

AGENDA

Meeting: Local Pension Board
Place: West Wilts Committee Room, County Hall, BA14 8JN
Date: Thursday 24 January 2019
Time: 10.00 am

Please direct any enquiries on this Agenda to Jim Brewster 01225 718242, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line or email jim.brewster@wiltshire.gov.uk

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

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Chairman's Briefing 9.30am - West Wilts Committee Room, County Hall

Membership:

David Bowater	Howard Pearce (Chairman)
Cllr Richard Britton	Barry Reed
Sarah Holbrook (Vice Chairman)	

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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

PART 1

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

1 **Welcome**

To note any changes to the membership of the Board.

To note the attendance of any non-members of the Board present.

2 **Apologies**

To receive any apologies for absence.

3 **Minutes and action tracking** (*Pages 7 - 22*)

To confirm as a true and correct record the minutes of the previous meeting held on Thursday 11 October 2018.

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

4 **Declarations of Interest**

To receive any declarations of disclosable interest.

Board Members' Registers of Interest are available [here](#), members are reminded to review their RoI on a regular basis and report any changes to Democratic Services.

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **Public Participation and Councillors Questions**

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 Corporate Director), no later than **5pm on Wednesday 16 January** in order to be guaranteed a written response prior to the meeting. Any question received between the above deadline, and no later than **5pm Monday 21 January**, 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.

- 7 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee** *(Pages 23 - 28)*
- To consider the Part 1 (public) minutes of the Wiltshire Pension Fund Committee held on 12 December 2018.
- 8 **Training Item: Introduction of new software and use of new online services** *(Pages 29 - 40)* **10:35am**
- A training item delivered by officers outlining the key software and changes to online services which the Fund is currently implementing including the identified benefits, risks and controls in place for each.
- 9 **Governance Effectiveness Review** *(Pages 41 - 62)* **10:50am**
- A summary of the results of a recent survey undertaken by Hymans-Robertson on the effectiveness of Pension Committees and Boards.
- 10 **LPB self-assessment against its achievement of its core functions 2015-2018** *(Pages 63 - 66)* **11:00am**
- A paper produced by officers and the Chairman of the Board comparing the LPB's achievement to date against its core function as defined with the LPB terms of reference produced
- 11 **LPB Training policy and plan for 2019-2020** *(Pages 67 - 132)* **11:10am**
- A report from the Governance and Performance Manager.
- 12 **LPB Budget 2019-2020** *(Pages 133 - 134)* **11:20am**
- The board is asked to approve its own budget ahead of presentation of the full budget to the Committee in March.
- 13 **Scheme, Legal, Regulatory and Fund update** *(Pages 135 - 138)* **11:30am**
- A report provides an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

14 **Risk Register** (Pages 139 - 152) **11:40am**

A report provides an update on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

15 **Administration Key Performance Indicators** (Pages 153 - 160) **11:50am**

A report presents the Fund's administration Key Performance Indicators for review by the Board.

16 **How did the Board do?** **12:00pm**

The Chairman will lead a discussion on how the meeting went and request feedback on how the Board could be developed, and for members to feedback any relevant updates.

17 **Urgent items**

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.

18 **Date of next meeting and Forward Plan** (Pages 161 - 164) **12:10am**

The next meeting of the Board will be held on **Thursday 23 May 2019 10:30am** other future dates can be found [here](#).

The Board's Forward Work Plan is attached for members' consideration.

19 **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 20 - 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.

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.

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

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

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Local Pension Board Action log

A full action-tracker showing complete and pending items is included to monitor progress from the last 3 Board meetings. Actions identified prior to this are include only where they remain outstanding. Actions in bold denote where the action is a formal recommendation of the Board.

	Action	Who	Deadline	Completed
	January 2017			
7.15	To request that SWAP benchmark the fund against other similar funds in a future audit report.	AC	2019	
	April 2017			
8.7	To recommend that once the KPI process is established it is developed to allow comparisons to be made against other Funds and to identify the administration costs associated with each process, and includes performance against statutory timeframes.	AC	October 2019	
	July 2017			

9.9	To delegate authority to officers, in consultation with the Chairman, to amend the LPB Annual report to track tPR checklist compliance and the implementation of Board recommendations using a RAG status.	AC	September 2019	
9.13	To review the timetabling and work plan of Board meetings following consideration of the SAB survey results.	AC	2019	
	October 2017			
10.10	To provide a flow chart to outline the delegated and reserved decisionmaking process within Brunel Pension Partnership to improve transparency.	JD	2019	
	March 2018			
11.4	To request that future Business Plans updates include new items which have occurred since the business plan was first produced and include items that have rolled-forward from previous plans.	AC	2019	
	July 2018			
12.2	Officers to confirm to Cllr Britton whether investment managers pay VAT on performance fees.	RV	ASAP	

12.3	<p>To recommend the following technical amendments to the accounts:</p> <ul style="list-style-type: none"> • Under ‘Local Pension Board’ include a reference that the LPB also has an oversight function to ensure the Fund is compliant with the Pensions Regulator. • Split the figures for cash and derivatives, or remove the figures for derivatives in the accounts where this is zero. • Remove zero figures in the accounts. • Under ‘Basis of Preparation’, wording to be updated to reflect the regulatory status of the approach taken. • Include Brunel Pension Partnership, Local Pension Board transactions and key management remuneration in ‘related party transactions’ in the accounts. The note the CIPFA guidance recommends more disclosure over these transactions. • AVCs be included in the accounts, and the wording in accounts be amended to reflect this since there are specific requirements about which AVCs that should be disclosed. 	MT	July 2019	
12.4	<p>To recommend the compliance with the CIPFA disclosure agreement is factored into the 2018/19 accounts.</p>	MT	July 2019	
12.9	<p>To request an update on actions to support compliance to tPR Code 14 within the next 6 months.</p>	RB	January 2019	
12.10	<p>To confirm to Cllr Britton the Fund pays for the internal audit, rather than the Council.</p>	RV	ASAP	
12.11	<p>To request an update on action against internal audit recommendations at a future meeting.</p>	AC	January 2019	

12.12	Recommend auditors check compliance with tPR Code of Practice No 14 in 2019	AC	April 2019	
12.13	To request new CIPFA updates and publications be included in future scheme updates.	AC	January 2019	
12.15	To note the Investment Strategy Statement agreed for final publication. To recommend, upon next review of the Investment Strategy Statement by Committee, that:	JD	January 2019	
	a) reference is made to ESG policy and that ESG policy is reviewed in light of a forthcoming government consultation paper on final salary pension schemes in respect of ESG; b) an annex be included to illustrate the Fund's compliance with Regulation 7.			
12.18	To note the update on the progress of Brunel Pension Partnership and request an update in 2019 on whether the pool was on track with forecasting savings and transactions.	JD	April 2019	
	October 2018			
13.1	Officers to develop an escalation policy about when to report instances to the Regulator, this document to be linked to the administration strategy	AC	January 2019	
13.2	LPB Chairman to review the Fund's Annual Report	HP	ASAP	

13.3	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	AC	ASAP	
13.4	Officers to discuss with the internal auditors about specific requirements for 2018/19 and the checking of compliance with previous audit recommendations.	RB/AC	ASAP	
13.5	Further details on the key contract costs be presented to the Wiltshire Pension Fund Committee	RB	December 2018	
13.6	To request a further update from the Regulator in 12 months time	RB	October 2019	
13.7	To request the addition of the DWP survey to future updates	AC	ASAP	
13.8	To request officers regularly review cyber security and add this to the Risk Register if appropriate.	AC	Ongoing	
13.9	The Chairman to approach Multi-Academy Trusts for an Employer Member Representative	RB/HP	ASAP	

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WILTSHIRE PENSION FUND COMMITTEE

PART 1 MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 12 DECEMBER 2018 AT ROOM CR1, SWINDON BOROUGH COUNCIL OFFICES, EUCLID STREET, SN1 2JH.

Present:

Cllr Richard Britton, Bullen, Cunningham, Cllr Tony Deane (Chairman),
Cllr Gordon King, Cllr Christopher Newbury and Cllr Roy While (Vice-Chairman)

Also Present:

Stuart Dark, Mr Jim Edney, Mrs Diane Hall, Mike Pankiewicz, Howard Pearce and Barry Reed

69 Chairman's Announcements

The Chair outlined the purpose of the committee as being to manage payments and balance the assets and liabilities of Wiltshire Pension Fund. Regular reporting on performance trends across a set of key performance indicators was said to be necessary for the committee to meet this purpose. Cllr Gordon King lent his support to the Chairs request for quarterly reporting to enable management of performance over time in a transparent way.

Officers stated that current reporting against basic metrics was bi-annual and would be quarterly in future. Future input from the committee on the nature and presentation of key performance indicators was requested.

Resolution:

The reporting on basic metrics would be quarterly and the identification of key performance indicators would be developed by the committee.

70 Apologies for Absence

Apologies were received from Cllr Tom Rounds and Cllr Philip Whitehead.

71 Declarations of Interest

There were no Declarations of Interest.

72 **Minutes**

Resolved:

To confirm the Part 1 minutes of the meeting held on 20 September 2018.

73 **Public Participation**

There were no members of the public present.

74 **Minutes and Key Decisions of the Local Pensions Board**

The minutes from the Local Pension Board meeting held on 11 October 2018 were considered.

Resolved:

To note the minutes of the Local Pension Board meeting.

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

Officers talked to a paper that identified emerging regulatory issues and used a red, amber, green schema of higher, medium, lower risk to show the risk associated with each issue. Issues of GMP Indexation, Cost Caps, Pensions Dashboard, Annual Report and Academies' Review were discussed in terms of metrics and costs.

Metrics designed to allow comparison of one fund to another were discussed in terms of definitions and standardisation, the pressures of ensuring positive presentation and the fundamental variability in the size of funds being compared. It was concluded that meaningful metrics need to be defined according to the specific purposes of Wiltshire Pension Fund.

Clarity about ongoing regulatory change and its corresponding impact on costs of were discussed in the wider context of the risk associated with non-compliance. It was concluded that where future cost-pressures could be identified, their impact was more germane to future valuation than to current administrative costs.

The Chair summarised the discussion as being about risk emerging from regulatory change and its likely cost, alongside complexity of data and its value in managing the fund.

Resolution:

The committee noted the report.

76 **Pension Fund Risk Register**

Officers talked to the fund's Risk Register that identified, described, quantified and allocated identified risk to a named Officer. The only item on the Register highlighted as being of higher (red) risk was the pooling of assets through Brunel Partnership. The Investment Manager would talk to this issue in detail under her update on Brunel Pension Partnership, Agenda Item 16.

Resolution:

The Committee noted the report.

77 **LPB Code of Conduct Policy**

The Chair outlined an enquiry made about the Members Interest form. The enquiry had recognised the legal obligations addressed by the form, but had queried the amount of information it placed in the public domain. Legal services had devised a two-part form that distinguished between information under Part 1 that was in the public domain and Part 2 that was restricted to the Administering Authority.

Resolved

To approve the updated Code of Conduct and Conflict of Interest Policy Guidelines for the Local Pension Board, including the attached form for registering Members interests.

78 **Review of other Funds' Committee arrangements:**

Jim Edney, Independent Pension Fund Advisor, gave a verbal update on desk-research into how pension boards and pension committees define their roles and work together. Despite overlap between boards and committees, there appears to be no established best practice in reducing duplication and optimising the relationship between the two meetings. Common areas that boards lead on were communications and the monitoring of fund administration, whilst some committees provided boards with regular 'assurance reports' that are designed to avoid duplication.

The Chair requested a meeting of Chairs and Officers in January 2019 to define the respective roles of the board and the committee and to discuss the working relationship between the two.

Resolution:

That a meeting be called to advance how board and committee clarify roles and working relationship.

79 **Training Review**

Officers described how the Training Review was informed by three surveys conducted by Hymans-Robertson giving insight into National Confidence, Knowledge and Effectiveness of committees and boards. This enabled the development of a training strategy for all committee members. At this stage, results were being shared as headline results that indicate the value of targeting training on; actuarial methods, procurement, investment, administration and governance.

The Chair thanked everyone for completing the surveys, expressed confidence in the exercise as giving a good representation of the committee's knowledge and skill and noted the committee's dependence on its various advisors.

Resolution:

To note the reports on Committee knowledge, understanding and effectiveness and that a training programme was to be developed in response to survey outcomes.

80 **Date of Next Meeting**

The date of the next meeting of Wiltshire Pension Fund Committee was to be held on 14 March 2019 10.30 am.

81 **Urgent Items**

There were no Urgent Items.

82 **Exclusion of the Public**

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 83-88 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.

83 **Review of key contract costs**

Resolution:

The frequency of future reports on key contracts and whether this report was best dealt with by board or committee would be decided at Wiltshire Pension Board meeting January 24 2019.

84 **Brunel Pension Partnership update**

Resolution:

The committee noted the update

85 **Investment Quarterly Progress Report**

Resolution:

The committee noted the report.

86 **Minutes and Key Decisions of the Investment Sub Committee**

Resolved:

To note the minutes and key decisions of the Investment Sub Committee.

87 **Minutes**

Resolution:

The committee approved the Part 2 (confidential) minutes of the meeting held on 20 September 2018.

88 **Investment Strategy, Employer Investment Strategies and Triennial Valuation training**

(Duration of meeting: 10.30 am - 12.50 pm)

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

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

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WILTSHIRE PENSION FUND

Member Self Service

What is it?

Online access to pension records emulating the Altair pension database

What can you do?

- ▶ See how much pension you are currently entitled to at retirement
- ▶ Make projections to see what you might get at a future retirement date
- ▶ Change your address (non-active members)
- ▶ Change your nominations for who you want to receive a death grant
- ▶ View your personal and employment details



Member Self Service Risk and Security?

- ▶ Privacy Impact Assessment approved by Information Governance
- ▶ Aquila Heywood have
 - ▶ ISO 9001 (quality management systems), and;
 - ▶ ISO 27001 (information security standard) certification
- ▶ Member data held by Aquila Heywood in encrypted Oracle database. Connectivity to MSS provided via secure HTTPS networks
- ▶ Member access granted via a secure enrolment process
- ▶ Two factor log in - password and security questions
- ▶ Positive opt-in consent on enrolment and simple method to withdraw consent

Member Self Service Benefits to Fund?

- ▶ Improved engagement with members
- ▶ Member engagement through hands-on understanding of calculations
- ▶ Expected reduction in cases received by Pensions Team
 - ▶ Change of Address
 - ▶ Nomination Updates
 - ▶ Retirement Projections



Docmail

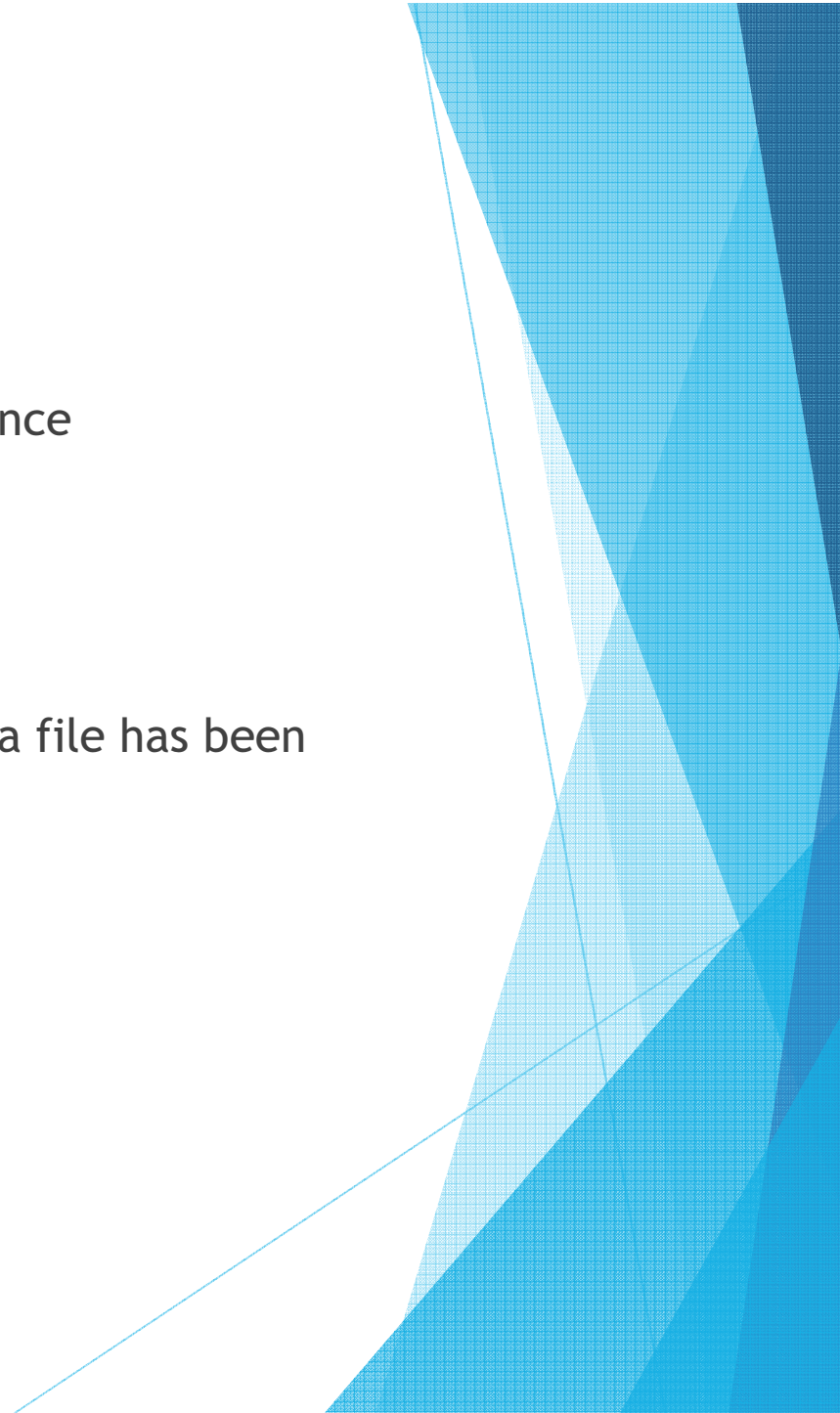
What is it?

- ▶ Printing and posting letters offsite through an online print driver
- ▶ Individual and bulk printing capabilities
- ▶ Ability to set up profiles for different process types to include generic documents

Docmail

Risk and Security?

- ▶ Privacy Impact Assessment approved by Information Governance
- ▶ Docmail have
 - ▶ ISO 9001 (quality management systems), and;
 - ▶ ISO 27001 (information security standard) certification
- ▶ Documents held as a fully encrypted data file. Once the data file has been unencrypted the document is printed and deleted



Docmail

Benefits to Fund?

