

LOCAL PENSION BOARD

DRAFT MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 11 OCTOBER 2018 AT KENNET ROOM, COUNTY HALL, TROWBRIDGE, BA14 8JN.

Present:

David Bowater, Sarah Holbrook, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

Cllr Tony Deane, Cllr Gordon King and Cllr Philip Whitehead

51 **Welcome**

The Chairman welcomed those present to the meeting.

52 **Apologies**

Apologies for absence had been received from Cllr Britton.

53 **Minutes**

Resolved:

To confirm the minutes of the meeting held on 12th July 2018.

To note updates on the action tracker and that this document had been reviewed by the Chairman.

54 **Declarations of Interest**

There were no declarations of interest.

55 **Chairman's Announcements**

There were no Chairman's Announcements.

56 **Public Participation and Councillors Questions**

There were no public questions or statements.

57 Minutes and Key Decisions of the Wiltshire Pension Fund Committee

The Board considered the key decisions of the Wiltshire Pension Fund Committee meeting held on 20th September 2018 and noted the Chairman of the Board had an action to review the Annual Report before publication.

Resolved:

To note the key decisions of the Wiltshire Pension Fund Committee.

58 National LGPS Survey Results

The Board was presented with a summary of the results of a national survey by Hymans-Robertson on the confidence of Pension Committee and Boards in fund decision making. The Wiltshire results had just been received and would be digested by officers following the meeting and circulated to Committee and Board members.

Confidence levels were high across the country, in particular in the investments side of decision making. Confidence in administration decision making was lower, but still high. Understanding of Fund Accounting and Auditing had the lowest level of confidence. Officers confirmed they would use Wiltshire's survey responses to develop suitable training. It was noted that for 2019 there would be three new CIPFA guidance documents on fund annual reporting, administration/KPI reporting, and accounting for asset pooling costs/savings. These would assist the preparation of the 2018/19 annual report and audited annual accounts.

Resolved:

To note the LGPS Confidence Assessment results and LPB training needs on new annual reporting, accounting, and auditing requirements.

59 Training Item: Fund Delegations and Controls

A report by the Head of Pensions Administration and Relations concerning the interaction of relevant committees and delegations to officers was presented. It was noted some responsibilities were set out in the Wiltshire Council Constitution, where the role of the Committee, Sub Committee and officers were defined. The s151 officer was then able to further delegate responsibilities to other officers. Officers considered the responsibility for making high level strategic decisions were clear, however the line between officer and committee responsibility on other decisions could vary according to circumstance, therefore a formal record of this would be useful.

The Interim Investment Manager advised the governance framework would be strengthened as a result of more decision making being done within Brunel

since the company was FCA regulated. The Board considered possible duplication between decisions at both Board at Committee, and the Chairman confirmed the Board's role was to review the Administering Authority policies and decisions rather than to make them. An update on the appointment of a permanent S151 officer was provided.

Resolved:

To request the development of a formal record of Brunel, Committee and officer delegations in respect of:

- a) clarifying where different responsibilities should sit;**
- b) the flow of communications between the various parties; and**
- c) the level of decision making assigned to each party**

60 External Audit report

The Interim Investment Manager updated on the external audit exercise and explained the auditor had been happy with the accounts. It was explained the end of year accounts for 2017-18 had been challenging due to moving custodian and having data on two systems. For 2018/19 the accounts were also expected to be challenging due to the Fund having new auditors, and there also being new accounting requirements.

Following questions, it was confirmed Brunel was to be audited separately and the Fund would work with Brunel to ensure all elements of the Fund's accounts were covered as its assets moved over into the pool. The Board considered anything it would like to be factored in to the internal audit and the Chairman requested it be checked that the Fund had met previous internal audit recommendations.

Resolved:

To note the attached Final Audit Report and the verbal update on the appointment of the Fund's external auditor.

To note the anticipated complications for the 2018/19 audit.

To request officers discuss with the internal auditors about specific requirements for 2018/19 and the checking of compliance with previous audit recommendations.

