Code 2020. Additionally, with regard to Levelling Up it was noted that a strategic allocation of 5% had been made to affordable housing.

Reference was also made to an online magazine version of the full Stewardship Code 2020 report that officers were intending to create to provide further accessibility to lay people. It was explained that the main report would be approximately 50 pages long and as such, the magazine would be approximately 15 pages which would include case studies, pictures, charts and so forth to further connect with members. It was noted that engagement on the magazine would be monitored which would help to inform similar ideas in the future.

Resolved

The Board agreed to:

- a) Use the paper as a basis to monitor progress made and actions taken towards various investment governance issues.**
- b) Review and endorse the process for approval of 2020 Stewardship Code reporting, and the Treasury Management Strategy**
- c) Note the information provided on Levelling Up.**

89 Scheme of Sub-Delegation

Richard Bullen, Fund Governance and Performance Manager, updated the Board on the changes to the Scheme of Sub-Delegation.

It was explained that the review was conducted every three years and as such, was last reviewed in 2018. Although it was a Wiltshire Council and not a Wiltshire Pension Fund document, officers were asking the Board to look at the content of the document. Officers noted that they were looking to work with Wiltshire Council to make changes to the main document and guidance to delegations in order to bring it in line with current governance practice.

In response to a question, it was clarified that following the last member effectiveness review in 2018, the Council's constitution had been looked at more generally and lots of changes were made, in particular, rewriting the Terms of Reference for the WPFC and synchronising these with the Board's Terms of Reference. The recent developments with regard to the decommissioning of the Investment Sub-Committee, leadership structure changes, and the relationship between Wiltshire Council and Swindon Borough Council membership also needed to be addressed.

The Chairman requested that a change be made to Appendix 1 to make clear the advisory nature of the Board. He also raised concerns that many of the

items were noted under the Board and not the WPFC. Officers agreed and noted that it was a presentational issue that could be rectified, and clarity could be added to show the difference between the Board and WPFC's roles.

Resolved

- 1) The Board noted officer conclusions and proposed that changes be made to the structure of delegations and controls to incorporate changes arising, namely officer titles and recommendations arising from the anticipated Good Governance Review and Single Code of Practice. Furthermore, the Board gave consideration to the breakdown of responsibilities outlined in the "Guidance to Delegations" Appendix 1 and agreed that the changes include:**
 - a) Where required, changes also arising from published guidance, and**
 - b) Ensuring that the governance arrangements of both the Fund and BPP are clearly reflected with each other, as appropriate.**

- 2) The Board requested that the Pension Fund decision making table be amended to make clear the advisory scrutiny role of the Board and the functions where the Board will undertake detailed reviews with oversight from the Committee.**

90 **Risk Register Update**

Richard Bullen, Fund Governance and Performance Manger, updated the Board in relation to the changes made to the Fund's Risk Register.

PEN052 was highlighted and it was clarified that although Covid-19 was still present, all of the processes and procedures for the Fund's operations were in place and as such, the risk had been moved down to green.

The Chairman noted concern regarding PEN60 and PEN30 and the indication that there would be a corporate recharge by Wiltshire Council and questioned what improvements would be included. Jennifer Devine, Head of Wiltshire Pension Fund, confirmed that officers believed that there would be no improvements in 2022 and noted that the issue was raised frequently however, they believed that it was not considered a priority due to stretched resources within the central Wiltshire Council finance team. The Chairman expressed his disappointment and noted that he felt it was essential that the Board and WPFC work together to address the issue.

Resolved

The Board noted the attached Risk Register and recommended the changes/actions made by officers in points 6 – 8 to the Committee.

The Board requested that work is undertaken between corporate finance officers and pensions officers with regard to PEN30 & PEN60, to implement a more transparent recharge system for implementation in the 2023-24 financial year, with regular updates of progress included in all of the Key Financial Controls reports brought to the Board.

91 **Urgent Items**

There were no urgent items.

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

The next ordinary meeting of the Local Pension Board would be held on 5 May 2022.

93 **Exclusion of the Public**

The Board considered the recommendation to exclude the public. After which, 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 Item Numbers 21-22 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in 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.

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

The Part II (private) minutes from the last ordinary meeting of the Wiltshire Pension Fund Committee held on 16 December 2021 was considered. Following which, it was:

Resolved

The Board noted the Part II (private) minutes from the last ordinary meeting of the Wiltshire Pension Fund Committee held on 16 December 2021.

95 **Brunel Governance Review Update**

An update was provided by Jennifer Devine, Head of Wiltshire Pension Fund.

(Duration of meeting: 10.00 - 11.55 am)

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