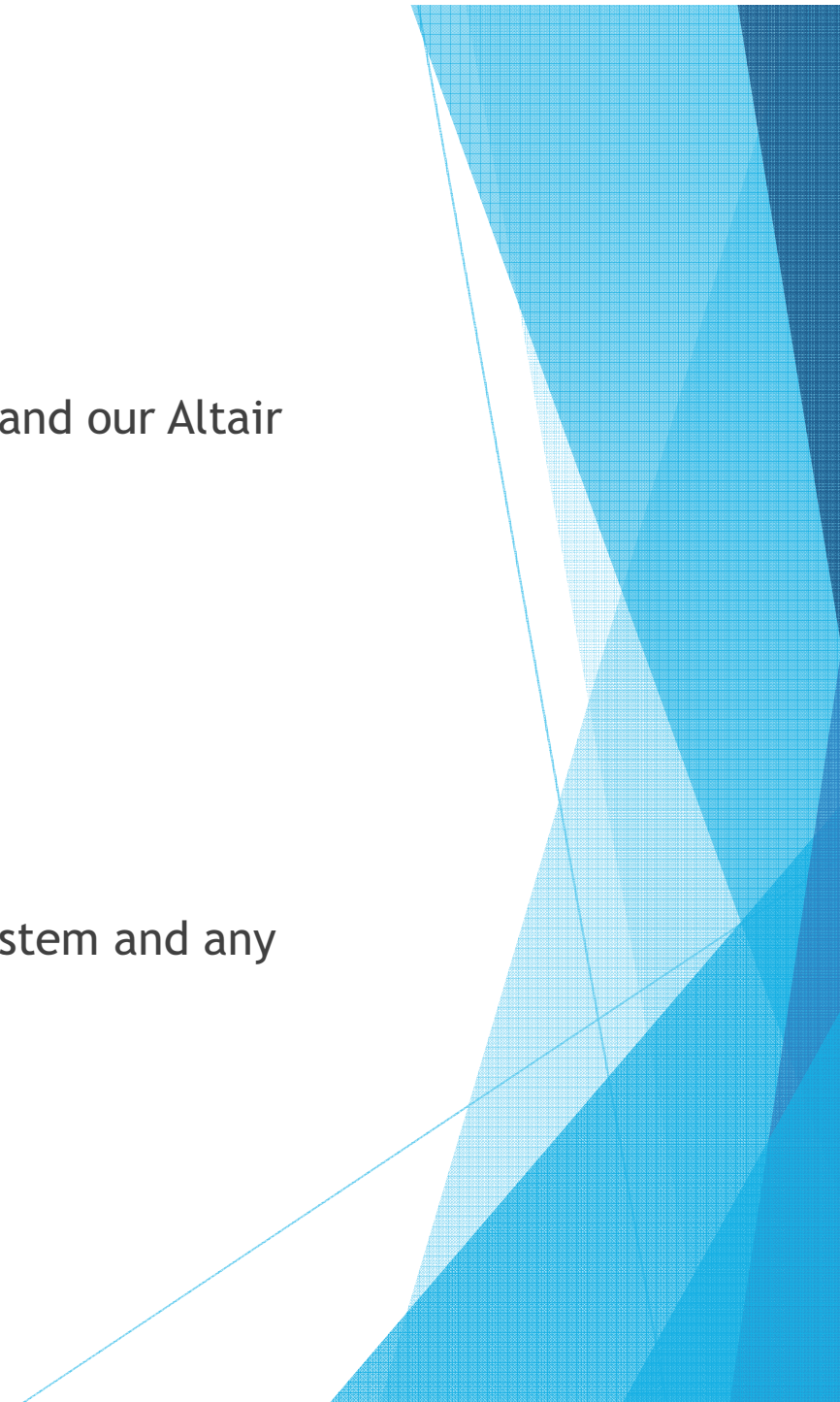
- ▶ No longer queueing for printers in office
- ▶ Reduction in time consuming, low level tasks, i.e. stuffing envelopes
- ▶ Improvements to working from home capabilities



iConnect

What is it?

- ▶ Data exchange portal between the employer payroll system and our Altair pension system
- ▶ 2 options for employers
 - ▶ **Smaller Employers**
 - ▶ Online returns
 - ▶ **Larger Employers**
 - ▶ Full CSV file comparison and upload
- ▶ Under both options the data will match the Altair pension system and any errors directed back to employer



iConnect Risk and Security?

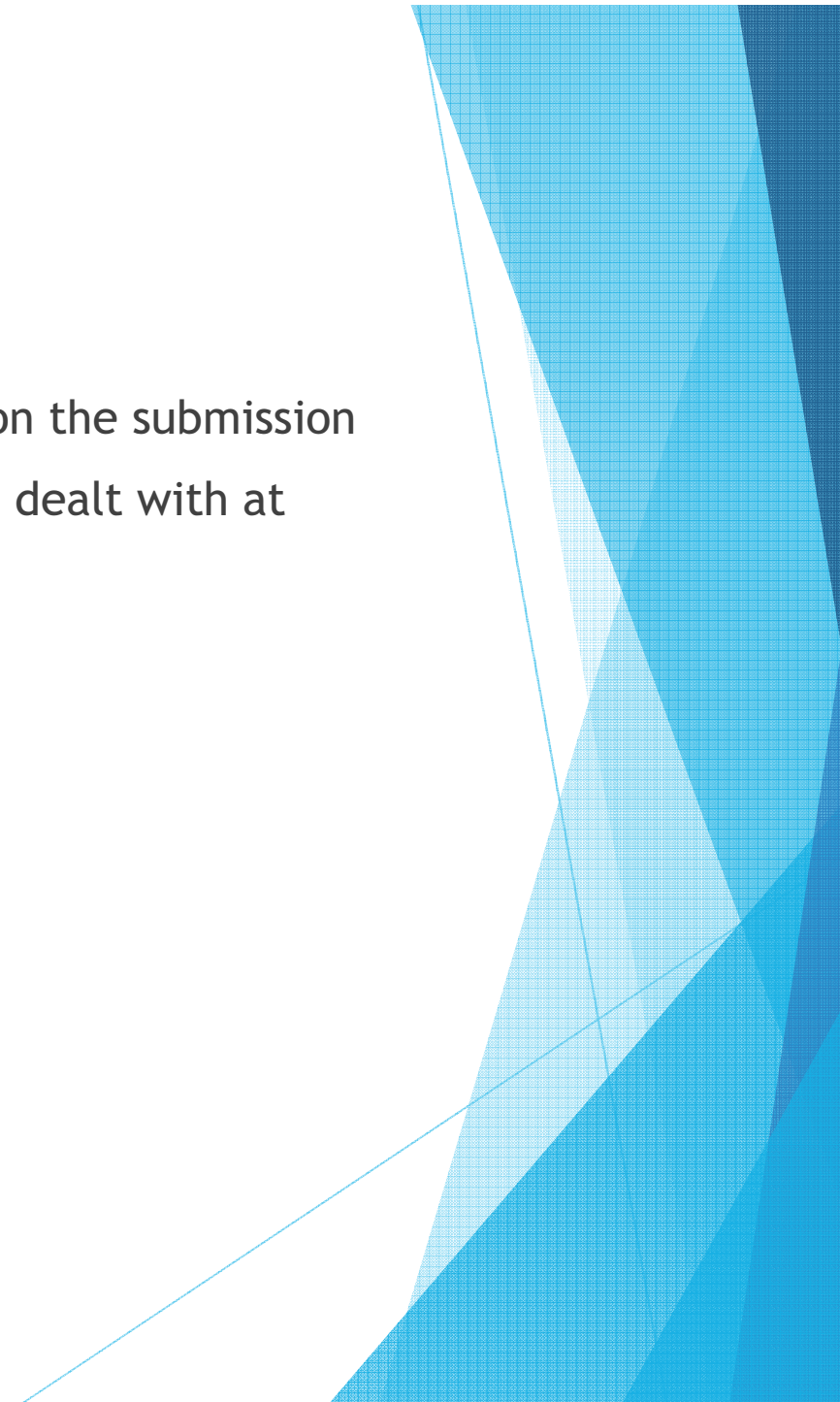
- ▶ Privacy Impact Assessment approved by Information Governance
- ▶ Aquila Heywood (iConnect) have
 - ▶ ISO 9001 (quality management systems), and;
 - ▶ ISO 27001 (information security standard) certification
- ▶ Highly secure data transfer
- ▶ With GDPR and the security of data, iConnect removes the risk involved with spreadsheets, files or forms



iConnect

Benefits to Fund?

- ▶ Reduction of forms - all new starters and leavers picked up on the submission
- ▶ Improved efficiency and lower maintenance with validations dealt with at time of submission (employer accountability)
- ▶ Increased accuracy of data and reduction of risk
- ▶ No end of year submission
- ▶ Improved governance and tPR compliancy



Software Strategy

The various software initiatives are part of an overarching strategy focused in improvement. The aim being:

- ▶ To enable the implementation of a long term “Improvement Plan”
- ▶ To create integrated working practices across the department
- ▶ To improve performance reporting - Making it more reliable, accurate and timely (TPR & CIPFA requirements)
- ▶ To release officers from repetitive task
- ▶ To enable officers to address key areas. For example;
 - ▶ Management & training of our increasing sponsoring employer base
 - ▶ Change management created by regulatory changes
 - ▶ Raising the profile of Administration as a practice area e.g. moving from data cleaning to data quality monitoring

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
24 January 2019

Member effectiveness review 2018

Purpose of the Report

1. To consider the suggested actions identified by Hymans Robertson in their “Effectiveness Review” report 2018 submitted to the Wiltshire Pension Fund Committee in December 2018

Background

2. The purpose of the effectiveness review questionnaire was to provide a framework within which members can comment on the effectiveness of both the PB & PC. The areas covered by the review were;
 - a) Structure & Culture;
 - b) Management of meetings;
 - c) Knowledge & training;
 - d) Risks & conflicts;
 - e) Advisers; and
 - f) Documents & policies
3. Overall, the responses received to the specific statements set out in the questionnaire suggest that the majority of respondents were comfortable with the effectiveness of their respective group. Analysis suggests agendas are focused on the right topics and sufficient time is given to discuss each issue properly. There was also general satisfaction that the meetings were well run and chaired in an even handed manner.
4. However, concerns were raised in the following areas;
 - a) Respondants use of the Pension Regulator’s (TPR’s) toolkit
 - b) The opportunity to adequately input into the Funds risk register & actions log
 - c) The distinction between Administering Authority business and Scheme business
 - d) Whether the Administering Authority had a data improvement plan in place with objectives being regularly reviewed
 - e) Clarification of the roles of the Board & the Committee
 - f) Adequate processes & structures in place to monitor performance against the Fund’s objectives

Considerations for the Board

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

Subject area	Suggested action(s)
Structure & Culture	<ul style="list-style-type: none"> • 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. • The terms of reference for both groups should be restated. This will aid the transparency of what both groups are actively seeking to achieve for the Wilshire Pension Fund.
Management of meetings	<ul style="list-style-type: none"> • Recent guidance issued by TPR as part of their 21st Century Trustee campaign centred on effective pension meetings and Chairs should be relayed to both groups.
Knowledge & training	<ul style="list-style-type: none"> • All PC and PB members to be encouraged to complete TPR's online toolkit. • 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.
Risks & conflicts	<ul style="list-style-type: none"> • Future meetings should make clear what is <i>Fund</i> business and what is <i>Employer</i> business. • Clarification on how the Funds issues log (actions log & risk register) is produced and managed should be communicated to both groups. • Officers should ensure they can demonstrate transparency and accountability in carrying out their roles.
Advisers	<ul style="list-style-type: none"> • 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.
Documents & policies	<ul style="list-style-type: none"> • Ensure Fund objectives are clearly defined and processes are put in place to monitor them and report progress to both the PC and PB. • Consider the benchmarking options available to the Fund and communicate any recommendations to the PC and PB • Ensure an improvement plan is in place for the Fund and regularly reported to the PC and PB
General comments & key actions	<ul style="list-style-type: none"> • 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 • PC and PB members to be encouraged to complete TPR's online toolkit

	<ul style="list-style-type: none"> • Confirmation and communication to both the PC and PB on the Funds current improvement plan and the objectives
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6. Officers have already reviewed the recommendations made by Hyman’s Robertson and have started actions to address the points raised. These include;
- a) Co-ordinating a meeting with both the Chair of the Committee & Board to clarify the roles, responsibilities and objectives between the two groups
 - b) Review the process for the conducting of meetings to see whether members can be given more opportunity to comment on the Forward look plan & risk register
 - c) Implement new software as part of an infrastructure strategy to enable a long term data improvement plan
7. The Board are asked to consider Hymans Roberston’s suggestions too in conjunction with the full report. All feedback would be appreciated by officers in the implementation of Hyman’s recommendations.

Environmental Impact of the Proposal

8. Not applicable.

Financial Considerations & Risk Assessment

9. There are no financial considerations.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Reasons for Proposals

12. To enable the Board to study and comment on the findings of the Effectiveness review 2018.

Proposals

13. The Board are asked to recommend what actions should be taken in light of the review.

Andy Cunningham
Head of Pensions, Administration & Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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

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LGPS

Effectiveness Review



Wiltshire Pension Fund

Wiltshire Pension Committee and Pension Board - Effectiveness review

Effectiveness Questionnaire – November 2018

Over October and November of 2018, 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 a brief report on the results of this survey.

Results, Commentary and Suggested Actions

A total of **8 out of 10** PC members and **4 out of 4*** PB members responded to the questionnaire (*one respondent is part of both groups but results have been detailed only within the PC). Members were presented with 41 statements, over the 6 subject areas and were given 5 optional answers based on the strength of agreement or disagreement with the statements provided.

Overall the responses received to the specific statements would suggest that the majority of respondents are comfortable with the effectiveness of their respective group. Analysis suggests agendas are focussed on the right topics, with sufficient time given to discuss each issue properly. There is also a general satisfaction that meetings are well run and chaired in an even handed manner.

While the responses to the statement being considered were on the whole “agree” or “strongly agree”, there did appear to be some concern in the following areas:

- respondents use of the Pension Regulator’s (TPR’s) toolkit;
- the opportunity to adequately input into the Funds issues log (This is known as the Fund’s Risk register and actions log);
- the distinction between Administering Authority business and Scheme Employer business; and
- whether the Administering Authority had a data improvement plan in place with objectives being regularly reviewed.

There was also some concern expressed within the comments provided over the rationale for local pension boards and the role currently performed by the PB to the Wiltshire Pension Fund. Given the overriding statutory requirement to have a pension board there appears to be a need to address these apparent concerns and uncertainties that have been raised and to more clearly define and communicate the respective roles of the PC and PB.

The responses suggest:

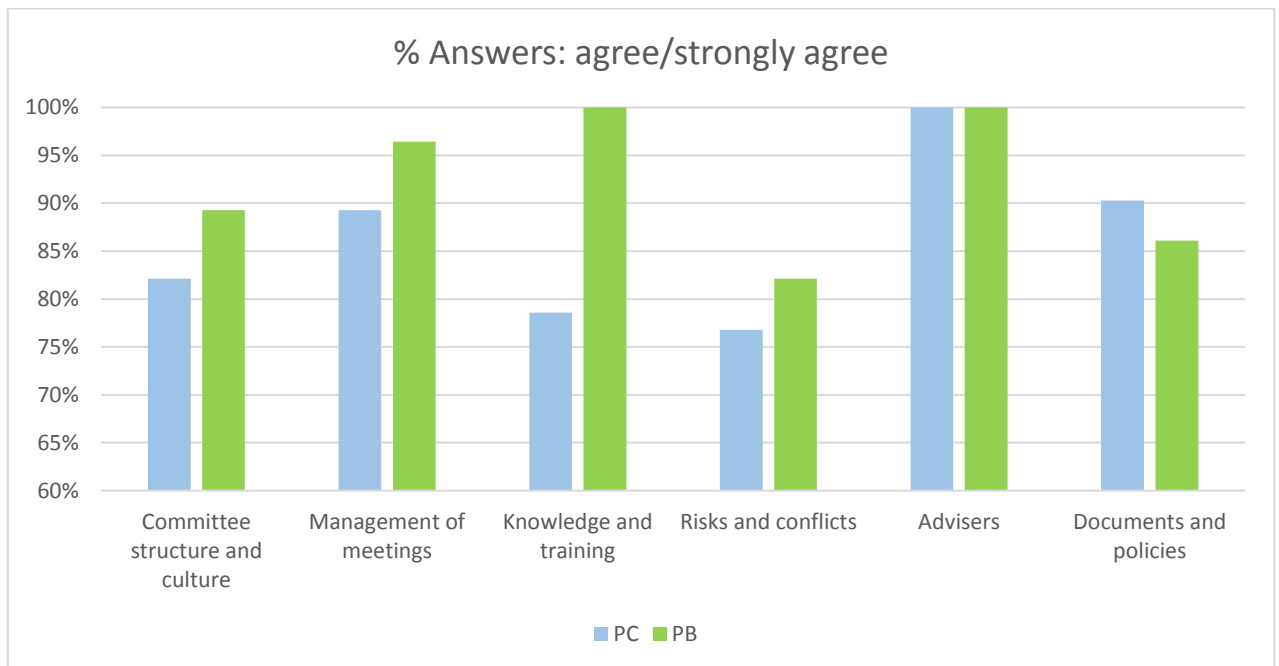
- both the PC and PB are very aware of the need to disclose any conflicts of interest;
- both appear happy with the contribution made by Advisers;
- the Fund issues log should be more visible and allow all members the opportunity to feed into it;

- the majority of PC members appear not to have completed TPR's online toolkit. Potentially this may feed into the training requirements for this group (please see suggestions noted within our separate Knowledge assessment report for training actions);
- some PB members are concerned that there are not adequate processes and structure in place to monitor performance against the Fund's objectives;
- stronger cooperation required between the PC and the PB;
- an overarching theme of clarification on the role and purpose of the PB, leading to better and stronger cooperation between the two groups.

High Level Summary



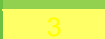
































The following chart shows the percentage of responses in each section where members selected either “agree” or “strongly agree” within the statement.

Overall, you can see that the PB is more in agreement with the statements made than the PC. The most significant area of difference between both groups was on knowledge and training, with the PB in strong agreement with the statements made in this section.



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	1	1	
		 Agree	7	3	10	
		 Neither Agree nor Disagree	1	0	1	
		 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	7	4	11	
		 Neither Agree nor Disagree	1	0	1	
		 Disagree	0	0	0	
		 Strongly Disagree	0	0	0	
		Committee	Board	Total		
1.3	Do you believe your colleagues on the PC/LPB are clear on these objectives?	 Strongly Agree	0	0	0	
		 Agree	8	3	11	
		 Neither Agree nor Disagree	0	1	1	
		 Disagree	0	0	0	
		 Strongly Disagree	0	0	0	
		Committee	Board	Total		
1.4	The current size of the Committee/Board is about right	 Strongly Agree	1	2	3	
		 Agree	6	2	8	
		 Neither Agree nor Disagree	0	0	0	
		 Disagree	1	0	1	
		 Strongly Disagree	0	0	0	
		Committee	Board	Total		
1.5	The distinction between the roles of elected members, Board members and officers is understood.	 Strongly Agree	2	1	3	
		 Agree	4	3	7	
		 Neither Agree nor Disagree	1	0	1	
		 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	1	1	0	
		 Agree	4	2	0	
		 Neither Agree nor Disagree	3	0	0	
		 Disagree	0	0	0	
		 Strongly Disagree	0	0	0	
		Committee	Board	Total		
1.7	The Committee and Board work effectively as a team	 Strongly Agree	0	0	0	
		 Agree	6	3	9	
		 Neither Agree nor Disagree	2	0	2	
		 Disagree	0	1	1	
		 Strongly Disagree	0	0	0	

Commentary – Section 1

Commentary	Suggested Action
<p>There was mostly strong 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 relationship between the PC, PB and officers, although there was some neutral attitudes to the time given to reviewing the Fund’s governance structure. However, the comments received from respondents, tended to suggest a lack of understanding of the role of the PB and its purpose in the context of the LGPS.</p> <ul style="list-style-type: none"> • <i>“There is a lack of understanding shown by some Committee members as to the role of the LPB in that there is a belief that its responsibilities overlap that of the Committee”</i> • <i>“A full merger between board and committee could be considered as has happened elsewhere”</i> <p>Furthermore there was a clear suggestion that the PC and PB are not working effectively as a team as they could</p> <ul style="list-style-type: none"> • <i>“There is clear scope for more cooperation on business between Board and Committee especially in light of pooling and merging and other developments since inception”</i> • <i>“There is sometimes some confusion expressed by the committee concerning the requirement for a pensions board. It is seen as duplication”</i> 	<ol style="list-style-type: none"> 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 2. The terms of reference for both groups should be restated. This will aid the transparency of what both groups are actively seeking to achieve for the Wiltshire Pension Fund.