61 Review of Fund Procurement Processes

The Fund Governance and Performance Manager presented on current procurement and contract management for the appointment of external advisors and other key contracts. It was explained the Fund had over 40 contracts to manage and at present the Fund was reviewing all procured services driven by

3 overarching requirements: a) existing services which were approaching the end of their contractual term, b) ensuring compliance with GDPR, c) reviewing the procured services being offered to ensure that the scope of service was consistent with the Fund's needs, particularly in respect of software capability. Officers advised the current process was to investigate the re-tendering of contracts six months before they became due for renewal.

Members of the Board, and the Chairman of the Wiltshire Pension Fund Committee expressed an interest in understanding the largest contracts the Fund had in place and suggested attention should be placed on these. It was also suggested the Fund could benchmark its contract costs with other Funds. In response to questions it was confirmed the decision to use SAP as the payroll system for paying pensioners and dependants was chosen by Payroll and not the Fund although ultimately the Fund was responsible for the service.

Resolved:

To note the update and self-assessment undertaken by officers, and to recommend further details on key contract costs be presented to the Wiltshire Pension Fund Committee.

62 Update on GMP Reconciliation Process

A report from the Governance and Performance Manager on GMP reconciliations was available for the Board to consider. The Fund Governance and Performance Manager updated the Fund was moving towards the end of stage two and was close to reconciliation, with most GMP liabilities having been agreed with HMRC.

The Board discussed the issue of overpayments when the GMP would be lower than HMRC or where no GMP was recorded on the member record and it was understood officers would form a policy on this following further discussions with other Funds and at a national level. Officers advised they would report back to Committee on final national agreements on the implications of the rectification of the GMP values with pensions in payment.

Resolved:

To note the Fund's approach to the GMP project and progress to date.

63 GAD Section 13 Review

An executive summary of the recently reviewed report by GAD was available to the Board. The report was a requirement on GAD to review the way actuarial valuations were undertaken. There were currently variances between actuaries and funds, however there had been no concerns flagged for Wiltshire. The GAD report gave some recommendations to the Scheme Advisory Board, however these were not expected to be implemented ahead of the next valuation due to

the number of bodies that would have to consider the recommendations. It was highlighted that actuarial firms had some concerns around the recommendations.

Resolved:

To note the GAD report and actuarial response.

64 Presentation by the Pension Regulator on its role in relation to the LGPS

Stephen Rowntree gave a training session on the role of the Pensions Regulator to regulate compliance with the governance and administration requirements in the Public Service Pensions Act 2013, to educate on requirements and enforce them. The Regulator's Code of Practice 14 set out the governance and administration policies funds should be compliant with. The Annual Survey indicated the progress in the LGPS had slowed in the last year, it was highlighted a third of all funds did not hold 4 Board meetings per year, this indicated governance issues.

The role of the LPB was discussed and it was stressed the Board had a duty to assist the scheme manager to secure compliance with legislation, guidance and regulations. The legal requirements on Board members were also detailed, in particular the requirement to report breaches depending on the issue, scale and outcome. An example of a breach by employers in a fund was presented.

The regulatory powers of the Regulator were presented alongside examples of it using its powers more robustly. Current challenges for schemes were considered: 2018 scheme return requirements, GDPR, Pensions Dashboard, cyber resilience. Following questions from the Board it was confirmed the Regulator was working to strengthen governance and administration to ensure consistency for members across the LGPS. The Regulator could not establish where Wiltshire sat nationally in survey results due to it being an anonymous survey, however the Fund could compare the national results against their submission. The Pensions Dashboard was discussed, alongside what the fund should realistically aim for in data quality. It was confirmed the Regulator expected a fund to take all reasonable steps to ensure accurate data and acknowledged 100% accuracy for all data all of the time was not feasible and 95% was a more realistic aim.

Resolved:

To thank Stephen Rowntree for the informative presentation and to request an update on tPR progress in 12 months time.

65 Review of Annual Benefit Statements process 2018

Officers provided an update on the Annual Benefit Statement exercise, in summary the majority of statements had been released on time, with only those members for which the Fund did not have the correct address or outstanding data issues being held back. The Board heard that officers were working to improve data accuracy to assist the exercise the following year, including the use of new software.

