AGENDA

Meeting: **Wiltshire Pension Fund Committee**

Place: **View the online meeting here**

Date: **Thursday 16 July 2020**

Time: **10.30 am**

Please direct any enquiries on this Agenda to Craig Player, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 713191 or email craig.player@wiltshire.gov.uk

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

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Membership:

Cllr Steve Allsopp
Cllr Tony Deane (Chairman)
Cllr Brian Ford
Cllr Simon Jacobs (Vice-Chairman)
Mike Pankiewicz
Cllr George Jeans
Cllr Gordon King
Cllr Christopher Newbury
Chris Moore
Stuart Dark

Substitutes:

Cllr Derek Brown OBE
Cllr Matthew Dean
Cllr Sarah Gibson
Cllr Gavin Grant
Cllr Robert Jandy
Cllr Bob Jones MBE
Cllr Fleur de Rhé-Philipe MBE
Cllr Ian Thorn

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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

AGENDA

Part I

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

1 **Membership**

To note any changes to the membership of the Committee.

2 **Apologies for Absence**

To receive any apologies for absence or substitutions for the meeting.

3 **Minutes** *(Pages 7 - 16)*

To confirm the Part 1 minutes of the meeting held on 26 March 2020.

4 **Review of Actions Log** *(Pages 17 - 22)*

5 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

6 **Chairman's Announcements**

To receive any announcements through the Chairman.

7 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

Members of the public who wish to submit a statement in relation to an item on this agenda should submit it to the officer named on this agenda no later than 5pm on Tuesday 14 July 2020.

Statements should:

- State whom the statement is from (including if representing another person or organisation)
- State clearly the key points
- If read aloud, be readable in approximately 3 minutes

Statements in accordance with the Constitution will be included in an agenda supplement.

Questions

Those wishing to ask questions in relation to an item on this agenda are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm Monday 13 July 2020 in order to be guaranteed of a written response**.** In order to receive a verbal response questions must be submitted no later than 5pm Tuesday 14 July 2020. Please contact the officer named on the front of this agenda for further advice.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

8 **Minutes and Key Decisions of the Local Pensions Board** *(Pages 23 - 32)*

To consider the Part 1 minutes, and recommendations arising, from the Local Pension Board meeting held on 21 May 2020.

9 **Minutes and Key Decisions of the Investment Sub-Committee**

To receive the Part 1 minutes, and consider recommendations arising, from the Investment Sub-Committee held on 02 July 2020.

10 **Training Item on Investment Risk**

To receive a presentation from Ninety-one (formerly Investec) on investment risk.

11 **Local Pension Board Annual Report 2019-20** *(Pages 33 - 64)*

To receive the Local Pension Board Annual Report 2019-20 for consideration.

12 **Scheme, Legal, Regulatory and Fund Update** *(Pages 65 - 72)*

To receive a report from officers updating the Committee on various developments.

13 **2019-20 Budget Outturn** *(Pages 73 - 76)*

To receive a report outlining the 2019-20 budget outturn position.

14 **Fund Annual Report and Accounts** *(Pages 77 - 88)*

To receive a report covering audit requirements for representations from the Committee, and an update on the progress of the annual report and accounts.

15 **Key Performance Indicators (KPIs)** *(Pages 89 - 100)*

To receive a report summarising the latest KPIs for the period 01 April 2020 to 30 June 2020.

16 **Investment Strategy Statement (ISS)** *(Pages 101 - 138)*

To receive an updated version of the Investment Strategy Statement (ISS) for approval.

17 **Internal Audit Update**

To receive a verbal update from officers on the progress of the different internal audit actions.

18 **New Employer Policy** *(Pages 139 - 152)*

To receive a new employer policy for approval.

19 **Pension Fund Risk Register** *(Pages 153 - 160)*

To receive an updated risk register for consideration, including an explanation of the Fund's business continuity arrangements.

20 **tPR Code of Practice No. 14** *(Pages 161 - 164)*

To receive a report from the Fund Governance and Performance Manager on officer's self-assessment against the tPR standard.

21 **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.

22 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 24 September 2020.

23 **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 24-26 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.