Section 2 – Management of meetings

Results

Question		No. of responses			
		Committee	Board	Total	
2	Management of Meetings				
2.1	The number of scheduled meetings is sufficient for the Committee/Board to conduct its business	Strongly Agree	1	0	1
		Agree	7	4	11
		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	1	0	1
		Agree	7	4	11
		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	3	1	4
		Agree	5	3	8
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
2.4	Committee/Board meetings are well managed and productive	Strongly Agree	3	2	5
		Agree	4	1	5
		Neither Agree nor Disagree	1	1	2
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
2.5	A suitable structure exists to ensure any issues can be appropriately escalated	Strongly Agree	0	0	0
		Agree	7	4	11
		Neither Agree nor Disagree	1	0	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
2.6	The Chair has the right qualities in order to perform the role	Strongly Agree	3	2	5
		Agree	3	2	5
		Neither Agree nor Disagree	2	0	2
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
2.7	Meetings are chaired in an even-handed manner, with all opinions being heard and consensus being sought	Strongly Agree	4	2	6
		Agree	2	2	4
		Neither Agree nor Disagree	2	0	2
		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 very strong agreement that sufficient time is given to discuss all issues at both PC and PB meetings and that meetings are well managed and productive.</p> <ul style="list-style-type: none"> • <i>“The Committee is well run and supported by its officers with a long standing and knowledgeable chair”</i> • <i>“Meetings are productive”</i> • <i>“The meetings are very well managed & chaired We have a chair with good knowledge and experience”</i> <p>The responses indicated that PC and PB members were mostly satisfied with the behaviour of their respective Chairs.</p>	<ol style="list-style-type: none"> 1. Recent guidance issued by TPR as part of their 21st Century Trustee campaign centred on effective pension meetings and Chairs, should be relayed to both groups.

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.	Strongly Agree	0	1	1
		Agree	6	3	9
		Neither Agree nor Disagree	2	0	2
		Disagree	0	0	0
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.2	I am familiar with the principles of the Fund's training strategy	Strongly Agree	0	1	1
		Agree	7	3	10
		Neither Agree nor Disagree	1	0	1
		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	6	4	10
		Neither Agree nor Disagree	2	0	2
		Disagree	0	0	0
		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	3	1	4
		Agree	4	3	7
		Neither Agree nor Disagree	1	0	1
		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	1	1	2
		Agree	7	3	10
		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	2	3	5
		Agree	0	1	1
		Neither Agree nor Disagree	3	0	3
		Disagree	3	0	3
		Strongly Disagree	0	0	0
		Committee	Board	Total	
3.7	The Committee/Board is kept up to date with any legal or regulatory changes impacting the scheme	Strongly Agree	1	3	4
		Agree	7	1	8
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0

Commentary – Section 3

Commentary	Suggested Action
<p>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)</p> <ul style="list-style-type: none"> • <i>“Legal and regulatory updates are exemplary and include a tracker of issues”</i> • <i>“Having attended sessions with members of other LPBs I think Wiltshire is well served”</i> <p>The least agreed statement for the PC was in this section and related to the completion of TPRs online toolkit</p> <ul style="list-style-type: none"> • <i>“I do not remember whether I have completed the Pension Regulator’s online Toolkit.”</i> • <i>“Not aware of toolkit”</i> • <i>“I haven’t completed the Pension Regulator’s online tool kit yet”</i> 	<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.

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	5	4	9
			Agree	3	0	3
		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	2	4	6
			Agree	6	0	6
		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 issues log		Strongly Agree	1	1	2
			Agree	3	1	4
		3	Neither Agree nor Disagree	3	2	5
			Disagree	1	0	1
			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 issues log		Strongly Agree	1	1	2
			Agree	2	2	4
		3	Neither Agree nor Disagree	4	1	5
			Disagree	1	0	1
			Strongly Disagree	0	0	0
		Committee	Board	Total		
4.5	In meetings the distinction between "Fund business" and "Employer business" is clearly understood.		Strongly Agree	1	0	1
			Agree	5	3	8
		3	Neither Agree nor Disagree	1	1	2
			Disagree	1	0	1
			Strongly Disagree	0	0	0
		Committee	Board	Total		
4.6	I am confident that the Fund is managing risk appropriately		Strongly Agree	1	0	1
			Agree	7	3	10
		3	Neither Agree nor Disagree	0	1	1
			Disagree	0	0	0
			Strongly Disagree	0	0	0
		Committee	Board	Total		
4.7	If I suspected a breach of the law, I would know the proper process to follow.		Strongly Agree	1	1	2
			Agree	5	3	8
		3	Neither Agree nor Disagree	1	0	1
			Disagree	1	0	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> <ul style="list-style-type: none"> • <i>“Nothing to add an area of real strength for the Committee”</i> • <i>“I am confident that the Fund is being managed properly”</i> <p>Responses became more neutral or less positive when commenting on the visibility of the Fund’s issues log and the opportunity to input into its development.</p> <ul style="list-style-type: none"> • <i>“I do not have a clear memory of how the Fund's issues log is dealt with”</i> <p>Encouragingly only one member didn’t know the process for dealing with a suspected breach of the law.</p>	<ol style="list-style-type: none"> 1. Future meetings should make clear what is <i>Fund</i> business and what is <i>Employer</i> business. 2. Clarification on how the Funds issues log is produced and managed should be communicated to both groups 3. Officers should ensure they can demonstrate transparency and accountability in carrying out their roles

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		Strongly Agree	5	0	5
			Agree	3	4	7
		3	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	4	1	5
			Agree	4	3	7
		3	Neither Agree nor Disagree	0	0	0
			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	5	1	6
			Agree	3	3	6
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
5.5	I understand the role of the Fund Committee/Pension Board		Strongly Agree	1	2	3
			Agree	7	2	9
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0

Commentary – Section 5

Commentary	Suggested Action
<p>There was unanimous agreement across both the PC and PB that the Fund is well served by its advisors and that all members understand the advisors' respective.</p> <ul style="list-style-type: none"> • <i>“As a LPB member I also often attend the Pension Committee and the Investment Sub Committee. I have been impressed with the level of independent advice that they are given”</i> • <i>“I understand the role of the Fund Committee/Pension Board and its advisers/actuary”</i> <p>We found that again there was some concern expressed around the respective roles of the PC and the PB, which we recommend should be addressed.</p> <ul style="list-style-type: none"> • <i>“Roles are understood, the overlap between Pension Board and Pension Committee is more difficult to comprehend”</i> 	<ol style="list-style-type: none"> 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

Section 6 – Documents and policies

Results

Question		No. of responses				
		Committee	Board	Total		
6	Documents and Policies					
6.1	I know where to find up to date copies of the Fund's key documents		Strongly Agree	0	1	1
			Agree	7	2	9
		3	Neither Agree nor Disagree	1	1	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.2	I understand the purpose of the Fund's Funding Strategy Statement		Strongly Agree	0	1	1
			Agree	8	3	11
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.3	I understand the purpose of the Fund's Communications Policy		Strongly Agree	0	1	1
			Agree	8	3	11
		3	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 Administration Strategy		Strongly Agree	0	1	1
			Agree	8	3	11
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.5	I am satisfied that the Fund undertakes regular reviews of its member data, in line with Pensions Regulator guidelines		Strongly Agree	0	2	2
			Agree	8	2	10
		3	Neither Agree nor Disagree	0	0	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.6	A data improvement plan is in place, with progress against objectives reviewed regularly		Strongly Agree	0	1	0
			Agree	5	2	0
		3	Neither Agree nor Disagree	3	1	0
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.7	The Committee/Board is informed of changes to the Fund's key documents		Strongly Agree	1	1	2
			Agree	6	3	9
		3	Neither Agree nor Disagree	1	0	1
			Disagree	0	0	0
			Strongly Disagree	0	0	0

Question		No. of responses				
6	Documents and Policies					
			Committee	Board	Total	
6.8	I am aware of the Fund's business plan, including its goals and objectives		Strongly Agree	0	1	1
			Agree	7	2	9
		3	Neither Agree nor Disagree	1	1	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.9	There are adequate processes and a structure in place to monitor performance against the Fund's objectives		Strongly Agree	0	1	1
			Agree	7	1	8
		3	Neither Agree nor Disagree	1	1	2
			Disagree	0	1	1
			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”). There was also recognition of the challenges the Administering Authority had faced in losing a significant number of senior staff and the way in which it had responded.</p> <ul style="list-style-type: none"> • <i>“Whilst the fund has recently suffered from a loss of key senior managers I feel that this issue is being properly addressed, but still needs close monitoring)”</i> <p>However, concern was raised from one member of the PB that there were not adequate processes and structures in place to monitor the Fund’s officers or objectives. Furthermore, there was less agreement with the statement on whether there is a data improvement plan currently in place at the Fund</p> <ul style="list-style-type: none"> • <i>“Monitoring the Officers performance is not as transparent as it could be”</i> • <i>“I probably need to brush up on improvement plans”</i> • <i>“More comparative benchmarking would be helpful against other administering authorities and their performance of their funds”</i> 	<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. Consider the benchmarking options available to the Fund and communicate any recommendations to the PC and PB 3. Ensure an improvement plan is in place for the Fund and regularly reported to the PC and PB

General comments

General comments	Key Actions
<p><i>Overall</i></p> <p>As an overview of the PC and PB effectiveness the assessment provides a picture of generally strong agreement with the individual statements within each section. This, by itself, is encouraging as it 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.</p> <p>However, there appears to be a significant issue regarding the appreciation of the purpose and role of the PB, which we recommend further action is taken to address.</p>	<p><i>Key Actions</i></p> <ol 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 2. PC and PB members to be encouraged to complete TPR's online toolkit 3. Confirmation and communication to both the PC and PB on the Funds current improvement plan and the objectives

Prepared by:-

Pete Riedel and Andrew McKerns

4 December 2018

For and on behalf of Hymans Robertson LLP

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

24 January 2019

Board achievements against core functions

Purpose of the Report

1. To review the achievements of the Board against its core functions, as set out in the Board's terms of reference (ToR), since the Board's creation in April 2015

Background

2. The terms of reference for Wiltshire Pension Fund's (WPF) statutory Local Pension Board (LPB) follow national standards contained in guidance issued by the national LGPS Scheme Advisory Board. The majority of LPBs in England and Wales have adopted the SAB guidance and standards
3. Items 85 through to 88 of the LPB's ToR sets out a range of core functions that the Board are required to undertake following its formation. The core functions documented & which are set out below are sub-divided into more specific definitions within the ToR.
 - a) To assist the Administering Authority in securing compliance with Regulations, any other legislation relating to governance & administration of the Scheme and the requirements imposed by the Pensions Regulator (Item 85).
 - b) To ensure effective and efficient governance & administration of the Scheme (Item 86).
 - c) To make a request for information to the Committee with regard to any aspect of the Administering Authority's function (Item 87).
 - d) To make recommendations to the Committee which should be considered and a response made to the Board on the outcome of those recommendations (Item 88).
4. Appendix 1 presents the core functions of the LPB and the methods of performing its duties. The latter include reviewing WPF policies & processes, monitoring WPF performance, plus providing advice and making recommendations to the Administering Authority.

Based on the LPB's agenda, papers, minutes, and annual reports for the past 3 years, Appendix 1 presents an assessment of the Board's compliance with its terms of reference.

From this it can be seen that the LPB's compliance with its core functions and sub-tasks is good being in the region of 75%. In addition the LPB has also reviewed the funds compliance with GDPR, GMPs, and asset pooling.

The areas of non-compliance are in relation to some administrative topics (eg. reviewing individual employer performance/comms) and some investment topics (reviewing investments costs/performance). The former due to lack of individual employer data and the latter deferred until pre & post asset pooling savings data becomes available in the funds annual accounts.

Considerations for the Board

5. The Chair of the LPB and WPF officers will use the results of this assessment (and meetings with the S151 Officer and Chair of the Pensions Committee) to a) inform the future LPB work programme for 2019-2020 and b) as an input to the Wiltshire Council formal review of the LPBs terms of reference in 2020.
6. Members are asked to review the appendix & if required in conjunction with the ToR and provide additional comment on the Board's achievements against its core functions. Where it has been identified that a core function has not been entirely fulfilled consideration of any actions necessary should be taken bearing in mind the caveats identified in the background section above.

Environmental Impact of the Proposal

7. Not applicable.

Financial Considerations & Risk Assessment

8. There are no financial considerations.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Reasons for Proposals

11. To enable the Board to study and comment on the review of its achievements against its core functions.

Proposals

12. The Board are asked to recommend what, if any actions should be taken in light of the review.

Andy Cunningham
Head of Pensions, Administration & Relations

Report Author: Howard Pearce, Chairman of the WPF LPB & Richard Bullen, Fund Governance & Performance Manager

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

Appendix: Achievement of LPB core functions 2015-2018
Annex 1 - Local Pension Board – Progress against terms of reference

	Progress 2015/16	Progress 2016/17	Progress 2017/18	Frequency
85. The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to :	Y	Y	Y	Quarterly
a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.	Y	Y	Y	Quarterly
b) 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.	Y	Y	Y	Quarterly
c) Review the compliance of scheme employers with their duties under the Regulations and Relevant Legislation.	N	N	N	Not directly as individual employer data available
d) Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.	Y	Y	Y	Quarterly
e) Review scheme members and employers communications as required by the Regulations and Relevant Legislation.	Y	Y	Y	But not feasible for individual employers
f) Monitor complaints and performance on the administration and governance of the scheme.	Y	Y	Y	Quarterly
g) Review the Internal Dispute Resolution Process.	N	N	Y	Ad hoc
h) Review Pensions Ombudsman cases.	N	N	N	As no cases
i) Review arrangements for training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.	Y	Y	Y	Annual
j) Review the complete and proper exercise of employer and administering authority discretions.	Y	N	N	Ad hoc
k) Review the outcome of internal and external audit reports.	Y	Y	Y	Annually
l) Review draft accounts and Fund annual	Y	Y	Y	Annually

report.				
86. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:	Y	Y	Y	Quarterly
a) Monitor performance of administration, governance and investments against key performance targets and indicators.	Y	Y	Y	Quarterly but not for investments
b) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.	Y	N	Y	Triennially
c) Monitor investment costs including custodian and transaction costs.	N	N	N	N not done
d) Monitor internal and external audit reports.	Y	Y	Y	Annually
e) Review the risk register as it relates to the scheme manager function of the Administering Authority.	Y	Y	Y	Quarterly
f) Review the outcome of actuarial reporting and valuations.	Y	Y	Y	Annually
g) 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.	Y	Y	Y	Quarterly and in annual report

the guide for

local pension boards



CIPFA and its training partner for local pension boards, Barnett Waddingham, hold an annual event exclusively for local pension board members, supplemented with half-day regional events for local pension board members, and also for support officers.

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the guide for

\ **local pension
boards**

Published by:

CIPFA \ THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

77 Mansell Street, London E1 8AN

020 7543 5600 \ customerservices@cipfa.org \ www.cipfa.org

© May 2018 CIPFA

ISBN 978 1 84508 500 1

Designed and typeset by Ministry of Design, Bath
(www.ministryofdesign.co.uk)

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Foreword

Much experience has been gained since 31 July 2015, the deadline for the first meetings of local pension boards within the Local Government Pension Scheme (LGPS). The potential scope for boards, with their non-decision making role, to add value, was perhaps not fully appreciated at that time. Indeed, initially there were views that boards were an unnecessary additional layer of costs.

Since their establishment, experience has varied greatly between boards. In general terms however, their ability to add value by making recommendations to and gaining assurances on behalf of the pensions committee is becoming increasingly apparent. Boards have become critical but supportive friends of pensions committees. Many board members are voluntary yet want to justify their significant personal commitment by producing worthwhile outcomes. This desire has been justified by the expectations of two key external bodies, the Scheme Advisory Board (SAB) and The Pensions Regulator (TPR). The profile of both bodies has increased significantly since 31 July 2015. Regular surveys and engagement are now the norm, aimed at raising the bar for local pension boards.

CIPFA is committed to high standards of governance and in July 2015 the CIPFA Pensions Panel published [Local Pension Boards: A Technical Knowledge and Skills Framework](#). This new 2018 publication contains various ideas which could help local pension boards in their quest to add value and ensure that they fulfil the various requirements and responsibilities which rest on their shoulders. In Chapter 6, this guide refers to TPR's [Code of Practice 14: Governance and Administration in Public Service Pension Schemes](#), particularly the key issues of the degree of knowledge and understanding required of pension board members. However, it is no substitute for reading the full code, which should be read in conjunction with this guide.

This publication has been developed to add to the existing guidance produced by the SAB and seeks to offer further insight into a range of issues. The publication does not replace the existing SAB guidance or TPR Code of Practice and related guides.

CIPFA would like to thank Gerard Moore for preparing this guide, along with all those who contributed or provided assurance including representatives of the CIPFA Pensions Panel, chaired by Mike Ellsmore.

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Legislation and functions

This chapter sets out the basics of the key pieces of legislation pertaining to local pension boards.

PUBLIC SERVICES PENSIONS ACT 2013 (PSPA 2013)

The LGPS is a scheme under Section 1 of this Act, and as such the LGPS regulations must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it.
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by TPR.
- Such other matters as the scheme regulations may specify.

In making the regulations the responsible authority must have regard to the desirability of securing the effective and efficient governance and administration of the scheme and any connected scheme.

The above, and further requirements under PSPA 2013, were subsequently enacted within the LGPS Regulations 2013.

RELEVANT EXTRACTS FROM THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED)

106. (1) Each administering authority shall no later than 1 April 2015 establish a pension board ('a local pension board') responsible for assisting it

(a) to secure compliance with:

(i) these Regulations

(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme

(iii) any requirements imposed by The Pensions Regulator in relation to the Scheme and any connected scheme, and

(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.

(7) Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative.

(8) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

(9) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

The LGPS Regulations 2013 set out more details which reflect the requirements of PSPA 2013.

THE LGPS (INVESTMENT AND MANAGEMENT OF FUNDS) REGULATIONS 2016

There are two references to local pensions boards in these regulations and the associated guidance issued by the former DCLG (now MHCLG – see below).

As background, Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the secretary of state.

Regulation 7(2)(e)

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

In formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority:

- must take proper advice
- *should explain the extent to which the views of their **local pension board** and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.* (Italics and boldening added.)
- must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments
- should explain their approach to social investments.

Regulation 8

This enables the secretary of state to issue a direction if he is satisfied that an administering authority is failing to act in accordance with this guidance.

Before issuing any direction, the secretary of state must consult the administering authority concerned and before reaching a decision, must have regard to all relevant evidence including reports under Section 13(4) of the Public Service Pensions Act 2013, *reports from the scheme advisory board or from the relevant **local pension board***, and any representations made in response to the consultation with the relevant administering authority (italics added).

THE MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT

In January 2018, the Department of Communities and Local Government (DCLG) was renamed the Ministry of Housing, Communities and Local Government (MHCLG). The former DCLG in effect was, until the PSPA 2013, the sole regulator of the LGPS and was responsible for effecting relevant legislation.

Primary legislation refers to new laws which require an Act of Parliament for them to be in force.

Much of the detailed requirements under which the LGPS operates are issued via statutory instruments, such as the LGPS (Management and Investment of Funds) Regulations 2016. These represent secondary legislation which is much speedier to introduce.

Proposed changes of regulations issued by the MHCLG are open to prior consultation. There could be consultations on which boards may feel that they have a useful view to express.

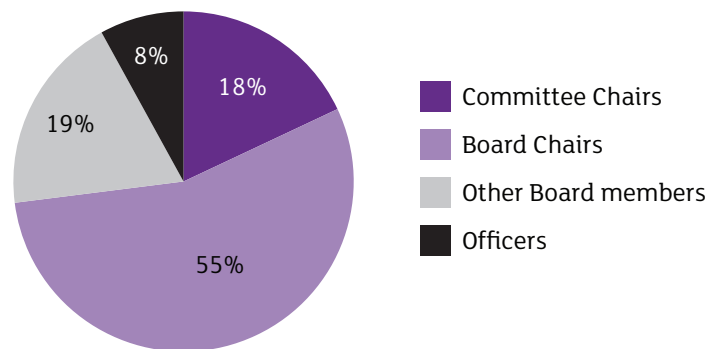
Board relationships

This chapter looks at how the local pension board interacts with other areas of the administering authority and also at other key relationships. Appendix IV has a governance map showing where boards fit in.

In the autumn of 2017 the SAB issued a survey to all funds entitled *Survey of LGPS Local Pension Boards*, which was to be independently responded to by both committee and board chairs.

The scale of responses was below expectations, which may be a reflection of a lack of engagement and/or lack of resources to effectively manage the pensions function. Seventy-four percent of the responses were received from board chairs and members. Figure 2.1 gives a breakdown of the survey respondents.