In response to questions it was confirmed that the Fund was currently testing a self-service facility for accessing benefit information, and this would be gradually rolled out. It was agreed that, moving forward, benchmarking against other funds would be useful. Officers advised they logged and categorised queries the Fund received in response to Annual Benefit Statement to identify any themes.

Resolved:

To note the outcome of the Annual Benefit Statement exercise and achievement of the deadline.

To request information be provided to the next Board meeting on those employers whose end of year ABS data was repeatedly late, lacking, or incorrect over the last 3 years.

66 Scheme Legal, Regulatory and Fund update

The Head of Pensions Administration and Relations advised there was no further information from Government on the status of the Public Sector Exit Cap. The Board also heard it was not yet clear how material quadrennial cost caps would be to the Fund. Members discussed the Pensions Dashboard project and this was still in very early development. With regard to the Scheme Advisory Board 'Separation Project', this was being consulted on and the general consensus from most funds was that a greater degree of separation between a fund management and administering authority could be beneficial, however in general conflicts of interests amongst Council officers and elected Committee members were thought to be well-managed.

Resolved:

To note the Scheme, Legal, Regulatory and Fund update, and the completion of certain reviews.

To request the addition of the DWP, CIPFA, TPR, and Pensions Ombudsman guidance to future updates.

67 Risk Register Update

The Board was presented with the Fund's current Risk Register; there had been no change to the risk categories or levels since the last meeting; one red risk remained: PEN020: Pooling of LGPS assets. In light of the presentation from the Pensions Regulator earlier in the meeting, members considered whether cyber security should be added to the risk register. Cllr Philip Whitehead reassured the Board that Wiltshire's IT security had been substantially upgraded in recent months. It was noted that external auditors should also be checking cyber security and recommended officers regularly review risks and add them to the register as appropriate.

Resolved:

To note the Risk Register and request officers regularly review cyber security and add this to the register if appropriate.

68 Administration Key Performance Indicators

The Head of Pensions Administration and Relations presented the Fund's administration KPIs for review, it was noted the Fund was also developing its reporting capability to provide splits between employer and Fund performance and comparisons against statutory disclosure timelines and the Fund's administration strategy.

On Benefits Administration KPIs, Q1 2018/19 had seen a downward trend with the total number of completed cases falling, the biggest reductions over the quarter were deferred and refund cases. However, the quarter also saw an increase in benefit estimates completed. It was noted that the reduction in performance was due a legacy of vacant posts and more junior members of staff in roles, as the team was now fully staffed.

The Board noted the staffing issues the Fund had recently struggled with and praised the effort the team was putting into improving performance and drilling into more detail on performance measures.

Resolved:

To note the Fund's performance against Key Performance Indicators.

69 How did the Board do?

Members discussed a recent CIPFA training event on LGPS Fundamentals had been useful for Board members. The Governance and Performance Manager updated on the promotion that had been undertaken for the vacant employer representative position on the Board and that officers were considering widening the application criteria to the whole employer group. It was suggested the Board approach large Multi Academy Trusts for a representative.

Resolved:

To request the Chairman approach Multi-Academy Trusts for an Employer Member Representative.

70 Urgent items

There were no urgent items.

71 Date of next meeting and Forward Plan

The next meeting of the Board was to be held on 24 January 2019. The Board noted the Chairman would review the Forward Work Plan ahead of future meetings.

72 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 Numbers 72-75 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.

73 Brunel Pension Partnership update

The interim Investment Manager gave a verbal update on the progress of Brunel Pension Partnership.

Resolved:

To note the update on the progress of Brunel Pension Partnership.

74 Minutes and Key Decisions of the Wiltshire Pension Fund Committee, Investment Sub-Committee and Brunel Oversight Board

Resolved:

To note confidential minutes from the Committee, Investment Sub-Committee and Brunel Oversight Board.

75 Minutes

Resolved:

To confirm the minutes of the meeting held on 12th July 2018.

(Duration of meeting: 10.30 am - 1.00 pm)

The Officer who has produced these minutes is Libby Johnstone, of Democratic Services, direct line 01225 718214, e-mail libby.johnstone@wiltshire.gov.uk

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