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

24 **Investment Quarterly Progress Report** *(Pages 165 - 208)*

To receive three confidential reports on the performance of the Fund's investments. These were considered by the Investment Sub-Committee at its meeting on 02 July 2020 and are circulated for information only.

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

To consider the Part 2 (confidential) minutes of the Investment Sub Committee meeting held on 02 July 2020.

26 **Minutes** *(Pages 209 - 218)*

To confirm the Part 2 (confidential) minutes of the meeting held on 26 March 2020.

Wiltshire Council

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 26 MARCH 2020 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Simon Jacobs (Chairman) and Cllr Gordon King

Also Present:

Andy Brown, Libby Johnstone, Frank Caine, Jennifer Devine, Andy Cunningham, Roz Vernon, Richard Bullen, Mark Spilsbury, Stuart Dark, Anthony Fletcher; Barry Dodds and Cllr Tony Deane

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115 **Membership**

There were no impending changes to the membership of the Wiltshire Pension Fund Committee.

The Committee noted that Mark Spilsbury would take over from Howard Pearce as Independent Chair of the Local Pension Board on 01 April 2020.

116 **Apologies for Absence**

Apologies were received from Chris Moore, Cllr Christopher Newbury, Cllr Brian Ford, Howard Pearce and Barry Reed.

117 **Minutes**

Resolved

To confirm as a true and correct record the Part 1 minutes of the previous meeting held on 17 December 2019.

118 **Review of Actions Log**

Resolved

To note the key points from the action log.

119 **Declarations of Interest**

There were no declarations of interests.

120 **Chairman's Announcements**

The Committee agreed that Item 16 (Budget 2020/21) would be brought forward and discussed after Item 10 (Business Continuity), and that Item 26 (Final Valuation Report) be brought forward and discussed after Item 16.

121 **Public Participation**

There were no statements or questions from the public.

122 **Minutes and Key Decisions of the Local Pension Board**

Resolved

To note the Part 1 minutes of the Local Pension Board.

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

Resolved

To approve the Part 1 minutes of the Investment Sub Committee.

124 **Business Continuity**

Libby Johnstone, Democratic Governance Manager, presented a report on the Fund's response to the current situation regarding COVID-19 and proposals to ensure its continued operation.

It was noted that under the Local Government Act 1972, local authorities must hold meetings to make decisions and that, at present, the Council's Constitution makes insufficient delegation for decision-making in the event a meeting of the Wiltshire Pension Fund being unable to take place.

It was also noted that, should the proposal be adopted, feedback would be sought from Committee members where possible in advance of a decision being taken by the Director of Finance and Procurement. The Local Pension Board would also continue to have a role in reviewing the governance of the Fund during this period and would need to be assured that the delegation above was only being used where absolutely necessary.

Resolved

To agree to the proposed delegation.

125 **Budget 2020/21**

The Head of Pensions Administration & Relations and Head of Pension Fund Investments presented a report proposing the Fund's budget for 2020/2021 for approval by the Committee. This included the forecast spend for 2019-2020 and approval of the Local Pension Board budget for 2020/2021.

It was noted that the budget for the Fund's expenditure would now be shown in three sections, to bring consistency with SF3 reporting and industry practice. There would now be a third category called Governance and Oversight in addition to the existing Scheme Administration and Investment and Accounting Administration categories. Due to the change in budget presentation, officers had also realigned previous years' figures accordingly.

The Fund's "controllable" budget proposed for 2020/21 was a six per cent increase from 2019/20. The reasons for this included additional staffing allocation, an increased total scheme membership and potential administration complications such as the McCloud case and GMP rectification. There was also some additional proposed spend on consultancy work, as agreed at the latest Investment Sub-Committee. It was also noted that the Fund's budget did not make any allowance for additional spending in response to the COVID-19 situation. While there may be additional spend, there have been no material complications as of yet.

The Fund's Investment and Accounting Administration budget proposed a small increase to fund an increase in staff working hours. The largest proportion of the budget was investment managers fees which were largely dependent on the value of assets being managed, and the investment return performance which depends on market conditions. This also included annual fees for the Brunel Partnership. This part of the budget was presented as indicative spend for information.