Figure 2.1: Survey respondents

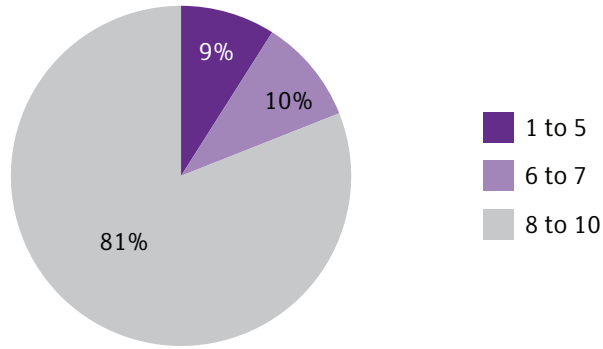


The results below should therefore be considered indicative and in the context of further work by the SAB in the future.

At the time of writing this guide, an analysis, conclusions and recommendations from the narrative responses were not available, so the details that follow only cover those quantifiable answers.

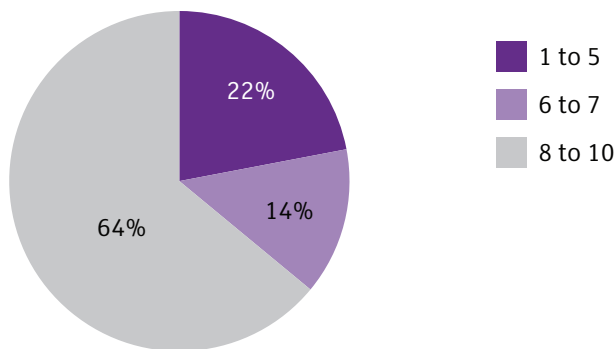
A healthy 81% of respondents gave a score of at least eight out of ten, to reflect the relationship between the administering authority and the board, though 9% scored a five or lower.

Figure 2.2: Relationship between administering authority and board



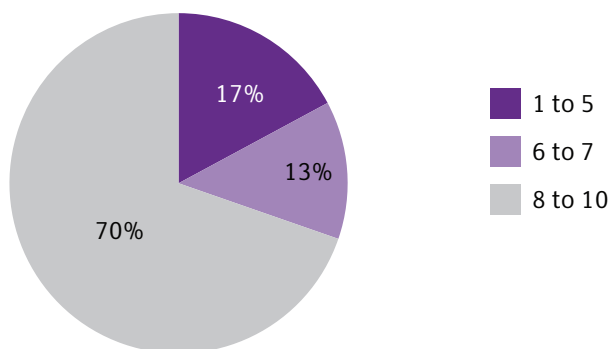
Less positive was the relationship between the pension committee and the board, with a worrying 22% scoring a five or lower. This statistic could represent a combination of dissatisfaction from a committee perspective as to perceived lack of achievements of the board, and frustration from boards about perhaps not having a meaningful enough role to justify their time commitment to the knowledge and skills requirements. It seems important to reflect locally on whether the relationship needs a review. If so, some of the aspects identified in the following paragraphs could be of use.

Figure 2.3: Relationship between committee and board



Bringing together the effectiveness of communication between the three parties, the administering authority, pensions committee and board, a higher figure of 70% scored it at least eight out of ten, and a lower figure of 17% scored a five or lower.

Figure 2.4: Overall relationship between administering authority, committee and board



RELATIONSHIP WITH THE PENSIONS COMMITTEE OR PENSIONS PANEL

So what can be done to improve the ratings in Figure 2.3?

Access to agendas

It can be argued that, to effectively perform their functions, boards need access to both the open and closed areas of the agenda of the pensions committee. If meetings of the board are held in public, appropriate arrangements would be required to deal with 'exempt' items.

Cross observation

Arrangements whereby the board, or the board chair, attend the full meeting of the pensions committee, and similarly the chair/vice chair of the pensions committee attends meetings of the board, are to be commended. This immediately establishes transparency and with it mutual trust. This helps in both directions: the board is helped when reviewing the agenda and minutes of the previous pensions committee and the pensions committee is helped when the board is examining an item in some depth, such as the breaches log, and then making its observations and recommendations to the pensions committee.

Meetings of both chairs

An alternative approach is for regular meetings of the chairs of the committee and the board. To be of optimal value, this should be at least half-yearly.

Feedback mechanisms

The 2017 SAB survey indicates that 63% of respondents gave a score of at least eight out of ten to reflect the ability of the board to make recommendations to the pensions committee, with 21% scoring a five or lower. A broadly similar 67% scored at least eight out of ten rating of the administering authority's response to any such recommendations, with 21% scoring a five or lower. These responses could reflect views on the ability (knowledge and skills), opportunity (a meaningful role and agenda) and a process for a board to make recommendations to the committee.

If we look at process, the board should routinely receive the minutes, or draft minutes, of the previous pensions committee. However, there are various options for the pensions committee to learn of the outcomes of meetings of the board. As board minutes can extend to several pages, a suitable executive summary could be made as an agenda item at the following meeting of the committee. This could summarise the recommendations of the board, with the appropriate justifications. It could list the assurances the board has gained, with sources. It could also highlight any other issues the board believes would be of interest to the committee.

Requests from the committee and recommendations and assurances from the board

Ideally a board can have an early look at some detailed reports and make recommendations and observations to help focus committee members on the high level messages. One such

example is for a board to examine the list of recorded breaches and probe for common weaknesses, eg with particular employers, or in specific activity areas, such as poor key performance indicators (KPIs) in areas such as the timely processing of new members forms, of notifying the amounts of benefits payable on retirement and the provision of annual benefit statements. Additionally, boards could examine and make recommendations on draft strategy statements, such as investment strategy, communications strategy and administration strategy.

Joint training

Perhaps the majority of training in the two years following the inception of boards has been arranged jointly for pension committees and pension boards. However, the need to comply with MiFID II from January 2018 may force a change of approach. Under MiFID II, the knowledge and understanding of pension committees regarding investment issues is judged as a whole, including the experience of key support officers and investment advisers. However, for boards whose primary focus is on administration, each board member is expected to be conversant with the regulations and with the law. With these differing requirements, the provision of future training may need to be targeted more specifically.

RELATIONSHIP WITH FUND OFFICERS

Some boards will have a designated board secretary to service the board. This is generally seen as helpful. We have noted in Figure 2.2 that 81% of respondents gave a score of at least eight out of ten, to reflect the relationship between the administering authority (taken as a proxy to represent the officers) and the board.

Agenda setting, work programme and training programme

All three are areas where the relationship between the board secretary and board chair is of key importance.

Commissioning special reports for the board

This can help the board gain assurances in areas that may not otherwise receive scrutiny as perhaps they were not deemed of sufficient importance to justify an appropriate time resource at the committee. An example is examining detailed projections of cash flows, including arrangements for disinvestment should cash income to the fund (from contributions and investments) be insufficient to meet expenditure (payments of benefits). Communication with scheme members is another such area, with the board able to examine sample documents for ease of understanding, comprehensiveness etc. A number of boards have commissioned reviews of the scheme's governance by an external party and this has provided a useful benchmark for boards in contributing to the governance of the scheme.

When commissioning reports, the board would need to consider whether the board secretary has the capacity to undertake reviews in the light of other day to day pressures from pooling or whether external support is required.

Assisting the officers with appropriate recommendations to help improve the quality of data

Where officers are reporting concerns, perhaps as revealed in the breaches log, regarding the timely submission of accurate data from all scheme employers, the board can make recommendations and observations which officers can use to help ensure that scheme employers fulfil their obligations, as reflected in the administration strategy. In addition, should there be an annual employers' conference – the board chair can use that opportunity to reinforce these messages.

Section 151 officers

There is merit in the chair of the board having an annual or semi-annual meeting with the Section 151 officer. This gives an opportunity to discuss any overarching concerns. The role and expertise of the Section 151 officer has become more critical due to the requirements of complying with the MiFID II regulations. It is usually the Section 151 officer who bears responsibility for the effective management of the pension fund, and thus for ensuring appropriate resourcing. As such, boards can express their concern should they feel poor KPIs reflect an under-resourced or under-skilled pensions function.

Internal auditors

The board could potentially invite the internal auditors to present on the findings of any internal audit reports recently completed.

RELATIONSHIP WITH SCHEME MANAGER

In some cases, the scheme manager is a named person, or more commonly, a named role. There appears to be an expectation from the regulator that the scheme manager is quite 'hands-on' rather than being a token figure. The generic application of the term can sometimes lead to confusing responses to surveys. When the opportunity arises to review the terms of reference, and/or perhaps the constitution, consideration could be given to this issue.

RELATIONSHIP WITH THE LOCAL PENSION POOLING PARTNERSHIP

This is separately discussed in Chapter 9.

RELATIONSHIP WITH OTHER EXTERNAL SUPPLIERS OF SERVICES TO THE FUND

This is particularly important should the administering authority use a **third party administrator**, or participate in a **shared service** arrangement for administration. A key focus should be on data quality, so a board could both examine any service level agreement (SLA) and determine what reports it needs from its administrator in order to fulfil its functions. This would also involve examining those KPIs resting with the administrator.

With so much of the regulator's focus being on administration, there needs to be a sufficient component on each board agenda relating to information from an outsourced administrator, and boards may need to probe quite deeply to gain appropriate assurances. The administering authority cannot, however, delegate accountability to third party administrators.

It is possible that the board could seek reassurances from the **scheme actuary** regarding the quality of data made available for the triennial valuation. Similarly, reassurances from the **Government Actuaries' Department (GAD)** could be sought regarding the quality of the data used for its Section 13 reports.

A board can examine the investment monitoring reports from **asset managers**, and/or in due course from the pool, to consider whether those reports are structured to allow the pensions committee to easily understand how well the mandate is performing relative to its requirements. This ideally means comparing performance **net** of investment management charges and associated investment costs, but should ensure consistency between the gross or net assumptions within the funding strategy statement and the investment strategy statement and the performance monitoring being reported to the committee. The transparency of investment management costs could also be examined.

Board structure and operations

This chapter sets out the governance requirements of the board and issues to consider when establishing the board structure and operations.

TERMS OF REFERENCE

The 2017 SAB survey indicated that 100% of respondents had terms of reference (TORs) in place. Of these, 80% of respondents gave a score of at least eight out of ten, although 8% scored a five or lower.

Are the original TORs still appropriate in the light of experience? Are they too rigid? Are they a constraint to a board achieving to its potential? Are the number of representatives from the employers and scheme member side still appropriate in the light of experience?

Generally speaking, it appears that very few agenda items lead to split votes. Are the voting rights clear? Is it clear that an independent chair had no vote? Is it clear what to do in the event of a tied vote?

A revision of the TORs might well require an item on the agenda of full council, so perhaps an annual or biennial review is sensible, but best to avoid frequent little tweaks.

Some, but not all, TORs include internal procedures to be followed in the event of a difference of view between the board and the committee, eg regarding whether to report a breach of the law to the TPR.

SELECTION AND ROLE OF VOTING MEMBERS

Under paragraph 106 (7) of the LGPS Regulations 2013 (as except where a local pension board is a committee approved under paragraph 2) no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative.

In the light of experience, are the arrangements in place for the appointment of the original board members still appropriate, or are changes needed? Is the selection process too rigid and/or costly in terms of time and resources now that replacements are being required? If ballots of scheme members are currently required, is the process too complex? Is there a more practical approach? If there is an interview panel approach, is it effective, and does it offer an opportunity to identify a pool of potential future candidates in the event of further vacancies on the board? Or is basic head hunting the least costly, faster and most effective process? What has become increasingly clear is the value of appointing board members who can bring relevant skills and experience.

An interesting question is whether there should be a 'job description equivalent' for board members, and maybe a person spec. This could help reduce early turnover with all parties having a good understanding of both the expectations and demands of the role. Note that CIPFA's publication [Local Pension Boards: A Technical Knowledge and Skills Framework](#) (July 2015) shows a suggested job description and role profile for the chair of a pension board.

Appendix I sets out a suggested 'at a glance' summary of the potential role and expectations of pension board members.

Although individual board members may be employed by or represent specific organisations, they act on behalf of all scheme members and employers in their role on the board. Ideally scheme member representatives should be able to feed back to their members, and there are various routes for this including, where appropriate, via trade unions or perhaps by including an article on the board's role and activities in a bulletin for scheme members produced by the fund.

Appendix II sets out a similar description for pension board chairs.

Under the TPR's Code of Practice 14, those responsible for appointing members to a pension board should consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its role, responsibilities and duties.

Regarding the periods of appointment, is a cliff-edge 'all change' scenario avoided? Are the appointment periods staggered? Should a scheme member representative change status, eg from active to deferred or to retired; do or should the terms of reference mitigate the danger of losing an experienced board member?

SELECTION OF EMPLOYER REPRESENTATIVES

In the light of experience, and in particular the focus of TPR on data and processes, do the current appointees bring the right skill set to the board? As the administering authority is reliant on accurate and timely information flows from scheme employers, are suitable practitioners on board? Elected members are subject to the ballot box at pre-determined periods – is the board subject to the same cliff-edge scenario as the pensions committee? Can some risk mitigation be brought in? The overarching issue is that scheme employer representatives do not solely represent their particular employer on the board, and ideally bring employer experience to the table.

SELECTION OF SCHEME MEMBER REPRESENTATIVES

Two dimensions dominate this subject: the issue of representation across the 'active', 'deferred' and 'pensioner' categories all being represented, and whether or not any/all scheme member representatives need to be trade unions representatives, and if so who appoints them. Scheme member representatives should be representing all scheme members, although varied membership can bring advantages. All these are for local decisions, but from experience, too rigid an arrangement can result in the loss of effective board members should they change status, eg retire.

DE-SELECTION OF BOARD MEMBERS

Are the criteria spelt out in the terms of reference? Is there a degree of discretion, for example to avoid automatically losing a skilled and experienced board member who through circumstances has been unable to attend a series of meetings? Is the process clear? Or is this a looser arrangement altogether? Is attendance at training events poor? Do training needs analyses indicate little progress? Or do individual board members not yet fully understand their role?

It appears that the expectations of and results of surveys by the both TPR (see Chapter 5) and the SAB (see Chapter 4) are focusing in on areas of underperformance. Indeed TPR can, under its reserved powers, replace a board. In terms of reputational risk to the administering authority, in-house solutions aimed at avoiding this outcome are clearly preferable. The ability of a board to do its own self-assessment can highlight issues of performance. Unlike a pensions committee, each board member is separately accountable for their performance, their commitment to training and their attendance.

RESIGNATIONS OF BOARD MEMBERS

These could be due to any number of reasons, such as losing an election, leaving a specific role which was a requirement for appointment in the first place, losing the required capacity regarding time commitment, all of which to an extent are subject to external factors.

However, some reasons could relate to the way to board is being run, eg board members had erroneously expected the role to involve more decision making, but more worrying should be a frustrated board which feels it could achieve more and better outcomes if it was given more scope. Issues such as board members/chair not being allowed to observe at the pensions committee, or perhaps only being allowed access to the public part of the agenda, do cause frustrations and a feeling of not being appreciated, and represent a risk that can easily be mitigated.

A particular concern in some quarters is the potential exposure to fines from TPR, or potential legal action liabilities for non-performance or negligence. This highlights the need for the administering authority to bring a satisfactory local conclusion to the issue of insurance or indemnity for its board members, [following the views of James Goudie Q.C.](#)

NUMBER OF BOARD MEMBERS

In the 2017 SAB survey, regarding the number of voting board members, an arrangement with two employer representatives plus two scheme member representatives (ie 2+2) was the minimum. A 3+3 or a 4+4 were equally common, up to 6+6. Decisions regarding numbers may be influenced by the availability, or otherwise, of suitable candidates, so over-optimism on this aspect may result in unfilled vacancies, and hence poor attendance records.

Linked to size is the issue of the quorum for meetings of the board. One would expect that both employer and scheme member sides must be represented for a meeting to be quorate, although the numbers at each meeting do not need to be equal. A 2+2 is therefore the most vulnerable arrangement.

Other dimensions to consider are the opportunities for all board members to contribute and for meetings to be manageable.

INDEPENDENT CHAIR OR VOTING CHAIR?

When the requirement to establish local pension boards was established, amid doubts as to their value, many administering authorities went for a low-cost option, involving a rotating voting chair, with scheme member representatives and scheme employer representatives alternating every year or two. Others went for a non-voting independent chair and, where independent chairs are remunerated, budgeted accordingly.

Generalising, and recognising that there are exceptions, independent chairs can bring wider and relevant experience, can take pressure off the board secretary by drafting the annual report of the board, and perhaps (help) setting board agendas. They also are often more likely to have a wider awareness of current and future developments within pensions generally. Similarly, it is likely that they will have a greater input into the work programme and the training programme.

It is interesting that TPR has indicated its higher level of expectations from independent chairs.

PAYMENT AND/OR EXPENSES FOR ALL BOARD MEMBERS?

Some authorities do make an allowance, inclusive or exclusive of expenses. As the demands on board members are increasingly being appreciated, this may become more common.

The 2017 SAB survey indicated that 37% of chairs and 21% of other board members are remunerated, whereas 87% of all board members can claim expenses.

FREQUENCY OF MEETINGS

This will be determined by the terms of reference. These may also allow the chair to call additional meetings at his/her discretion, sometimes with requirements to seek approval from the scheme manager.

The experience of the first two years indicated an increase in frequency of meetings.

Some terms of reference allow additional meetings to be held via arrangements such as video conference, teleconference or email, especially if an independent chair does not live locally. These would normally be restricted to issues of an urgent nature, eg a request from a board in the same pensions pool seeking views from all other boards whose funds are in the same pool. The usual protocols for publishing agendas should be followed.

Recent surveys indicate a significant variance in the frequency of meetings, and guidance may be forthcoming. For now, informal discussions with TPR and the SAB suggest four per annum as a suitable number. Indeed, in the 2017 SAB survey, the majority (54%) of boards meet four times a year, whereas 29% only meet twice.

PERFORMANCE OF THE BOARD

Consideration can be given to how effectively the board works.

At time of publication, there are not any formal standard KPIs for local pension boards, although some have been adopted locally.

KPIs reflecting inputs are relatively easy to identify, set appropriate targets for and quantify, eg percentage attendance at meetings, number of meetings which were quorate, number of training events attended.

However, KPIs reflecting outcomes are more problematic. As an example, trying to set targets for the number of recommendations made by the board is influenced by the existing standard of administration: the better it is, the less scope for making recommendations. Training targets could be set and monitored.

The ultimate test is whether the pensions committee is satisfied with the performance of its board.

The Scheme Advisory Board

The Local Government Pension Scheme Advisory Board (SAB) is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110 to 113.

PURPOSE

The purpose of the board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

It will consider items passed to it from the (MHCLG), the board's sub-committees and other stakeholders as well as items formulated within the board. Recommendations may be passed to the MHCLG or other bodies. It is also likely that it will have a liaison role with TPR. Guidance and standards may be formulated for local scheme managers and pension boards.

On 1 April 2015 the board was established as a statutory body, and the formal membership was confirmed early in 2016 with non-voting members and advisors added in the summer of the same year.

BUDGET AND WORK PROGRAMME

The board is required to submit a budget and work programme to the secretary of state each year for approval. Once approved the budget for the board is funded via a statutory levy on LGPS administering authorities, which is classified as an administration expense and therefore can be recharged to the pension fund.

Agendas and minutes of SAB meetings and sub-committees are available on the SAB website.

SAB MEMBERSHIP

The membership of the board is designed to include a broad spectrum of scheme stakeholders. Members have been appointed either by appropriate representative bodies or by nomination and election. At time of publication, the SAB consists of a chair (Cllr Roger Phillips) a vice chair (Jon Richards of UNISON), six employer representatives and six scheme member representatives, along with three non-voting members.

SUB-COMMITTEES

At time of publication, the SAB has two sub-committees:

- Cost Management, Benefit Design and Administration Sub-committee
- Investment, Governance and Engagement Sub-committee.

GUIDANCE

The SAB has issued guidance on a number of topics, including on the establishment of local pension boards and template terms of reference, but more recently on the issuing of annual benefits statements.

SAB SURVEYS

In 2017, the SAB undertook a survey of local pension boards. The scale of response was worryingly low, especially from smaller funds, so the overall summaries and conclusions may well not be truly representative. The findings have been interwoven within Chapters 2 and 3.

COMMENTS

The SAB can seek to clarify certain issues on behalf of all LGPS funds, for example, the SAB sought a view from James Goudie QC regarding the legal liability aspect of local pension boards being established by legislation that did not come under the umbrella of various local government acts. The SAB is always interested to learn of any other common issues on which legal advice can be sought on behalf of all funds.

The SAB is also keen on learning of any aspects of the regulations which colleagues feel are proving problematic and could be improved.

The SAB does hold the annual reports of all funds, and also produces a combined annual report for the LGPS which contains some useful stats that local pension boards may want to be familiar with regarding the scheme as a whole.

Finally, there is strong evidence that the SAB, TPR and MHCLG are liaising well and giving consistent messages.

Please note that it is important for the administering authority to notify LGA/SAB of any changes to board membership or contact details.

The Pensions Regulator

Established under provisions of the Pensions Act 2004, The Pensions Regulator (TPR) became a regulator of the LGPS with effect from 1 April 2015 under the Public Services Pensions Act 2013. It is important to recognise that TPR not only regulates the LGPS as a whole, but increasingly monitors each individual fund. As such it is most important for pension funds to ensure that all communications from TPR are handled with due speed and completeness.

TPR's [website](#) is a valuable source of information.

POWERS OF TPR

The powers available to TPR, the full list of which [can be found on its website](#), are either:

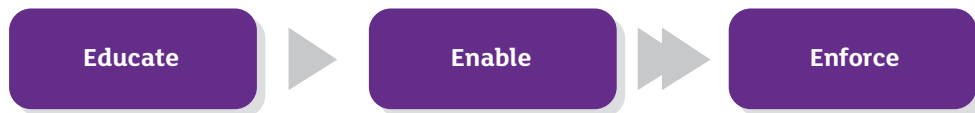
- basic powers, which can be made independently by TPR staff or
- reserved powers, which can only be used by TPR's Determination Panel.

The powers include the following:

- Appoint a skilled person to assist the pension board.
- Civil penalties – up to £5,000 to an individual or £50,000 to a corporate body.
- Collect data through the scheme return.
- Criminal prosecution.
- Improvement notices and third party notices – require specific action to be taken within a certain time.
- Information – require any relevant person to produce any relevant document or information.
- Inspection – at own premises and/or premises of a third party.
- Publish reports about a case (which might include naming those at fault).
- Recover unpaid contributions from employers on behalf of the scheme manager.
- Report misappropriation – notify the scheme manager about pension board conflicts or misuse regarding assets.
- Skilled person report – require scheme managers to provide a report made by a skilled person nominated by the regulator.

LEVELS OF APPROACH

The three levels of involvement initially established by TPR are:



The ‘educate’ function

This was the initial focus of TPR for the LGPS. TPR has various means of helping administering authorities and pension boards, including [The Trustee Toolkit](#), with a special version for public sector schemes, set to be updated in 2018.

All board members are encouraged to complete the toolkit; indeed in many cases all board members are expected/required to do so. See Chapter 8.

The ‘engage’ function

For individual issues, TPR endeavours to use the ‘engage’ process to resolve cases, rather than go direct to the ‘enforce’ powers.

From 2016 TPR put more emphasis on this component, and the following represent types of engagement:

- More visible engagement at conferences.
- Willingness to attend meetings of local pension boards, or regional meetings (and TPR does monitor which funds attend its events). There is a [speaker request form](#) on TPR’s website.
- Offers to keep interested parties aware of developments, such as their annual set of priorities, [by way of email](#).

The ‘enforce’ function

Unless there has been a particularly serious breach of the law, TPR endeavours to use this as a last resort, if it has failed to achieve compliance by using the ‘engagement’ stage.

In 2017, TPR levied the first fine on a public sector pension fund, which happened to be an LGPS fund for non-return of the scheme annual return.

SCHEME ANNUAL RETURN

Funds will normally be asked to submit an annual scheme return. This may become more refined over time. From 2018, the annual return will include feedback on the inclusion and accuracy of common and scheme-specific data, together with a data improvement plan, including resources and timescales:

- Common data: name, address, national insurance number, date of birth etc.
- Scheme-specific data: other member specific data such as service history.

SCHEME ANNUAL SURVEY

TPR also may request that an annual survey be completed and it may require this to be completed online. It may request completion by individuals holding specific roles, such as scheme manager, committee chair or board chair. Since TPR monitors individual funds, completing its surveys is strongly recommended.

HELPFUL INFORMATION FROM TPR'S WEBSITE

- Improvement plan guidance.
- Annual benefits statement guidance:
 - general
 - checklist
 - key information for members.
- Data measuring guidance.
- Internal controls checklist.
- Public service – scheme self-assessment toolkit.
- Public service – personal self-assessment tool.
- Reporting a breach.
- Risk register example.
- Trustee Toolkit.

Board members (and others) can sign up for TPR's email updates.

TWENTY-FIRST CENTURY TRUSTEESHIP

This TPR initiative is designed to drive up standards of governance across all pension funds, public and corporate.

Funds should be aware of the standards required, particularly relating to:

- good governance fundamentals
- a clear understanding of roles and responsibilities
- a clear purpose and strategy.

To achieve this, TPR will:

- be clearer on the standards expected from trustees and key players and communicating these expectations
- use bolder enforcement against non-compliance with governance standards (ie scheme return completion)
- encourage consolidation where schemes are unwilling or unable to deliver good governance, including value for members (corporates).

Thus TPR has become:

Quicker

Clearer

Tougher

by intervening more quickly and using some of its powers for the first time.

TPR'S DIRECT CONTACTS WITH LOCAL PENSION BOARD CHAIRS

Note that TPR does on occasions contact board chairs directly, so it is important for the administering authority to notify it of any changes to board membership or contact details.

TWITTER ACCOUNT

TPR's Twitter account is [@TPRgovuk](#).

GENERAL DATA PROTECTIONS REGULATIONS 2016 (GDPR)

Although compliance with these regulations, effective from 25 May 2018, is an appropriate topic for board scrutiny, the Information Commissioner's Office (ICO) is the relevant regulator, not TPR.

[ICO's GDPR guidance](#) is available on its website.

The Pension Regulator's Code of Practice 14

TPR's Code of Practice 14: Governance and Administration in Public Service Pension Schemes (initial public sector version April 2015) sets out the legal requirements for public service pension schemes in respect of those specific matters. It contains practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

The code, covering 275 paragraphs, is structured as a reference for scheme managers and pension boards to use to inform their actions in four core areas of scheme governance and administration:

- governing your scheme
- managing risks
- administration
- resolving issues.

This chapter refers extensively to both the background and the first part of the governance element of the code, 'Knowledge and understanding required by pension board members', as that sets the scene for the role, expectations and demands on pension board members. Where appropriate, the relevant paragraph number in the code is quoted.

It is important to note that:

Codes of practice are not statements of the law and there is no penalty for failing to comply with them. It is not necessary for all the provisions of a code of practice to be followed in every circumstance. Any alternative approach to that appearing in the code of practice will nevertheless need to meet the underlying legal requirements, and a penalty may be imposed if these requirements are not met. When determining whether the legal requirements have been met, a court or tribunal must take any relevant provisions of a code of practice into account. (Paragraph 5)

In this context, it is important to note that **must** implies a legal requirement and **should** refers to practical guidance and the standards expected by the regulator.

This code is particularly directed at scheme managers and the members of pension boards of public service pension schemes and connected schemes. Scheme managers must comply with various legal requirements relating to the governance, management and administration of public service pension schemes. Pension boards must also comply with certain legal requirements, including assisting scheme managers in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration

of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations. The role, responsibilities and duties of pension boards will vary. (Paragraph 12)

Scheme managers and pension boards (where relevant) may be able to delegate some activities to others, or outsource them, although they will not be able to delegate their accountability for complying with a legal requirement imposed on them. (Paragraph 14)

Outsourced services such as administration can represent a considerable challenge to boards, who would expect to find sufficient knowledge and awareness remaining within the authority's staff to enable the contract to be effectively overseen and managed, and seek on-going assurances that the outsourcer is complying appropriately.

Each public service pension scheme has one or more persons responsible for managing or administering the scheme. Public service pension schemes can have different persons acting as scheme manager for different parts of the pension scheme. (Paragraph 22)

Has (or have) the scheme manager(s) been identified?

KNOWLEDGE AND UNDERSTANDING REQUIRED BY LOCAL PENSION BOARD MEMBERS

A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. (Paragraph 34)*

Being 'conversant' means having a working knowledge of the scheme regulations and policies, so that pension board members can use them effectively when carrying out their duties. (Paragraph 40)

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations. (Paragraph 35)*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board. (Paragraph 36)

The legislative requirements about knowledge and understanding only apply to pension board members. However, scheme managers should take account of this guidance as it will support them in understanding the legal framework and enable them to help pension board members to meet their legal obligations. (Paragraph 37)

Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented. (Paragraph 38)

Does the board know who this person (or these persons) is (or are)?

However, it is the responsibility of individual pension board members to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the pension board. (Paragraph 39)

Schemes should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. (Paragraph 46)

In paragraph 42, the code sets out “examples of administration policies which the regulator considers to be particularly pertinent and would expect to be documented where relevant to a pension scheme, and with which pension board members must therefore be conversant where applicable”. It is worth cross checking against this list to ensure each has been, or is planned to be, considered.

For the LGPS:

Documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement. (Paragraph 43)

Paragraph 44 states that:

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme.

Paragraph 45 describes the board’s role relative to additional voluntary contributions schemes (AVCs).

DEGREE OF KNOWLEDGE AND UNDERSTANDING REQUIRED

Paragraphs 49 to 52 indicate that pension board members must have:

- a working knowledge of their scheme regulations and documented administration policies
- knowledge and understanding of the law relating to pensions (and any other prescribed matters) sufficient for them to exercise the functions of their role and
- be able to identify and where relevant challenge any failure to comply with:
 - the scheme regulations
 - other legislation relating to the governance and administration of the scheme
 - any requirements imposed by the regulator, or
 - any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator
- and their breadth of knowledge and understanding should be sufficient to allow them to understand fully and challenge any information or advice they are given.

The above represents a considerable challenge to board members.

ACQUIRING, REVIEWING AND UPDATING KNOWLEDGE AND UNDERSTANDING

Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. (Paragraph 55)

Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post. (Paragraph 56)

Pension board members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses. (Paragraph 57)

Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. (Paragraph 60)

See paragraphs 55 to 60 for more details.

CONFLICTS OF INTEREST

Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed. (Paragraph 68)

See the full Code of Practice paragraphs 61 to 91 for more details.

PUBLISHING INFORMATION ABOUT SCHEMES

The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date. (Paragraph 92)

Scheme managers must keep records of pension board meetings including any decisions made. (Paragraph 133)

See paragraphs 92 to 99 and 133 to 134 for more details.

MANAGING RISKS

Internal controls

Internal controls are systems, arrangements and procedures that are put in place to ensure that pension schemes are being run in accordance with the scheme rules and other law. They should include a clear separation of duties, processes for escalation and decision making and documented procedures for assessing and managing risk, reviewing breaches of law and managing contributions to the scheme. (Paragraph 13)

Not all risks will have the same potential impact on scheme operations and members or the same likelihood of materialising. Schemes should consider both these areas when determining the order of priority for managing risks and focus on those areas where the impact and likelihood of a risk materialising is high. (Paragraph 109)

Schemes should consider what internal controls are appropriate to mitigate the main risks they have identified and how best to monitor them. (Paragraph 111)

See paragraphs 101 to 112 for more details.

Monitoring controls effectively

Risk assessment is a continual process and should take account of a changing environment and new and emerging risks, including significant changes in or affecting the scheme and employers who participate in the scheme. (Paragraph 113)

Outsourcing services

The legal requirements relating to internal controls apply equally where schemes outsource services connected with the running of the scheme. Providers should be required to demonstrate that they will have adequate internal controls in their tenders for delivering services. The requirements should be incorporated in the terms of engagement and contract between the scheme and service provider. (Paragraph 119)

See paragraphs 119 to 120 for more details.

This should be an area of keen interest for a pensions board. It provides a good opportunity to add value. There are various approaches, such as looking at a specific subject area of the risk register at each board meeting, looking at new risks as they arise, such as resulting from changes in legislation (eg MiFID II), or focusing on the top risks. Ideally the pensions committee should determine an appropriate role for the board as a means of assisting the scheme manager.

Regarding outsourced contracts, the ability to effectively manage and monitor that contract is essential, particularly with regard to internal controls and risk.

ADMINISTRATION

Paragraphs 122 to 146 are mission-critical to board agendas, including establishing and operating internal controls (paragraph 125), the requirements on participating employers to provide scheme managers with timely and accurate data in order for the scheme manager to be able to fulfil their legal requirements (paragraph 128), and the requirement to retain records for as long as they are needed (paragraph 135).

Paragraph 138 expects schemes to continually review their data and carry out a data review exercise at least annually, with paragraph 141 indicating that where schemes identify poor quality or missing data, they should put a data improvement plan in place to address these issues.

Where the management of scheme data has been outsourced, it is vital that schemes understand and are satisfied that the controls are in place that will ensure the integrity of scheme member data. (Paragraph 139)

Schemes should ensure that member records are reconciled with information held by the employer. (Paragraph 142)

See the full code of practice for more details.

Record keeping appears as an ongoing priority of TPR. The topic should feature appropriately on board agendas.

Administration: maintaining contributions

Paragraph 147 sets out the requirements for monitoring receipt of employer contributions, while paragraph 148 does the same for employee contributions.

As part of the requirement to establish and operate adequate internal controls, scheme managers should ensure that there are effective procedures and processes in place to identify payment failures that are – and are not – of material significance to the regulator.

(Paragraph 150)

Reporting payment failures of employer contributions as soon as ‘reasonably practicable’ means within a reasonable period from the scheme manager having reasonable cause to believe that the payment failure is likely to be of material significance to the regulator.

(Paragraph 182)

In the case of an employer failing to pay employee contributions to the pension scheme, if the scheme manager has reasonable cause to believe that the payment failure is likely to be of material significance to the regulator, the failure must be reported to the regulator and members within a reasonable period. (Paragraph 184)

See paragraphs 147 to 186 for more details, as much more guidance is shown than can be covered here.

This is an easy area for the board to scrutinise, as it should be straightforward to establish and maintain suitable procedures and records. But are those records in place?

Administration: providing information to members

This section summarises the legal requirements relating to benefit statements and certain other information which must be provided. (Paragraph 187)

Schemes should design and deliver communications to scheme members in a way that ensures they are able to engage with their pension provision. Information should be clear and simple to understand as well as being accurate and easily accessible. (Paragraph 207)

This should be an area of keen interest for a pensions board. The provision of annual benefit statements to active and deferred members has a specific legal deadline (currently 31 August), and in many circumstances failure to achieve this deadline could be deemed ‘of material significance to the regulator’ and therefore be reportable. Equally, there are other responsibilities, such as time targets for processing payments of benefits and issuing of estimates of pension payments, which should feature among the KPIs that are regularly reviewed by the board. Finally, the board can examine standard letters for ease of understanding.

See paragraphs 187 to 211 for more details.

RESOLVING ISSUES

Internal dispute resolution

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme. (Paragraph 213)

See the full Code of Practice paragraphs 213 to 240 for more details.

Reporting breaches of the law

While the code sets out in great detail guidance to help determine whether a breach of law is reportable to the regulator, lists of **recorded** breaches should equally be of interest to the board. These are breaches which are not deemed to be of material significance to the regulator (see below).

Lists of recorded breaches give indications as to the overall quality and timeliness of data flows and transactions, and whether processes are in place to capture individual activities which may not perhaps have been completed within appropriate timescales. The key for the board is to understand why such breaches occurred.

Similarly, when using the 'traffic light' system (red, amber, green: RAG) to determine whether or not a breach is of material significance to the regulator, a board may wish to inspect the documented process by which the decision was made that the breach was merely recordable, not reportable. More than one red light out of the four elements examined for a breach would normally be expected to lead to that breach being reported to the regulator. But each breach should be individually analysed.

TPR has a downloadable [Public Service Toolkit](#) for breaches.

Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:

- *a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with*
- *the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions. (Paragraph 241)*

So who is expected to report a breach?

Paragraph 242 lists those people and role holders, including scheme managers, members of pension boards, participating employers and professional advisers, and paragraph 245 indicates that they should establish procedures to enable them to do so.

Paragraph 242, note 128, states that:

The legal requirement to report breaches of the law under Section 70(1)(a) of the pensions Act 2004 is imposed on the 'managers' of a scheme, which the regulator generally takes to be the 'scheme manager' identified in scheme regulations in accordance with the 2013 Act.

The report must be made in writing as soon as reasonably practicable. (See definition in Section 70 (2) of the pensions Act 2004.) (Paragraph 243)

In deciding whether a breach is likely to be of ‘material significance’ to the regulator, it would be advisable for those with a statutory duty to report to consider the:

- *cause of the breach*
- *effect of the breach*
- *reaction to the breach, and*
- *wider implications of the breach. (Paragraph 253)*

When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the regulator. (Paragraph 254)

Finally, paragraph 272 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality.

See paragraphs 241 to 275 for more details.

Work programmes for local pension boards

This chapter considers the issues to be considered when determining the work programme for the board.

The frequency and duration of board meetings will determine the potential size of board agendas. There is a danger that a board could simply represent a re-run of the previous pensions committee.

Due to the range of responsibilities for a board, there could be a considerable depth to a board agenda, particularly for those who only meet twice a year. While an agenda could include a number of standing items, it may be worth considering differentiating between those items which will be subject to a deep dive by the board, such as the breaches log, the risk register and any draft statements to consider, and those which may simply be for noting and awareness, eg some decisions of the pensions committee. This approach can help target time at those items most likely to add value.

Over time, should a board agenda increasingly consist of items it previews on behalf of the committee, it is possible that the traditional pattern of boards meeting a couple of weeks after committee could be replaced with their meeting, say, three weeks before committee, leaving time for their recommendations being considered as part of the committee's decision making process.

The scale of potential work programmes is determined by a number of factors, including the following.

STATUTORY REQUIREMENTS

Writing an annual report of the board, ensuring the individual level of knowledge and understanding of board members achieves and maintains acceptable standards, ensuring that potential conflicts of interest are appropriately managed.

In addition, new legislative requirements such as the GDPR 2016, Guaranteed Minimum Pension (GMP) reconciliation and, potentially, the proposed Pensions Dashboard, should also feature.

REQUESTS FROM THE PENSIONS COMMITTEE

Reviews of risk register, reviews of recorded breaches, reviews of draft statements such as administration, governance and investment strategy.

From a board perspective, it feels far more purposeful and efficient to be making observations on statements, on breaches logs and on risk registers in draft or preview form than commenting on something that has recently been adopted by pension committee and is thus a fait accompli. A proactive role clearly adds value and helps the board's sense of purpose.

THE PRIORITIES OF TPR

TPR regularly reviews its priorities, which now reflect 21st century trusteeship. The most recent priorities are:

- ongoing risk assessment and intelligence gathering
- increased emphasis on looking at locally administered schemes
- the key focus areas of record keeping and data quality.

NEW REQUIREMENTS OF TPR

From 2018, scheme annual returns to the regulator will need to include summaries of the quality of common data and scheme-specific data. Funds must have arrangements in place for an annual review of data quality, and should it prove necessary, an annual data improvement plan which sets out the steps being taken to address any issues. The improvement plan should be appropriately resourced and have realistic timescales. Recognising that data improvement is a continuous process, a board will be seeking assurances that the fund is complying with these requirements.

REVIEW OF CODE OF PRACTICE 14

This is basically an ongoing task, so perhaps is best managed on a rolling review section by section (see Chapter 6).

IDEAS FROM BOARD MEMBERS

Inclusion of items suggested by board members will help give board members a good sense of purpose.