Resolved

1. **To note the Pension Fund Investment Fees and related costs budget of £15.247m as indicative spend on this area (which officers will continue to monitor)**
2. **To approve the Pension Fund Administration, Investment and Governance Controllable budgets for 2020-21 shown in the Appendix totalling £2.795m (0.1% of total fund value).**

126 **Final Valuation Report**

The Head of Pensions Administration & Relations and Barry Dodds, Actuary at Hymans-Robertson, presented a report summarising the completion of the 2019 Actuarial Valuation exercise for the Wiltshire Pension Fund.

It was noted that employers had been written to regarding their contribution rates. They were provided with details of their results and to request that each employer confirm their agreement to the contribution rates to be paid over the next three years. Officers had agreed alternative employer rates with 13 employers, which was in line with expectations and all revised rates were within the parameters agreed by the Committee. Most decreases that had been requested were modest in size. For those that did not respond, the rates put into payment from 01 April 2020 would be those that have been proposed by the Actuary. If an employer were to miss its contribution payment, it would be considered a breach and be either recorded or reported in accordance with the regulator's guidance on such matters.

In response to a question from the Committee, it was noted that only a small percentage of employers are funded privately. For all employers that had joined in the last ten years, the Fund had insisted that should a private sector organisation be admitted the previous employer (usually Wiltshire Council or Swindon Borough Council) must be its guarantor.

In response to a question from the Committee, it was noted that only a small percentage of employers are funded privately. For all employers that had joined in the last ten years, the Fund had insisted that should a private sector become involved, Wiltshire Council or Swindon Borough Council must be its guarantor.

In response to concerns raised by the Chairman, it was noted that contribution rate decisions are taken on a case by case basis and repayment plans are implemented if needed. The Fund, in consultation with the Actuary, planned to circulate a survey in the coming days to understand the position of employers in the current economic climate. This would allow the Fund to identify the employers most at risk to the financial implications of COVID-19, whilst being conscious of the fact that some employers would have a guarantor.

Resolved

1. **To note the Valuation update provided, including the appendices and to note the valuation report will be published.**
2. **To note that officers & actuary will be providing valuation information to the SAB, MHCLG & GAD.**
3. **To note the risks as outlined in the report.**

127 **Training Plan Review**

Resolved

To note the officer training plan update for 2020-21.

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

Resolved

To note the scheme, legal, regulatory and Fund update.

129 **Key Performance Indicators (KPIs)**

Resolved

To note the current situation and the Fund's plans for improvement.

130 **Data Improvement Plan Update**

Resolved

To note the progress against the Data Improvement Strategy and Plan.

131 **Business Plan**

The Head of Pensions Administration & Relations introduced a report on the progress of the actions set for 2019/20 and the proposals for new actions for 2020/21.

It was noted that officers had agreed in 2019 to set actions for one year at a time only, despite the plan running from 2019 until 2022. This approach was partly in recognition of the difficulty in setting specific actions for a period of up to three years and in response to feedback that the development of key events may not be reflected in triennial action setting. Moreover, the approach is to focus only on actions which are improvements, developments and changes - business as usual actions would not be covered even though they make up the vast majority of work in the section.

It was explained that Appendix 1 showed the Fund's progress of the desired actions for 2019/20. Most actions were complete, or would be completed in the 2019/20 period, although some had been carried forward for the reasons stated in the Appendix.

The Committee noted that the 2020/21 plan was ambitious in its objectives. The Head of Pensions Administration & Relations pointed out that some actions are aspirational, and that the Appendix indicates the service priority and resourcing requirement of each action. That said, some actions with a lower service priority may be less resources intensive and could still be completed instead of some higher service priority actions.

Resolved

1. **To note the Fund's progress against the actions from 2019/20**
2. **To approve the proposed actions from 2020/21.**
3. **To receive an updated report on the progress of the Business Plan at the next meeting.**

132 **Pension Fund Risk Register**

The Head of Pensions Administration & Relations introduced an updated Pension Fund risk register, including an explanation of the Fund's business continuity arrangements.

It was noted that during the last quarter three new risks were identified, as detailed in the report. One such risk was related to COVID-19, which could cause significant issues to the Fund. The Committee was assured that officers were well equipped to work from home and cover any staff absences that may result. The Fund's key service providers were largely office-based, and officers had been assured that their business would continue as normal. Recent investment performance had been poor due to increased market volatility, with wider than usual spreads making trading challenging. Investment managers were seeing strong negative returns, and in many cases, money was being moved into cash to adopt a more defensive position. Officers were in close contact with Hymans-Robertson to understand the funding level and develop an appropriate response.