WHETHER SCHEME ADMINISTRATION IS IN HOUSE, OR OUTSOURCED OR A SHARED SERVICE

Boards may naturally find it easier to request reports from in house administrators. However, when administration is outsourced, neither a scheme manager nor a board can divest itself of its responsibilities. Indeed the relevant contract or service level agreement or shared service agreement could be examined by the board to ensure that its clauses will facilitate and appropriately service the role of the board relative to the need to review data quality, internal controls, etc, and also ensure that sufficient expertise remains in house to monitor that the appropriate standards are maintained and that the regulations are still being adhered to.

A reminder that under Section 106 (8) of the LGPS Regulations 2013:

A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

This power can be called upon to ensure that the board is sourced with appropriate reports and presentations from the administrators.

The 2015 CIPFA guidance booklet [Local Pension Boards: A Technical Knowledge and Skills Framework](#) broke work programmes into the following groups:

- pensions legislation
- pensions governance
- pensions administration
- pensions accounting and auditing standards
- pensions services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

A suggested work programme is outlined in Appendix III.

CHAPTER 8

Training

This chapter sets out the training requirements for board member and how this can be supported by the administering authority.

Chapter 6 quoted extensively from the Code of Practice 14 regarding the requirements for each individual board member to have the appropriate level of knowledge and understanding. Paragraph 46 of the code indicates that a complete list of scheme documents with which board members must be conversant, showing the dates of the latest and the next review, should be produced.

Paragraph 57 indicates that each board member should complete an individual training needs analysis. This could lead to the board secretary identifying which areas of knowledge are most in need of being improved. All training undertaken should be logged.

It is also good practice – and for many boards a requirement – that board members complete TPR's [Trustee Toolkit](#) for the public sector, which covers:



There are supplementary modules available to reflect the fact that the LGPS is the only large funded public sector scheme, including:



In 2015 CIPFA produced a guidance booklet [Local Pension Boards: A Technical Knowledge and Skills Framework](#). Many funds have modelled their training needs analyses around this guidance.

Often joint training is arranged with the pensions committee, although the requirements for MiFID II compliance may cause a divergence.

There is a wealth of information available online, particularly with regard to aspects of investment. Training can be informal. Reading the pensions professional journals is another way of helping board members increase their understanding.

In the 2017 SAB survey, 95% of boards had a knowledge and understanding programme. A training plan should also be available for new or potential board members.

Failure of local pension board members to be adequately trained could potentially lead to engagement and enforcement from the regulator, potentially ending up in an extreme case with the replacement of the board and/or a fine.

Investment pools

It is indisputable that the vast majority of a local pension board's work should focus on administration and governance. This does not mean that a board cannot look at investments, particularly the governance and at the processes followed. Indeed there are examples where the expertise on boards has resulted in improvements in the quality of reporting on investment monitoring.

Produced to reflect the requirement to set up an appropriate governance structure for LGPS pension pools, CIPFA's [Investment Pooling Governance Principles](#) refers to the need for effective communication with local pension boards as the following:

Keeping the pension committees (which often have scheme member and employer representatives) and local pension boards properly informed (and consulted with) on the development and ongoing operation of the investment pool.

There is scant, if any, evidence that the emerging pools followed this guidance and consulted with boards. However, some individual boards took the initiative and made recommendations for boards to be consulted or involved in one form or another.

The SAB issued guidance on 6 March 2017, with extracts as follows:

The board recognises that it is for scheme managers within each pool to develop appropriate governance to assure all stakeholders of the transparent and effective implementation of strategy.

The board recognises that strategic decisions on asset allocations and responsible investment will remain at the local level and therefore the involvement via local pension boards of those employers beyond the scheme manager along with member representatives in those areas would continue.

However the board also encourages scheme managers to involve those same employers and member representatives in assisting with the assurance of transparent reporting from pools and ensuring the effective implementation of strategies by pools. Such involvement should include the consideration of provision of direct representation on oversight structures.

Despite both sets of guidance, engagement by pools with their individual boards (or their representatives) remains an outstanding piece of work. As such, board chairs within various pools have made informal contacts – for general information sharing, but also to seek ways of getting their boards into a position, as implied in the guidance, to “assist in the assurance of transparent reporting from pools, and ensuring the effective implementation of strategies by pools”.

So, in practical terms, what can a board review? Or perhaps board representatives from the different funds in a pool? This is likely to vary from pool to pool, but typically:

- the process for the selection, appointment and dismissal of the pool operator
- the arrangements for monitoring the process of the operator
- managing risks associated with the pools
- reviewing the monitoring processes established to track the costs of the pools
- overseeing the responsible investment and corporate governance dimension.

And in terms of the operator, checking that the operator has provided:

- audited asset valuations
- absolute investment performance
- relative investment performance
- attribution analysis
- their approach to responsible investing.

The above suggestions help identify a question as to the extent to which any individual board tries to undertake its own assessment of the managing of risks implicit in being a fund participating within a pool. While it is for each board to satisfy itself regarding the assurances it seeks, the related risks are also common to all funds within the same pool. There are dangers of re-inventing wheels. It would appear that there is scope for boards within the same pool liaising to establish a cost-effective way of gaining the appropriate assurances.

Responsible investing: environmental, social and governance aspects

As indicated in Chapter 1, the MHCLG guidance relating to Regulation 7 (2) (e) of the LGPS (Management and Investment of Funds) Regulations 2016 indicates that administering authorities, in forming their investment strategy statement (ISS), should:

Explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors.

Prior to considering this issue, boards need to have established the appropriate level of knowledge and understanding. In all probability, the administering authority will have specific training in place. This training can be supplemented by booklets prepared by many asset managers and groups of institutional investors. In addition, there is a wealth of helpful material available on the internet, some examples of which are shown below. Please note that in some cases, access is for institutional investors only, so the appropriate protocol should be followed.

- The Pensions and Lifetime Savings Association's [Environmental, Social and Corporate Governance \(ESG\) Made Simple](#).
- The Local Authority Pension Fund Forum's [research papers](#).
- Legal & General Investment Management's [videos and webinars](#).
- BlackRock's [corporate responsibility philosophy](#).
- An ESG [institutional investor masterclass](#).

FUTURE GUIDANCE?

It is possible that there will be new responsible investment guidance coming out later in 2018 from the MHCLG and the SAB.

Role of the pension board member

The role of the pension board member is to:

- provide support and assistance to the administering authority
- act as a critical friend, challenging constructively on issues where the board may have a concern
- keep personal knowledge and skills up to date
- identify gaps in their understanding and request training to fill those gaps
- show a particular interest in the administration and governance of the pension scheme, especially KPIs
- regularly monitor the quality of the pension members' experience
- ask whether shortcomings or failures in the scheme's administration constitutes a breach of legislation, and should be reported to TPR
- ask about the strength of employers' covenants
- check whether the main decision making body or officer has taken proper advice and has undertaken adequate due diligence in considering the fund's asset allocation and wider investment matters
- ask whether the investment performance of the fund is being adequately monitored (this applies to assets managed directly, through a direct relationship with an asset manager or via a pooling arrangement)
- monitor the work of the SAB and its sub-committees, and also TPR.

Role of the pension board chair

The role of the pension board chair is to:

- provide support and assistance to the administering authority
- take a lead role in developing the forward plan of the board, working closely with the administering authority's officers
- develop a good and close relationship with the administering authority's officers
- take a lead role in developing a training plan for the board
- prepare an annual report of the board's work in conjunction with the administering authority's officers
- chair the meeting in a proactive way, encouraging board members to question in a constructive and disciplined way while allowing a free and open discussion
- ensure the officers are given the opportunity to respond to the members' views and questions
- seek opportunities to attend the main decision making committee or panel
- work with the officers in regularly reviewing the board's terms of reference and membership
- attain a good understanding of the pressures facing the administering authority, and advocate their case for adequate resources to provide an efficient service, thereby preventing or reducing administrative breaches of the law.

Local pension board – suggested annual work programme

Please note these are not intended as definitive lists, and individual boards will wish to customise to fit local circumstances.

OPERATIONAL

- Administration update (including KPI monitoring).
- Pension fund statement of accounts.
- Pension fund annual report.
- Pension fund audit report.
- Local pension board annual report.
- Terms of reference and membership of the board.
- Monitoring of investment performance and funding ratios.
- Triennial and interim actuarial valuations and GAD reports.
- Appointment of advisors.
- Progress report on the arrangements for pooling.
- Risk register.
- Board's training plan.
- Review of the fund's business plan and forward plan.
- Board's work plan.
- Update on the work of the SAB.
- Changes to the scheme's regulations.

STRATEGIC

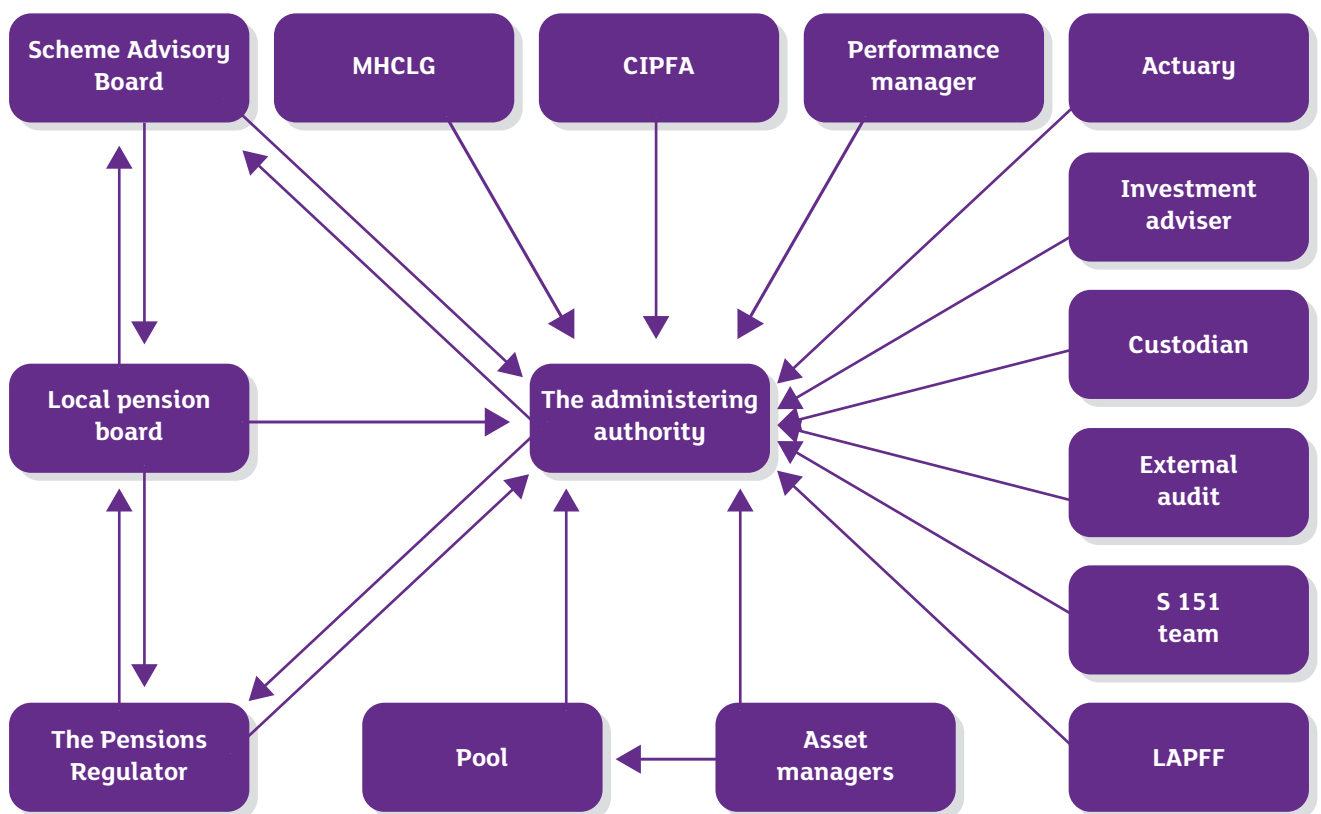
- Investment strategy: oversight.
- Administration strategy.
- Risk management strategy.
- ESG strategy: oversight.
- Breaches of law policy.

- Review of the fund's governance.
- Administering authority's discretions policy.
- Member communication's strategy.
- Conflicts of interest policy.
- Annual review of the board's terms of reference.

The governance map under current pooling arrangements

Figure IV illustrates how governance maps out under the current pooling arrangements.

Figure IV: The governance map under current pooling arrangements



Twenty-one quick questions and a final thought

1. Have the board's terms of reference recently been reviewed in the light of experience?
2. Are the terms of service of board members staggered to avoid the cliff-face scenario to which a pensions committee is unavoidably exposed?
3. Is the process for appointing new board members practical and speedy, or too time-consuming? Are opportunities taken to identify potential future board members?
4. Is there a documented plan to bring new board members up to speed within an acceptable timescale? Is the training plan comprehensive and regularly reviewed?
5. Is there appropriate and regular contact between the chairs of the board and the committee?
6. Does the committee commission any work from the board, such as risk reviews, breaches log etc? If not, could this be considered?
7. Are the feedback mechanisms from board to committee in place, appropriate and effective?
8. Do investment issues have too high a profile on the agenda of the board?
9. Is there a timely process for identifying new risks?
10. Is TPR's Code of Practice 14 kept under regular review?
11. Has the pension fund failed to return any surveys issued by either TPR or the SAB? If so, are steps in place to ensure future surveys are completed? If not, non-completion itself could be flagging up issues to both bodies.
12. Does your fund have an outsourced or shared services arrangement for scheme administration? If so, have you seen and followed TPR's *Managing Service Providers* guidance?
13. If scheme administration is in-house, is there a reluctance to record, or perhaps more importantly, report any breaches caused either by the pensions team or by other departments of the administering authority, eg HR department?
14. Is there a similar reluctance to record and where appropriate report any breaches caused by other councils in the fund?
15. If you have reported any breaches, have you included plans and timescales for rectifying the situation and preventing its recurrence? Should future breaches require reporting, it's advisable simultaneously to include rectification plans.
16. Do you have a data improvement plan? Or currently planning to implement one? Are the desired outcomes, with appropriate resources, clearly identified (see TPR guidance)?

17. When cleansing data, is priority given to the records of those approaching retirement?
18. Is the information on your website regarding the board easily accessible, complete and up to date?
19. Has the board had oversight of the responsible investment policy of the fund? If not, is it in the work programme?
20. Does the fund have an administration strategy? If not, would it be helpful to introduce one?
21. Has the administering authority fully considered and concluded the issue of insurance cover for board members?

AND FINALLY

The board has an important role in supporting the pensions administration function. It can often be the case that the main decision making committee or panel focuses on investment matters and has less time for the administration function. The quality of the pension members' experience is of critical importance and boards can raise the profile of the pension administration function by regularly devoting time to it on their agendas.



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APPENDIX I

Wiltshire Pension Fund training strategy 2018 to 2021

Committee						
Period	Actual Meeting Date	TPR toolkit evaluation	CIPFA Framework category	Proposed training item	By whom	Comments
Hymans Knowledge & Effectiveness review						
Q4 2018	12/12/2018	CORE	Actuarial Method	Valuation training	Hymans	Board members to be invited
Q1 2019	14/03/2019	CORE	Governance	Business plan 2019	Officers	
Q2 2019	18/07/2019	ESSENTIAL	Accounting & Audit	Statutory Annual Accounting & Reporting standards	Officers	
Q3 2019	26/09/2019	CORE	Legislation	Code of Practice 14 requirements	The Regulator	
Q4 2019	To be confirmed	CORE	Actuarial Method	Valuation results	Hymans	Board members to be invited
Annual self-assessment review						
Members to complete TPR toolkit						
Q4 2019	17/12/2019	CORE	Investment performance & Risk	Performance management monitoring	Officers	Board members to be invited
Q1 2020	26/03/2020	CORE	Financial Markets & Products	Fund ESG policy	Officers	Board members to be invited
Q2 2020	To be confirmed	ESSENTIAL	Accounting & Audit	Internal & External audit process	Officers	
Q3 2020	To be confirmed	CORE	Actuarial Method	Employer Covenants	Officers	

Annual self-assessment review						
Q4 2020	To be confirmed	CORE	Legislation	Legal framework - External bodies, scrutiny framework & Statutory obligations	Hymans	Board members to be invited
Q1 2021	To be confirmed	ESSENTIAL	Administration	Complaints, Dispute & Disclosure requirements	Officers	Board members invited
Q2 2021	To be confirmed	ESSENTIAL	Procurement & Relationship Mgt	Administration Authority & the Fund	Officers	Board members invited
Local Government Elections - May 2021 - Appointment of new Councillors						
Q3 2021	To be confirmed	CORE	Governance	Discretionary powers	Officers	
Annual self-assessment review						
Q4 2021	To be confirmed	CORE	Actuarial Method	Valuation training	Hymans	Board members to be invited

Board						
Period	Actual Meeting Date	TPR toolkit evaluation	CIPFA Framework category	Proposed training item	By whom	Comments
Hymans Knowledge & Effectiveness review						
Q4 2018	11/10/2018	ESSENTIAL	Procurement & Relationship Mgt	Fund Procurement Process	Officers	Committee members invited
Q1 2019	24/01/2019	ESSENTIAL	Administration	Software - MSS & i-Connect covering contribution & disclosure	Officers	

Q2 2019	23/05/2019	ESSENTIAL	Accounting & Audit	Statutory Annual Accounting & Reporting standards	Officers	
Q3 2019	22/08/2019	CORE	Governance	Pension Administration strategy document 2019	Officers	Committee members to be invited
Annual self-assessment review						
Members to complete TPR toolkit						
Q4 2019	14/11/2019	ESSENTIAL	Administration	Record keeping & Data Improvement - Including GMP Rectification	Officers	Committee members to be invited
Q1 2020	13/02/2020	ESSENTIAL	Administration	AVC Performance management	Officers	
Q2 2020	To be confirmed	ESSENTIAL	Accounting & Audit	Internal & External audit process	Officers	
Q3 2020	To be confirmed	CORE	Governance	Documentation management	Officers	
Annual self-assessment review						
Q4 2020	To be confirmed	ESSENTIAL	Administration	The Benefit structure	Officers	
Q1 2021	To be confirmed	CORE	Governance	GDPR update	Officers	
Q2 2021	To be confirmed	ESSENTIAL	Procurement & Relationship Mgt	Measuring service provider performance	Officers	
Annual self-assessment review						
Q3 2021	To be confirmed	ESSENTIAL	Accounting & Audit	Assurance & Insurance cover relating to the Fund	Officers	

Annual self-assessment review						
Q4 2021	To be confirmed	ESSENTIAL	Administration	Pensions taxation & overseas benefit payments	Officers	Committee members to be invited

Investment sub-Committee						
Period	Actual Meeting Date	TPR toolkit evaluation	CIPFA Framework category	Proposed training item	By whom	Comments
Q1 2019	21/02/2019	CORE	Financial Markets & Products	Manager Presentations	Managers	
Q2 2019	05/06/2019	CORE	Financial Markets & Products	Manager Presentations & BPP update	Managers & Officers	Board members to be invited. Will include AVC annual performance review
Q3 2019	05/09/2019	CORE	Financial Markets & Products & Governance	Manager Presentations, MiFID II compliance & Investment Regulations	Managers & Officers	
MiFID II certification						
Q4 2019	28/11/2019	CORE	Financial Markets & Products	Manager Presentations	Managers	
Q1 2020	27/02/2020	CORE	Financial Markets & Products	Manager Presentations	Managers	

Q2 2020	To be confirmed	CORE	Financial Markets & Products	Manager Presentations, BPP update	Managers & Officers	Board members to be invited. Will include AVC annual performance review
Q3 2020	To be confirmed	CORE	Financial Markets & Products & Governance	Manager Presentations & Myners Principles	Managers & Independent Advisor	
MiFID II certification						
Q4 2020	To be confirmed	CORE	Financial Markets & Products	Manager Presentations	Managers	
Q1 2021	To be confirmed	CORE	Financial Markets & Products	Manager Presentations	Managers	
Q2 2021	To be confirmed	CORE	Financial Markets & Products	Manager Presentations, BPP update	Managers & Officers	Board members to be invited. Will include AVC annual performance review
MiFID II certification						
Q3 2021	To be confirmed	CORE	Financial Markets & Products & Investment performance & Risk	Manager Presentations & Performance management monitoring	Managers & BPP	Board members to be invited
MiFID II certification						
Q4 2021	To be confirmed	CORE	Financial Markets & Products	Manager Presentations	Managers	

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND LOCAL PENSION BOARD
24 January 2019

Local Pension Board Budget

Purpose of the Report

1. The purpose of this report is to present a proposed Local Pension Board Budget for 2019-20 for the Board to consider and recommend to the Pension Fund Committee for inclusion in the Wiltshire Pension Fund Administration Budget 2019-20.
2. The Wiltshire Pension Fund Committee will consider the Fund's Administration budget at its meeting on 14 March 2019.