Resolved

1. **To note the attached Risk Register and note the changes/actions made by officers in points 7 to 10 to the Committee**
2. **To note the officers' approach to the Fund's key person risk.**

133 **Member Effectiveness Review**

Resolved

To note the progress of the member effectiveness review.

134 **External Audit Report**

Resolved

To note the update.

135 **Revised Cessation Statement**

The Head of Pensions Administration & Relations introduced a report on the updated employer cessation policy.

It was noted that following recent regulatory changes which came into force in March 2020, the Fund now had some discretion over whether to make a complete, partial or nil payment out of any cessation surpluses to employers ceasing participation in the Fund, after consideration of their circumstances had been completed. The main area of change within the policy was to Section 8 which sets out the approach the Fund would normally take to the discretion given to it. In the interest of transparency, officers had sought to set outline its approach to decision-making in this regard.

The application of the policy generally aimed to reduce the risk that the Fund enters into in a dispute with an employer over how to settle its exit position. However, in general, the legislation increases the risk of challenge to the Fund's decision because it introduces a discretion which did not previously exist and typically different parties will have different views on what they see as the correct outcome. As such, there was a need to be robust in setting this policy to allow the Fund to push back on any challenge.

It was noted that the policy had been produced in consultation with Hymans-Robertson and that it would go out to consultation with the Fund's employers in due course.

Resolved

To approve this policy subject to a consultation with employers being undertaken in April 2020 and no material issues being raised.

136 **Treasury Management Strategy**

Resolved

To approve the attached Treasury Management Strategy.

137 **Look Forward Plan Review**

The Governance and Performance Manager gave a verbal update on the look forward work plan for 2020/21.

It was noted that officers had reformatted the Committee's work plan for 2020/21 to align with it the new budget planning structure, be consistent with the business plan for 2020/21 & create a comments column to provide additional background notes for members.

Resolved

To note the draft plan.

138 **Date of Next Meeting**

The next meeting of the Wiltshire Pension Fund Committee will be held on Thursday 16 July 2020.

139 **Urgent Items**

There were no urgent items.

140 **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 Item Numbers 141-147 because it was 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.

141 **Brunel Pension Partnership Update and Business Plan**

The Head of Pension Fund Investments introduced a report updating members on the Brunel budget and business plan.

142 **Investment Quarterly Progress Report**

The Head of Pension Fund Investments introduced a report on the Fund's quarterly investment progress.

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

The Head of Pension Fund Investments introduced the minutes and key decisions of the Investment Sub Committee held on 27 January 2020.

Resolved

To approve the minutes and key decisions of the Investment Sub-Committee held on 27 January 2020.

144 **Minutes and Key Decisions of the Brunel Oversight Board**

Resolved

To note the finalised and draft minutes of the most recent meeting of the Brunel Oversight Board.

145 **Brunel Infrastructure Update**

The Head of Pension Fund Investments gave an update on on Brunel's infrastructure portfolio.

146 **Minutes**

Resolved

To confirm as a true and correct record the Part 2 minutes of the meeting held on 17 December 2019.

147 **Areas of Outstanding Business**

Any areas of outstanding business were discussed.

(Duration of meeting: 10.30 am - 12.15 pm)

The Officer who has produced these minutes is Craig Player of Democratic Services, direct line 01225 713191, e-mail craig.player@wiltshire.gov.uk

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

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Wiltshire Pension Fund Committee - Actions Log					
Minute reference	**Section**	**Meeting Action**	**Task owner**	**Target date for completion**	**Date completed**
49 (18/07/19)	Investment	The Committee requested that within the next ISS the Fund's position on Climate Change should adopt a more prominent position within the document.	JD	31/07/20	Agenda item 16
64 (03/10/19)	Administration	Officers to implement the strategy to improve the issuance of member Benefit Statements	AC	31/08/20	
65 (03/10/19)	Governance (Audit)	Officers to sample test responses from Managers in accordance with the auditor's recommendation	RB	31/07/20	Agenda item 20
72 (03/10/19)	Administration (AVCs)	Officers would report the results of their AVC reviews annually to Committee on an exception basis & that future reporting should focus on funds primarily used by members	RV	24/09/20	
72 (03/10/19)	Administration (AVCs)	Future AVC reporting should recommend whether AVC investment choices need to altered	RV	24/09/20	
73 (03/10/19)	Investment (Alternative Employer Investment Strategy)	To introduce a separate employer investment strategy as outlined & to apply with effect from 1 April 2020 for relevant employers (or sooner if an employer requests)	JD	24/09/20	
73 (03/10/19)	Investment (Alternative Employer Investment Strategy)	Officers to onboard appropriate employers and to moving employers between the main and alternative investment strategy	JD	24/09/20	
73 (03/10/19)	Investment (Alternative Employer Investment Strategy)	For officers to wait until they see what the take up is before exploring the possibility of introducing a further alternative investment strategy where they consider it would appear to be beneficial for employers and the Fund	JD	24/09/20	
96 (17/12/19)	LPB (Minutes)	Local Pensions Board meeting recommendations of 14/11/19 were accepted, except the Minue 76. Members requested the receipt of an updated report	JD	26/03/20	Closed 12/05/2020
98 (17/12/19)	Governance (Fund Benchmarking)	The committee agreed for officers to discuss benchmarking issues with Brunel and informally with other Funds	AC/JD	24/09/20	
112 (17/12/19)	Investment Quarterly Progress Report	A request should be made to Brunel to set up an emerging market multi-asset portfolio	JD	26/03/20	31/12/19

126 (26/03/20)	Actuarial (Valuation Report)	To note that officers & actuary will be providing valuation information to the SAB, MHCLG & GAD	AC	30/06/20	Hymans provided information w/b 08/06/2020
131 (26/03/20)	Governance (Business Plan)	To receive an updated report on the progress of the Business Plan at the next meeting	AC	16/07/20	Agenda item 12
132 (26/03/20)	Governance (Risk Register)	To note the attached Risk Register and note the changes/actions made by officers in points 7 to 10 to the Committee	RB	16/07/20	Agenda item 19
135 (26/03/20)	Governance (Employer Cessation Policy)	To approve this policy subject to a consultation with employers being undertaken in April 2020 and no material issues being raised	AC	16/07/20	Agenda item 12

Wiltshire Pension Fund Committee

Meeting:	16/07/20	24/09/20	17/12/20	11/03/21	Q2 2021	Guidance comments
GOVERNANCE - Committee Specific						**Comments**
Confirmation of annual election of Chair & Vice Chair	✓				✓	Annual appointments made by Full Council
Review Committee's Terms of Reference (if and as required)						This review should be in conjunction with the Board & ISC's ToR review to ensure continuity. Lasted reviewed in October 2019 and a 3 year cycle may be viewed as good governance
Fund's annual budget setting				✓		Prior to 31st March each year
Budget Monitoring	✓	✓	✓	✓	✓	Quarterly spend & allocation of costs review against budget
Budget Outturn	✓				✓	Annual actual review of financial pension fund spend against the previous year's budget
Committee Annual Training Plan Update	✓				✓	To be completed following each Scheme year for subsequent inclusion in the Fund's AR&A
Training Item relevant to agenda	✓	✓	✓	✓	✓	To be consistent with Member's training & development strategy
Members Hand Book	✓					Confirmation that the Committee should adopt the Hyman's standard rather that continue to draft its own
Committee effectiveness review						3 year plan last raised with the Committee on 12/12/2018. The Committee should also compare itself against its own core functions.
Forward Work Plan Review	✓	✓	✓	✓	✓	Officers to update the next Scheme year's plan in time for the new Scheme year. Annual reviews to therefore be undertaken in Q1
GOVERNANCE - Fund Specific						**Comments**
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	Quarterly update by the Head of Pensions
Review of Risk Register	✓	✓	✓	✓	✓	Quarterly review. Request risks to be added, approve changes made by officers and review recommendations made by the LPB
Fund update & comments on minutes of ISC & Board	✓	✓	✓	✓	✓	Amongst other purposes Members should use the minutes to identify risks which can be added to the register
LPB Report - Review recommendations	✓				✓	Ensure that Committee minutes during the past year have either actioned the recommendations, or comment on why the recommendations were not accepted
Review Governance Compliance Statement						4 year plan last approved on 21/06/2018