Background

3. To ensure good governance, budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service. The Wiltshire Pension Fund Committee approves the Pension Fund Administration budget each year.
4. 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.
5. 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 Interim Director of Finance and Procurement.

Main Considerations for the Board

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

Wiltshire Local Pension Board Proposed Budget 2019-20

	2017-18 Actual	2018-19 Budget	2018-19 Actual (Apr-Dec)	2018-19 Forecast	Changes	2019-20 Budget
	£	£	£	£	£	£
Independent Chair Remuneration	9,216	9,214	4,608	9,216	-	9,214
Consultancy Services	4,905	7,000	-	5,000	-	7,000
Training	640	4,200	383	800	-	4,200
Committee Services Recharge	3,000	3,000	-	3,000	-	3,000
Travel & Subsistence & costs	1,053	800	637	1,300	-	800
Catering	87	400	-	100	-	400
Insurance	2,800	2,800	2,800	2,800	-	2,800
	21,701	27,414	8,428	22,216	-	27,414

7. The overall proposed budget for 2019-20 is £27,414, a continuation of the total budget for 2018-19.
8. The overall projection is for an underspend in 2018-19 circa £5,200.
9. The Terms of Reference entitles the Board to independent expert advice and this has been covered via a £7,000 budget, previously titled 'independent governance advice'. We propose retaining this budget and amending the name to 'Consultancy Services' to

reflect that advice may be sought from more than one advisor and it may be delivered in the form of reports or analysis on behalf of the Board.

Environmental Impact of the Proposals

10. There are none.

Legal Implications

11. There are no known implications at this time.

Financial Considerations & Risk Assessment

12. In line with good governance practice, officers bring budget monitoring reports back to the Pension Fund Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Associate Director, Finance will approve variations to the budget and report these to Committee retrospectively for ratification.

Safeguarding Considerations/Public Health Implications/Equalities Impact

13. There are no known implications at this time.

Reason for Proposal

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

Proposal

15. 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 2019-20.

Jennifer Devine
Investment Manager

Report Author: Rozalyn Vernon, Fund Investment & Accounting Manager

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

APPENDIX 1

Organisation	Subject	Link	Status	Comments	Risk
HM Treasury	Reforms to public sector exit payments: response to the consultation	https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html	Updated	The Bill was presented to Parliament on Tuesday 5 September 2017 and there was no debate and the second reading has been repeatedly delayed since. The latest scheduled date is 25 January 2019. It is a Private Member's Bill, which are often not printed until close to the second reading debate and hence no text is still available.	
CIPFA	Preparing the Annual Report: Guidance for LGPS Funds	https://www.cipfa.org/policy-and-guidance/consultations/lgps-%e2%80%93-preparing-the-annual-report,-c-,-guidance-for-lgps-funds	New	CIPFA has released a consultation on proposed changes to the Annual Report to reflect changes to the operation of the Scheme since the last publication in 2014 (e.g. asset pools, legislation etc). The new guidance is considered statutory by MHCLG includes new additions such as standardised KPIs and cost figures which appears to partially replace the purpose of the voluntary CIPFA benchmarking exercise. The consultation closed on 7 December 2018.	
The Pension Regulator (tPR)	Miscellaneous		New	There are increased communications from the Pension Regulator in checking that Funds are meeting their duties. This has come in the form of: <ul style="list-style-type: none"> • An enhanced annual written survey; • A phone survey; • The first submission of common and conditional data scores as part of the Scheme Returns • Checking that Funds had submitted Benefit Statements and if they need to report themselves to tPR; and • Stressing that the tPR expects to see improvements in data quality over time. 	
HM Revenues & Customs	Revenue and Customs Brief 14 (2016): VAT, Deduction of VAT on pension fund management costs following Court of Justice of the European Union decision in PPG	https://www.gov.uk/government/publications/revenue-and-customs-brief-14-2016-vat-deduction-of-vat-on-pension-fund-management-costs-following-court-of-justice-of-the-european-union-decision	No change since the last meeting	Changes to the reclamation of VAT on fund management costs may affect LGPS funds once pooling is in place. These changes were originally due with effect from 1st January 2017 but have now been pushed back to at least 1st January 2018. Project Brunel will be keeping an eye on how it is evolving and take appropriate advice.	

Organisation	Subject	Link	Status	Comments	Risk
MHCLG	Guidance on Preparing and Maintaining an Investment Strategy Statement' (ISS)	https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement	No change since the last meeting	<p>Following the High Court ruling on 23rd June 2017 that elements of the Governments Statutory Guidance on preparing and maintaining an Investment Strategy Statement was unlawful the Government subsequently published updated guidance removing the offending clauses - that funds should not pursue policies that are contrary to UK foreign policy or UK defence policy.</p> <p>The Government has been given leave to appeal the High Court decision, so further updates will be given once the outcome of any appeal is known.</p>	
	Fair Deal Consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection	Updated	<p>On 10 January 2019, MHCLG released a new Fair Deal Consultation which proposes a number of changes to the LGPS Regulations to strengthen the protections that apply when LGPS Employees are transferred to service providers and try to make the process smoother. MHCLG had initially planned to introduce changes to this area as part of the May 2018 Amendment Regulations but they decided to re-consider their proposals following industry feedback.</p> <p>Officers are currently considering the new proposals and how they may work in practice. Responses are required by 4 April 2019.</p>	
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	Updated	<p>DWP is leading this project and the intention was to 'go live' during 2019.</p> <p>DWP released a feasibility report and consultation in early December which closes on 28 January 2019.</p>	
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	No change since the last meeting	<p>SAB commission PwC to produce a report on "Options for Academies in the LGPS" commissioned and the report was published in May 2017. The report identified and highlighted problems/issues experienced by stakeholders. No recommendations were made in the report, although the potential benefits of new approaches to the management of academies within the LGPS were highlighted. The proposals were wide ranging from minor alterations to academies being grouped together in a single LGPS Fund.</p> <p>SAB's work is still on-going and Bob Holloway from the LGA previously stated that a wide range of options in both work streams are still be</p>	

Organisation	Subject	Link	Status	Comments	Risk
				considered. For example, changing the administration arrangements or putting academies into their own Fund etc. However, a consultation will be released on any changes proposed before they are put into force.	
	Cost cap mechanism		Updated	<p>The SAB, in consultation with actuaries, has now proposed a number of changes to the Scheme which would apply from 1 April 2019 and are estimated to add approximately 0.9% to the cost of the Schemes (and subsequently to employer), although employer experience will vary. The proposed changes to the Scheme are:</p> <ul style="list-style-type: none"> • Amendments to employee contribution rates, including a reduction for low paid employees. • A minimum death grant for death in service of £75,000 • Improved early retirement factors; and • The removal of ill health tier 3. <p>In formal consultation is due in late January/early February in an attempt to allow for changes to apply from 1 April.</p>	
	Investment fees - Code of Transparency	http://www.lgpsboard.org/index.php/structure-reform/cost-transparency	No change since the last meeting	<p>The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.</p> <p>To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis SAB has published its Code of Transparency in May 2017. The Code is voluntary and asset managers who sign up will demonstrate their commitment to transparent reporting of costs. SAB will procure a third party to monitor compliance of those who sign up.</p>	
	Tier 3 employers review	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	No change since the last meeting	<p>Covers those Fund employers with no tax raising powers or guarantee (excludes academies). SAB is keen to identify the issues and risks related to these employers' participation in the LGPS and to see if any improvements/changes can be made. There are currently two concurrent phases of work involved – collating data and identification of issues. SAB will then assess the risks to Funds and consider next steps.</p> <p>Aon Hewitt has recently produced a detailed report which is available on the SAB website which outlines its finding on the identification of issues but the report doesn't make any specific recommendations. SAB is yet to advise what actions it will take following receipt of the report.</p>	

Organisation	Subject	Link	Status	Comments	Risk
	Separation Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	<p>The objective of the Separation Project is to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.</p> <p>KPMG produced a report in 2015 which outlined options ranging from removing the potential conflicts of interest for the S151 role to complete separation (i.e. each Fund would become a standalone company).</p> <p>On 21 August 2018, the SAB restarted the project and put out a 'proposal for assistance' from an appropriate bidder to take the project forward. The deadline for bid submissions has since closed but the</p> <p>The Head of Pensions Administration and Relations attended a conference on 19 September 2018 (hosted by Hymans-Robertson) which further discussed the project. Attendees generally favoured some greater degree of separation although most Funds' represented felt that conflict of interests amongst officers and committee/board members were sufficiently well managed.</p>	
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	<p>The Guidance project will identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance.</p> <p>This project is at an early stage and no further information is available at this time.</p>	
	Data Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	<p>The SAB describes this project as: The Data project will aim to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data and include the identification of scheme specific conditional data and the production of guidance for authorities and employers.</p> <p>No further information is currently available from the SAB. However, the SAB did consult on a common set of data points for the part of the project relating to scheme specific conditional data over the last couple of months before deciding to postpone implementation until 2019, in time for the 2019 tPR Scheme Return.</p>	

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
12 December 2018

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Board in relation to changes to the Fund's Risk Register (see Appendix).

Background

2. The Committee approved a Risk Register for the Wiltshire Pension Fund at its meeting on 12 May 2009. Members requested that the highlights, particularly upward/downward movements in individual risks, be reported back to the Board and Committee on a quarterly basis.

Key Considerations for the Board / Risk Assessment

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There has been no changes to the risk categories or levels since the last meeting
5. One remaining red risk remains: ***PEN020: Pooling of LGPS assets.***
6. Work continues to mitigate where possible the risks above along with the other remaining medium risks highlighted on the risk register.

Financial Implications

7. No, direct implications.

Legal Implications

8. There are no known implications from the proposals.

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 attached Risk Register and measures being taken to mitigate risks.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Andy Cunningham, Head of Pensions Administration and Relations

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

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
PEN001	Failure to process pension payments and lump sums on time	Benefits Administration	Non-availability of Altair pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	Andy Cunningham	Maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Adherence to Pension Administration Strategy and regular monitoring of performance. Documentation of processes and reconciliations. When work loads are high, payments to members are prioritised above other work.	2	2	4	Low	None	N/A	N/A	2	2	4	Low
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Benefits Administration	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	Andy Cunningham	Business Continuity Plan was last reviewed in Dec 2016 and revised version is due to be implemented in Jan or Feb 2019. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a mostly paperless office.	4	1	4	Low	None	N/A	N/A	4	1	4	Low
PEN005	Loss of funds through fraud or misappropriation	Benefits Administration	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	Andy Cunningham	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc. are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	N/A	N/A	4	1	4	Low
PEN014	Failure to provide the service in accordance with sound equality principles	Benefits Administration	Failure to recognise that different customers have different needs and sensitivities.	Some customers may not be able to access the service properly or may be offended and raise complaints. At worst case, this could result in a court case, etc.	Andy Cunningham	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	N/A	N/A	2	1	2	Low
PEN021	Ability to Implement the Public Sector Exit Cap	Benefits Administration	Introduction of exit cap will require an additional burden on the administration team as is likely to effect all redundancy calculations.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved	Andy Cunningham	Currently monitoring the progress of the developments to allow adequate time to take any actions necessary. We are not anticipating any changes to occur quickly and, depending on the final outcomes, WPF will set up a project cover: discussions with employers and changes to employer discretions policies, benefit and systems calculations and the associate communications.	2	2	4	Low	None	Andy Cunningham	N/A	1	3	3	Low
PEN022	Risks related to reconciliation of GMP records (increase in staff resource & reputational)	Benefits Administration	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	Andy Cunningham	Large project is still ongoing and software from Heywood's is being used to process amendments to Altair on bulk. Progress has been delayed due to resources being: *Focussed on other, more urgent areas; *The time HMRC takes to respond to queries; and *By Funds trying to engage with Government to agree on a nation wide approach.	2	4	8	Medium	Still working with other south-west Funds to try to agree on a common approach and present it to Government Departments. The SW Funds sent a letter outlining its view to the SAB and is awaiting a response. Once the Government's view is clearer, the Fund plans to implement a overpayments policy.	Richard Bullen	Feb-19	1	3	3	Low

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							Impact	Likelihood	x				Level of risk	Impact	Likelihood	x	Level of risk
PEN003	Insufficient funds to meet liabilities as they fall due	Funding & Investments	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	Jennifer Devine	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cash flows.	2	2	4	Low	This is factored into the Strategic Asset Allocation review, which is now in progress. Both the Fund Investment Consultant and Fund Actuary will be closely involved in the work.	Jennifer Devine	May-19	4	1	4	Low
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Andy Cunningham	Longevity and bond yields are generally beyond the control of the Fund although the Investment Sub-committee is currently considering certain risk management techniques such as Liability Driven Investments. Furthermore, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g. early retirements, augmented service, etc).	2	1	2	Low	None	Andy Cunningham	N/A	2	2	4	Low
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Funding & Investments	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current price of gilts lead to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	Andy Cunningham	As above	2	2	4	Low	As above	Andy Cunningham	N/A	2	2	4	Low
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	Jennifer Devine	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employers.	Jennifer Devine	N/A	2	1	2	Low

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating			
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Funding & Investments	Poor economic conditions, wrong investment strategy, poor selection of investment managers, poor consideration of all financial & non-financial risks including ESG issues.	Poor/negative investment returns, leading to increased employer contribution rates	Jennifer Devine	Use of expert consultants in the selection of investment strategy and investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). Monthly review of % of Fund held in each mandate. Also a flight path strategy implemented to take off risk as funding levels improve. Fund member of LAPFF & uses PIRC to proxy vote on shares in line with agreed policy for ESG issues. Compliance with Stewardship code.	2	2	4	Low	A risk based framework is now in place to review employers long term financial stability. This informs the policy for stepping in contribution rates to assist in affordability issues where requested by an employer. It will be continuously reviewed, as part of the updating of the Investment Strategy Statement.	Jennifer Devine	N/A	2	2	4	Low
PEN015	Failure to collect payments from ceasing employers	Funding & Investments	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	Andy Cunningham	The Pension Fund Committee approved a revised cessation policy on 20 September 2018 to address regulatory changes made in May 2018 and certain scenarios which had arisen which the previous policy did not adequately address. Furthermore, all new admitted bodies require a guarantor to join the Fund which means that a stable Scheme Employer is required to act as the ultimate guarantor.	2	2	4	Low	None	Andy Cunningham	N/A	2	1	2	Low
PEN016	Treasury Management	Funding & Investments	The Fund's treasury function is now segregated from Wiltshire Council. This includes the investment of surplus cash in money markets.	Exposure to counterparty risk with cash held with external deposit holders could impact of Funding level of the Fund	Jennifer Devine	The Pension Fund will review an updated Treasury Management Strategy at the March meeting which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Roz Vernon	N/A	3	1	3	Low
PEN024	Impact of EU Referendum	Funding & Investments	The impact of the EU referendum	A vote to exit the EU may produce short term volatile market movements which could impact on asset performance.	Jennifer Devine	The Fund has liaised with its investment managers on the potential impact of an exit. The Fund has agreed to revert to a 50% overseas equities hedged position for the current timeframe to reflect the current weakness of sterling.	3	2	6	Medium	The markets and weightings are closely monitored as part of the "fightpath" and "rebalancing" processes. A single provider to manage all aspects of risk management, is also under consideration.	Jennifer Devine	On-going	3	1	3	Low
PEN026	Impact of MiFid II Regulations	Funding & Investments	New MiFID 2 investment regulations from Jan 2018 will classify LGPS Funds as "retail" investors. They will need to opt up to professional status	If Wiltshire Pension Fund is unable to attain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	Jennifer Devine	Wiltshire Fund Fund is now being treated as a Professional Client, having followed due process.	2	2	4	Low	None.	Jennifer Devine	Completed	3	1	3	Low

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							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk
PEN002	Failure to collect and account for contributions from employers and employees on time	Regulatory & Governance	Non-availability of SAP systems, key staff, error, omission, failure of employers' financial systems, failure to communicate with employers effectively. LGPS 2014	Adverse audit opinion for failure to collect contributions by 19th of month, potential delays to employers' FRS17 year-end accounting reports and to the Fund's own year-end accounts.	Jennifer Devine	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month. The Breaches framework now require the Fund to log material late payments.	2	2	4	Low	None	Roz Vernon	N/A	2	2	4	Low
PEN008	Failure to comply with LGPS and other regulations	Regulatory & Governance	Lack of technical expertise / staff resources to research regulations, IT systems not kept up-to-date with legislation, etc	Wrong pension payments made or estimates given. Investment in disallowed investment vehicles or failure to comply with governance standards. Effect: Unhappy customers, tribunals, Ombudsman rulings, fines, adverse audit reports, etc	Andy Cunningham	*Sufficient staffing, training and regulatory updates. *Competent software provider and external consultants. *Technical & Compliance post reviews process and procedures and maintains training programme for the team. *KPIs against statutory standards *Imbedding checks and controls into all processes.	2	2	4	Low	None	Andy Cunningham	N/A	2	2	4	Low
PEN009	Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018)	Regulatory & Governance	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised, fines from the Information Commissioner, reputational risk of failure to meet Data Protection legislation.	Andy Cunningham	Compliance with Wiltshire Council's Data Protection & IT Policies. Annual Data Protection training given to the team. On-going cleansing of data undertaken by Systems Team. The Fund has produced a new suite of procedures and controls following the introduction of GDPR.	3	3	9	Medium	Further reviews and changes in relation to the GDPR.	Andy Cunningham	On-going	2	1	2	Low
PEN010	Failure to keep pension records up-to-date and accurate	Regulatory & Governance	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	Andy Cunningham	Data & systems Team constantly working to improve data quality, data validation checks carried out through external partners (e.g. the Fund's actuaries and tracing agencies), pro-active checks done through national fraud initiative.	3	2	6	Medium	The Fund is currently addressing new data issues identified by a review of the tPR two key data standards while ensure data is of high quality is an on-going responsibility	Mark Anderson	Ongoing	2	1	2	Low
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Regulatory & Governance	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	Andy Cunningham	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Governance & Performance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	3	3	9	Medium	The Director of Finance & Procurement is still being filled on an interim basis but other senior officer roles in the Pension Fund are now filled by permanent staff.	Andy Cunningham/Corporate Directors	Feb-19	2	1	2	Low

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PEN012	Over-reliance on key officers	Regulatory & Governance	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a large knowledge gap could be left behind.	Andy Cunningham	Key people in the team are seeking to transfer specialist knowledge to colleagues by documenting procedures and notes. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	3	3	9	Medium	None - the risk will reduce once the existing team increases its level of knowledge and experience through greater time in their roles.	Andy Cunningham	Ongoing	2	1	2	Low
PEN017	Lack of expertise on Pension Fund Committee	Regulatory & Governance	Lack of structured training and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments. There is also a requirement for Funds to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	Andy Cunningham	Members are given Induction Training when they join the Committee, as well as subsequent opportunities to attend courses/seminars and specialist training at Committee ahead of key decisions. There is a Members' Training Plan and Governance Policy. Further training and advice can be called on from our consultants, independent advisors and investment managers too.	2	3	6	Medium	The results of the knowledge assessment are being presented to 12 Dec 2018 Committee and 24 January 2019 Local Pension Board. Overall, their level of knowledge was deemed good but there were areas of improvement identified that Officers will consider when looking at future training plans. Pensions is a complex subject, so the training needs of the Committee will need to be continued reviewed.	Richard Bullen		2	1	2	Low
PEN019	Maintenance of Local Pension Board & Investment Sub-Committee	Regulatory & Governance	Failure of Wiltshire Council to maintain a Local Pension Board, from finding suitable representatives and the officer time required to support the Board and sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	Andy Cunningham	Officers are planning to review the terms of reference for the LPB and Committee in due course, partly to make the process of recruiting to the LPB easier but also to help ensure the LPB remains effective.	2	2	4	Low	None	Andy Cunningham	N/A	1	3	3	Low
PEN020	Pooling of LGPS assets	Regulatory & Governance	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of additional fees and poor investment returns.	Jennifer Devine	The Fund is working with Brunel Pension Partnership on pooling arrangements. Progress and updates regularly reported to Committee. The Fund's passive portfolios have been pooled with significant fee savings, but a budget increase is also currently being proposed. The final position is still uncertain.	3	4	12	High	Significant amount of resource still required by officers to progress this project.	Jennifer Devine	Ongoing	1	3	3	Low