Review tPR Code of Practice 14 annual internal assessment	✓				✓	Expected to become tPR Code of Practice 15 during 2020
Review Fund Training Programme			✓			Complete 3 year training plan last approved on 12/12/2018. Annual reviews undertaken in Q4 each year
Actuarial Valuation						Next valuation currently due 31/03/2022
Club Vita update			✓			As at 31st August each year & to be submitted by 1st week of October to Hymans. Purpose - statistical analysis
Review the Fund's Annual Report & Accounts	✓				✓	To ensure CIPFA compliance requirements have been applied. Deadline 31st July, publication by 1st December
Approve Internal Audit Report scope				✓		Annually covers Key Controls & Pension Fund Transfers. Every two years Code of Practice 14
Monitor Internal Audit Report		✓				Audit recommendations actioned
Monitor External Audit Report		✓				Audit recommendations actioned
Input to Annual External Audit Plan			✓			Committee to liaise with the Audit Committee concerning the scope of Deloitte's audit
Input to Annual Internal Audit Plan			✓			Committee to liaise with the CLT concerning the scope of SWAP's audit
Treasury Strategy				✓		Annual review of strategy. To include performance report of short-term cash investments & setting of preferred bank account balance to maintain business cashflow needs
Review external advisor appointments effectiveness, processes & controls			✓			Committee to receive an annual update from the Board on the effectiveness of the Fund's advisers
Review internal SLA effectiveness, processes & controls			✓			Covers services connected with the Wiltshire Council recharge. Namely, Legal, Procurement, IG, Payroll, Treasury Management, Internal & External Audit, Democratic Services, FM, ICT, HR & Communications
Review Actions from previous meetings	✓	✓	✓	✓	✓	Address primarily during pre-meeting planning meeting
GOVERNANCE - Fund Plans, policies & strategies						**Comments**
Review Business Plan						3 year plan last approved on 24/03/2019
Review Pension Administration Strategy						3 year plan last approved on 17/12/2019
Review Communication strategy						3 year plan last approved on 17/12/2019
Review Data Improvement Plan				✓		2 year plan last approved on 24/03/2019

Review Admin Charging Policy				✓		2 year plan last approved on 12/12/2018
Review Admin Authority Discretions	✓					4 year plan last approved in December 2015
Review Cessations policy						3 year plan last approved in September 2018
Review Funding Strategy Statement	✓					3 year plan last approved on 17/12/2019
Review Compliance with FRC stewardship code	✓				✓	Annually reviewed. Updated Stewardship Code to be released in 2020
Review Investment Strategy Statement	✓				✓	Annually reviewed
ADMINISTRATION						**Comments**
Review employers compliance (data)		✓		✓		Incorporate with ABS review process & update on Fund's Data Improvement Plan.
Review Fund fraud risk prevention and mitigation measures		✓				Completed every 2 years and will be an update of the Fund's NFI & Certificate of Existence exercises
Review Fund website contents/resilience			✓			To also cover Cyber Security reporting on an annual basis
Receive an annual report of an complaint & IDPR cases, including a review of the Fund's procedures	✓					To cover Muse Advisory & annual confirmation of the appointment of an adjudicator by each Employer
Review Fund Communications (employers/members)		✓				To provide templates of key Fund documentation & evidence its compliance
Review of Data Security & Business Recovery			✓			Report set out the arrangements in place & when they were last tested
Review GMP reconciliation process			✓			Annual update of SAP & Altair reconciliations, plus GMP Rectification process
Committee KPIs to monitor	✓	✓	✓	✓	✓	Quarterly Administration performance reporting
Benchmark KPIs in Annual Report & Accounts information with other Funds			✓			Annual Report & Accounts must be disclosed each 1st December
Review of Annual Benefit Statement process		✓		✓		Percentage issued, action plan to issue outstanding ABSs & process improvement review
Members Self-service update		✓				Progress report on take up and functional developments
INVESTMENT PERFORMANCE & RISK						**Comments**
Investment Quarterly Progress Report	✓	✓	✓	✓	✓	Provided by each Investment Manager & the Investment Adviser Mercer who summaries the information and offers an independent assessment of the market generally
Review Investment performance against Fund's benchmarking criteria	✓				✓	To be presented in conjunction with the draft Annual Report & Accounts