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating			Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				
							Impact	Likelihood	x				Level of risk	Impact	Likelihood	x	Level of risk
PEN023	Resources of Officers and Members to meet the expansion of business items	Regulatory & Governance	The recent expansion of business items resulting from continued consultations, pooling of assets, and additional governance requirements.	It is increasingly more difficult for officers to thoroughly consider issues and to deliver concise agenda papers covering all the relevant issues, while members are faced with larger report packs trying to cover the pertinent details.	Andy Cunningham	More use of web links within the Committee papers to reduce the size of the packs. The adequacy of officers resources to support the Fund's 3 committees, the on-going pooling agenda and the additional complexities arising from regulatory scheme changes is still being monitored through work planning and appraisals.	3	3	9	Medium	None at present but this varies from meeting to meeting depending on the demands and other work responsibilities.	Andy Cunningham	N/A	1	2	2	Low
PEN025	Academisation of Schools, the possibility of MAT breakups and cross fund movements.	Regulatory & Governance	Potential for further schools to convert to academy status, MATs to breakdown	Additional governance and administration risk. If all schools were to convert then the number of employers in the Fund could jump from 170 to between 400 and 500.	Andy Cunningham	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	3	6	Medium	The Fund is monitoring the SAB review of academies roles in the LGPS and will take actions (e.g. respond to consultations) as necessary to try to mitigate this risk further.	Andy Cunningham	N/A	1	1	1	Low
PEN027	Significant structural change to LGPS Funds or to our Fund	Regulatory & Governance	A merger, takeover from another Fund or of another Fund. Significant changes to how certain employer categories participate in the Fund - for example Tier 3 employers or academies.	Depending on its nature and scale: a major impact on employer numbers, governance, control and operational matters.	Andy Cunningham	To keep abreast of any national development and respond to consultations when they occur. To take appropriate opportunities to increase the membership and the numbers of employer of the Fund. For example, where a multi academy Trust wishes to consolidate its cross-Fund operations within a single Fund.	4	2	8	Medium	None	Andy Cunningham	N/A	3	1	3	Low
PEN013	Failure to communicate properly with stakeholders	Communication	Lack of clear communications policy and action, particularly with employers and scheme members.	Scheme Members are not aware of the rights and privileges of being in the scheme and may make bad decisions as a result. Employers are not aware of the regulations, the procedures, etc, and so the data flow from them is poor.	Andy Cunningham	The Fund has a Communications Manager and Employer Relationship Manager posts dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	None	Denise Robinson/Ashleigh Salter	N/A	1	1	1	Low

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WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
24 January 2019

PENSION FUND KEY PERFORMANCE INDICATORS

Purpose of the Report

1. The purpose of this report is to present the Fund's performance against its key performance indicators (KPIs) in relation to the administration of pension benefits.

Background

2. As part of the Fund's Business Plan, the Fund has committed to reporting administration KPIs in help improve management information, assist with performance monitoring and increase transparency of the administration performance. This objective fits in with our overriding objectives to ensure the effective management and governance of the Fund and to provide an effective, customer friendly benefits administration service.
3. This commitment is also in line with the Pensions Regulator's increased focus on governance of public service pension schemes resulting from the extension of its remit to cover public service pension schemes via the Public Service Pension Act 2013 and the resulting *Code of Practice 14 - Governance and administration of public service pension scheme* which sets out the wide-ranging governance requirements the Regulator expects to see adhered to.
4. As discussed at previous meetings, officers will continue to expand and evolve its range of reportable KPIs so these align with strategy documents such as the administration strategy and regulatory requirements and guidance.

Considerations for the Board

5. As part of the goal to improve the quality of KPIs, some changes to the appendices have been made as explained below:

Appendix 1: The approach used to date for reporting KPIs, with Fund Administration and Employers timeframes combined along with prior period comparisons. The table covers Q3 2018/2019 while the two charts provide comparisons against previous quarters.

6. Appendix 2: A proposed replacement to the reporting in Appendix 1, with KPIs split by Fund Administration & Employers. Comparisons against previous quarters will be available for future meetings using this new format although officers still plan to make some minor revisions such as to remove low volume areas and added other, high volumes which are currently out of scope. Furthermore, the timescales on the Benefit Administration KPIs have been reviewed and brought in line with the Administration Strategy targets.
7. The data in each Appendix is subdivided into the time taken to complete each task into different tranches (0 to 5 days, 6 to 10 days, etc.), as well as setting out those instances where performance was outside of the target time limits. This information allows the Fund to look at trends and to provide a better understanding of any potential issues impacting the day-to-day administration of the Fund.

8. Officers intend to replace the information provided in Appendix 1 with the information provided in Appendix 2 for future reporting and to continue to develop the scope of the information in Appendix 2 as well as publish further KPI data covering statutory disclosure timeframes.

Conclusions

Combined Administration KPIs (Appendix 1)

9. The general trend for Qtr 3 2018/19, for the percentage of cases being completed within timescale is downwards although the total number of completed cases has risen to its highest volume over the four quarters up from 1130 (in Qtr 2 18/19) to 1924. The highest quarter increases were in **deferred, deferred to retirement** and **refund** cases. (see Chart 1). As the Fund has been focusing on clearing older cases, which are less urgent in nature, initially this will make the timescale targets appear worse as the benefit will be seen in later reporting.
10. The **Active to retirement** metric has seen a fall this quarter in meeting the target timeframe although Qtr 2 saw a slight recovery (see chart 1). The number of active retirement cases completed was at its highest level in Qtr 2 and higher than average in Qtr 3 compared over the four quarters (see chart 2).
11. **Death cases** continue to be above 95% against target measure for the fourth quarter in a row.
12. The implementation of an overtime plan has been carried out to deal with **deferrals** and as anticipated volumes have increased from a low in Qtr 2 of 331 to a new high in Qtr 3 of 890 cases. Successful training of the new team members is also leading to higher volume of work being completed. The overtime programme is ongoing and officers hope and expect higher volumes will continue to be cleared in future quarters.
13. **Deferred into Retirement** cases increased to a new high of 237 cases, while the average is 150 cases over the four quarters with timescales up slightly from 83% to 85% met.
14. **Refunds** cases increased in volume over Qtr 2 with completed cases up 179 to 253 in Qtr 3, although the target dropped from a four quarter high of 62% down to 44%.
15. The remaining measures remain relatively stable.
16. Furthermore, the Fund has recently signed a contract for a key piece of automation software (I-Connect) and is starting to use another piece of automation software (process automation) to make other improvements. Other plans are in place to undertake a more detailed process review to identify further efficiencies and this is due to start from February 2019.
17. Officers expect to start seeing some of the benefits on KPIs towards the end of 2018 with further improvement occurring in 2019.

New Benefit Administration and Employer KPIs

18. Also removed are any terminated workflows, this explains the reduction from the volumes in Appendix 1 of 1,924, down to 1,701 cases completed in Appendix 2.

tPR Common and Conditional Data percentages

19. Officers have not provided any data against these measures and the figures have not been recalculated recently and no significant change is expected.

Environmental Impact

20. There is no environmental impact from this report.

Financial Considerations

21. There are no immediate financial considerations resulting from the reporting of the Fund's performance against its key performance indicators.

Risk Assessment

22. There are no direct risks to the Fund associated with this reporting.

Legal Implications

23. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

24. There are no implications at this time.

Proposals

25. The Board is requested to note the Fund's performance against its KPIs and its proposed changes to future KPI reporting.

Andy Cunningham

Head of Pensions Administration and Relations

Report Author: Andy Cunningham – Head of Pensions Administration and Relations & Mark Anderson – Data and Systems Manager

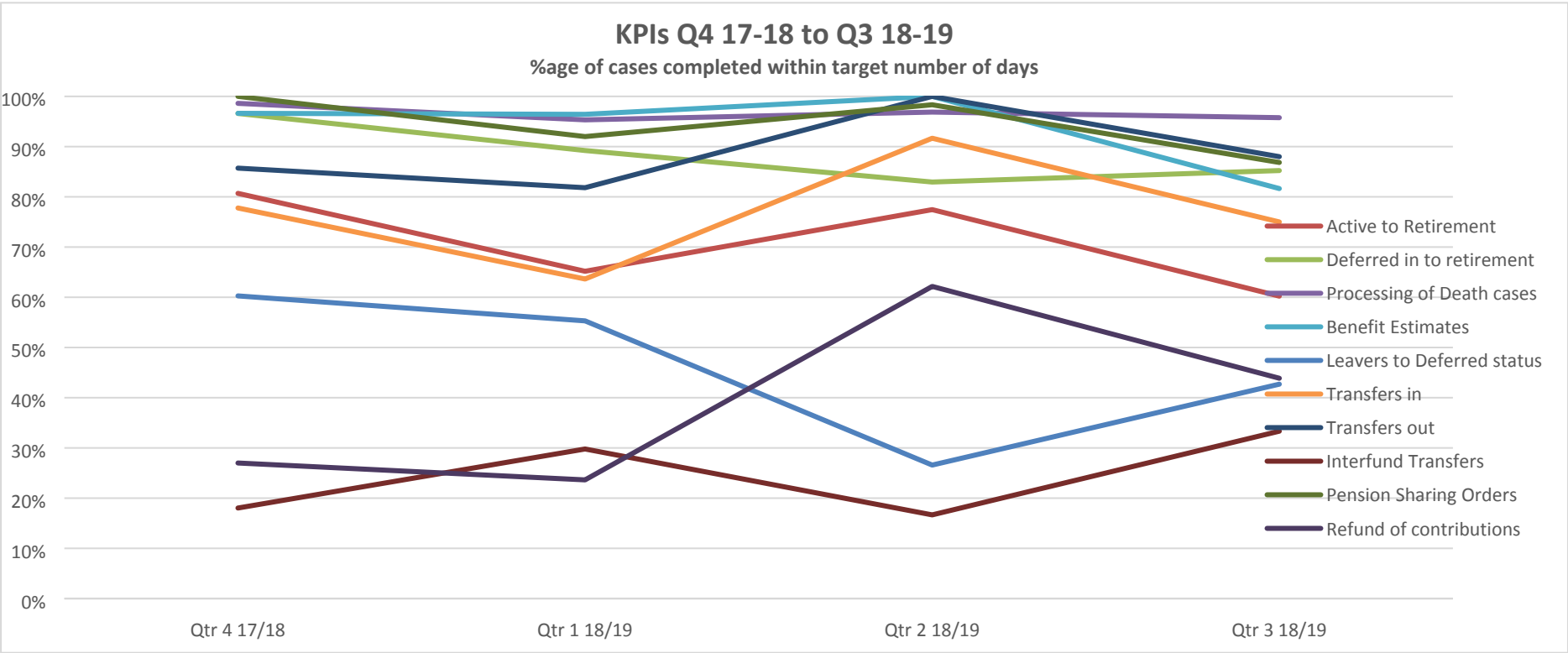
APPENDIX 1 (Table 1)

Wiltshire Pension Fund

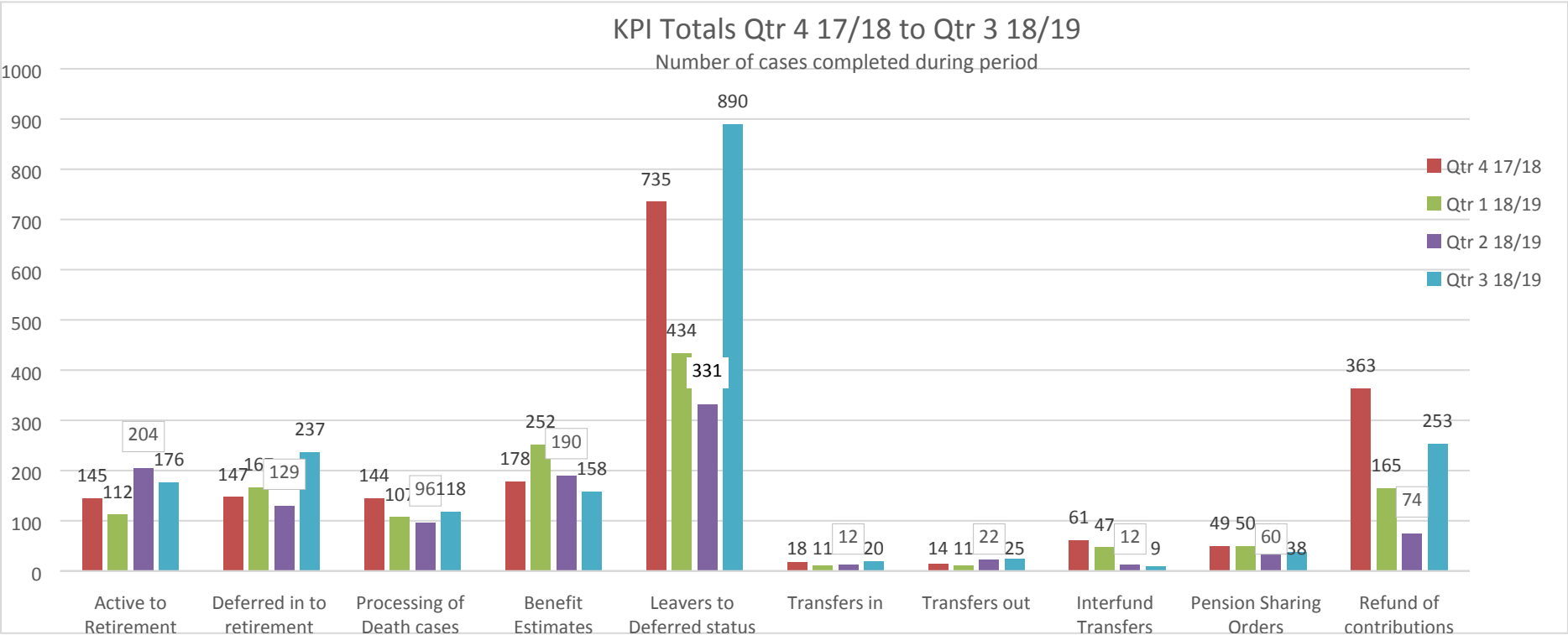
Benefit Administration Key Performance Indicators

Period **01/10/2018** to **31/12/2018**

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	16	32	36	22	42	28	176	60%	20
Deferred in to retirement	69	65	40	28	29	6	237	85%	20
Processing of Death cases	96	12	4	1	2	3	118	96%	20
Benefit Estimates	26	21	18	13	51	29	158	82%	40
Leavers to Deferred status	48	34	31	33	234	510	890	43%	40
Transfers in	5	5	1	4	0	5	20	75%	40
Transfers out	15	3	3	1	0	3	25	88%	30
Interfund Transfers	2	0	1	0	0	6	9	33%	40
Pension Sharing Orders	21	5	0	3	4	5	38	87%	30
Refund of contributions	77	18	10	6	11	131	253	44%	20
Grand Total	375	195	144	111	373	726	1924		
Percentage	19%	10%	7%	6%	19%	38%			



APPENDIX 1 (Chart 2)



Wiltshire Pension Fund

Benefit Administration Key Performance Indicators

Period 01/10/2018 to 31/12/2018

Type of case	Time to complete						Total	Timescales % on target	Timescales working days
	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +			
Active to Retirement	43	21	21	17	21	9	132	48%	10
Deferred in to retirement	119	58	15	19	13	2	226	53%	5
Processing of Death cases	89	13	5	2	2	3	114	78%	5
Benefit Estimates	19	24	18	14	46	20	141	30%	10
Leavers to Deferred status	17	17	14	21	95	625	789	9%	20
Transfers in	3	2	6	3	5	1	20	25%	10
Transfers out	6	6	3	2	1	0	18	67%	10
Pension Sharing Orders	8	12	2	3	8	2	35	94%	40
Refund of contributions	16	13	6	5	18	168	226	18%	20
Grand Total	320	166	90	86	209	830	1701		
Percentage	19%	10%	5%	5%	12%	49%			

Additional note: Timescales for the above chart are shorter than those reported under the previous KPI methodology. Interfund Transfers removed.

APPENDIX 2 (Table 2)

Employer Key Performance Indicators

Administration Strategy

Period 01/10/2018 to 31/12/2018

Type of case	Time to advise							Total	Timescales	Admin Strategy
	In Advance	0 - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +		Admin Startegy	Admin Strategy
									% on target	working days
<i>Retirement</i>	84	9	4	6	4	10	15	132	64%	0
<i>Leavers</i>	134	17	31	43	37	77	450	789	33%	20
<i>Refund of contributions</i>	18	12	11	12	10	30	133	226	28%	20
Grand Total	236	38	46	61	51	117	598	1147		
Percentage	21%	3%	4%	5%	4%	10%	52%			

LOCAL PENSION BOARD - WORK PLAN

Meeting:	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Standard Items:					
Membership	✓	✓	✓	✓	✓
Attendance of Non Members	✓	✓	✓	✓	✓
Apologies for absence	✓	✓	✓	✓	✓
Minutes of last Board & matters arising not on agenda	✓	✓	✓	✓	✓
Chairman's announcements	✓	✓	✓	✓	✓
Declaration of Interest	✓	✓	✓	✓	✓
Public Participation	✓	✓	✓	✓	✓
Date of Next Meeting	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓
Main business items:					
Board Governance					
Election of Vice Chair			✓		
Board Budget setting	✓				✓
Board KPIs to monitor		✓			✓
Board Annual Report		✓			
Review Board's Terms of Reference (if and as required)			✓		
Board Annual Training Plan Update	✓			✓	
Training Item relevant to agenda	Annual Reporting requirements	TBC	TBC	TBC	New Admin Software being implemented
Code of Conduct & Conflicts of Interest Policy	✓			✓	
Role & purpose of the LPB					✓
Forward Work Plan Review	✓	✓	✓	✓	✓
Review - how did the Board do?	✓	✓	✓	✓	✓

Meeting:	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Fund Governance					
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓
Review of Risk Register	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC	✓	✓	✓	✓	✓
Review Governance Compliance Statement		✓			
Review Fund Training Programme	✓				✓
Review all Fund Declarations of Interest		✓		✓	
tPR Code of Practice 14/record keeping compliance survey results		✓			
Results of national LGPS KPI survey and Funds own KPIs	✓			✓	
Review external advisor appointments process/controls and internal SLAs				✓	
Review Triennial Valuation Process					
Review Triennial Valuation Results					
Review fund delegations and internal controls	✓				
Review CIPFA Admin, WM investment and other Fund benchmarking results	✓				
Meeting:	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Fund Plans, Policies & Strategies					
Review Fund Annual Business Plan	✓				
Review Admin Strategy & Charge Out Rates	✓				
Review Admin Authority Discretions	✓				
Review Funding Strategy Statement					
Review Statement of Investment Principles/compliance with FRC stewardship code			✓		
Review Investment Strategy Statement					

Meeting:	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Administration					
Review employers compliance (data)			✓		
Review Fund fraud risk prevention and mitigation measures				✓	
Review Fund website contents/resilience					
Review of Fund IDRP procedures & cases					
Review Fund Communications (employers/members)		✓			
Review of Data Security & Business Recovery	✓		✓		
Review GMP reconciliation process					
Benchmark Annual Report with other Funds					
Review of Annual Benefit Statement process					
Financials & Audit					
Review Fund Annual Report				✓	
Review Fund Annual Accounts			✓		
Review Internal Audit Report			✓		
Review External Audit Report				✓	
Input to Annual External Audit Plan		✓			
Input to Annual Internal Audit Plan				✓	
Total number of Agenda Items:	29	25	25	27	22

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