Investment Strategy Review / Asset Allocation Review			✓			Annual review of strategy document last updated in December 2019. To cover topical changes relating to BPP & ESG
Review individual employer investment strategies			✓			Monitoring the alternative investment strategy for certain employer, not covered by the main strategy
Governance update relating to BPP				✓		In terms of the investment oversight arrangements, manager research function & WPF's arrangements as a shareholder
Cost transparency of BPP, Managers & the Custodian	✓				✓	To be presented in conjunction with the draft Annual Report & Accounts
Independent Adviser market update				✓		To provide an independent annual report to members on the financial markets, BPP & the governance arrangements of both entities
Flight Path monitoring				✓		In relation to the financial peformance of the Fund
Flight Path monitoring				✓		In relation to the ESG, SRI & Climate change arrangements of the Fund
Total number of Agenda Items:	**23**	**17**	**22**	**20**	**19**	

Additional considerations for the Lookforward plan in 2020/21

a) Employer Training Policy review - September 2020
b) Employer Admissions Policy review - December 2020
c) i-Connect Rollout update - September 2020 (Time with MSS update)
d) E-Communications strategy update - December 2020
e) Responsible Investment strategy - December 2020
f) MiFID II review - July 2020 (Audit report) & December 2020 (Self certification)

Wiltshire Council

Local Pension Board

MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 21 MAY 2020 AT ONLINE MEETING.

Present:

Cllr Richard Britton, Ian Jones, Rod Lauder, Barry Reed, Paul Smith and Mark Spilsbury (Chairman)

Also Present:

Cllr Tony Deane and Cllr Gordon King

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27 **Chairman's Welcome and Introductions**

The Chairman welcomed everyone to the Local Pension Board and all officers and members present were introduced.

It was noted that the meeting was being broadcast live to the public who would be able to listen to and view the meeting online until the Board entered Part II of the meeting, at which point the public would be excluded because of the likelihood that exempt information would be disclosed.

The Board agreed that Item 9 would be brought forward and discussed after Item 7.

28 **Membership**

As it was his first meeting as Independent Chairman of the Board, the Chairman gave a brief summary of his professional background.

The biographies of all Local Pension Board members can be found on the Wiltshire Council website:
https://cms.wiltshire.gov.uk/mgCommitteeDetails.aspx?ID=1280

29 **Apologies**

Apologies were received from Mike Pankiewicz.

30 **Minutes and action-tracking**

Resolved

To confirm as a true and correct record the Part 1 (public) minutes of the previous meeting held on 13 February 2020.

31 **Declarations of Interest**

There were no declarations of interest.

32 **Chairman's Announcements**

The Chairman reiterated the role of the Board as a non-decision making body that seeks to support the Pension Fund in being compliant with legislation and regulations.

33 **Public Participation and Councillor Questions**

There were no statements or questions from the public.

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

Resolved

To note the Part 1 (public) minutes of the Wiltshire Pension Fund Committee and the Investment Sub Committee held on 26 March 2020 and 27 February 2020.

35 **Training Plan**

The Fund Governance and Performance Manager gave a brief overview of the role of the S151 Officer and the Monitoring Officer.

The Director for Finance and Procurement (S151 Officer) gave a summary of his professional background and outlined his role in relation to Wiltshire Pension Fund, including its core responsibilities, key areas of potential conflict of interest and delegations to the Fund's leadership.

Resolved

To note the overview of the role of the S151 Officer and the Monitoring Officer.

36 **Scheme, Legal, Regulatory and Fund update**

The Head of Pensions Administration and Relations presented a report on the latest Scheme, Legal, Regulatory and Fund developments for the Board's information.

Regarding the Fund's response to COVID-19, it was noted that it had been largely business as usual from an operational point of view as officers had been able to work from home without any major issues. However, there were three main impacts and risks faced by Fund. Firstly, the Fund had been receiving weekly funding level updates from the actuary due to the volatility seen in markets. The whole-fund funding level had dropped as low as 86%, although it had been more stable since then and had partially recovered to around 91.5% (30 April 2020). There was also a risk of employers failing to pay contributions or provide data as a result of the situation. The Fund had contacted employers and no significant issues had been brought forward. There had been no increase in late payments so far and the Fund already had guarantees in place for higher risk employers. The Fund had contacted major service providers, and all confirmed that they were able to remain operational and officers had not seen any change in their service availability so far.

In response to a question from the Board it was noted that the Fund followed a process whereby an immediate review of the current investment strategy is undertaken should the funding level drop by more than 20% from the latest actuarial valuation figure. However, having taken advice from the Fund's actuaries and investment consultants it was decided that no action would be taken at this time in anticipation of a longer-term recovery.

Resolved

To note the Scheme, Legal, Regulatory and Fund update.

37 **Communications Strategy and Digital Programme Update**

In response to a question by the Chairman, it was noted that the Fund can measure and analyse the number of page views via the employer website's statistic tool help to identify engagement levels. This allowed the Fund to see which web pages employers were viewing and whether certain pages needed to be promoted to encourage more views. However, there was no function for the Fund to see which employers engaged with which pages and how often they did so. The Fund could gauge the engagement levels of individual employers from, for example, webinar sign-up, although it is important to note that there were vast differences in scheme member levels across employers and as such engagement levels vary partly due to the employer's need. It was also noted the Fund aims to identify where low employer engagement is coupled with low quality data provision and would take action accordingly.

Resolved

To note the update.

38 **Fund Annual Report and Accounts & Audit Update**

The Head of Pension Fund Investments gave an update on the Fund's annual report and its accounts and audits.

It was noted that due to the current situation regarding COVID-19 the Fund had been given a one-month extension to get its accounts ready for audit, and that the auditors had also been given a one-month extension to carry out their work. Therefore, the deadline for having a finalised and audited accounts and annual report was the end of September rather than the end of July. Regarding last year's accounts and annual report, it was noted that there had been a delay in this being signed off and that it would be finalised at the Audit Committee in June. This delay was due to some issues with the Council's accounts, within which the Fund's accounts were appended and as such it was only possible for the auditors to provide an audit report for the Fund once the entire Council accounts had been signed off. The Board was reassured that the delay was not due to any issues with the Fund's accounts.

An update was also given on the Fund's internal audits for 2020-21. It was noted that whilst the Pension Transfers audit for 2019-20 had continued, the Audit Committee meeting that was due to take place to approve the Fund's 2020-21audits had been cancelled due to COVID-19 and so the process had been delayed. The four audits that were due to be undertaken were on key financial controls, data protection in relation to the Fund's compliance to GDPR, MiFID II compliance and pensions transfers to Brunel Pension Partnership. The Board was assured that it would be updated as soon as these had been completed.

Resolved

To note the update.

39 **Draft Investment Strategy Statement (ISS)**

The Chairman outlined the Board's responsibility to review the process undertaken in updating the Investment Strategy Statement (ISS) and its approval and in ensuring that suitably qualified and experienced investment experts had been involved in the process.

The Head of Pension Fund Investments then briefly introduced the draft ISS which had been circulated to members in advance of the meeting. The ISS had been prepared with support from the Fund's investment consultants and contained the updated strategic asset allocation, which had been approved by Committee after significant input from the Fund's actuaries and investment consultants. In response to a question from the Board, it was noted that the current investment environment could provide investment opportunities in environmentally aware sectors. Officers had had positive conversations with Brunel particularly around private markets, which the Fund had recently made several commitments to and where there were opportunities in the renewables sector. Brunel itself had been focused on its climate change policies and its responsible investment engagement as a whole and, for example, had generally sought to avoid assets such as airports, as well as expecting funds in their portfolios to manage the carbon impact of the underlying investments. These actions had boosted the resilience of Brunel's existing investments in the current environment.

In response to concerns raised over the threat to investment opportunities as a result of COVID-19 it was noted that the Fund was keen to ensure its strategy remained long-term and to wait until the markets stabilise until it engages with Mercer and reviews aspects of the strategy.

Regarding the strategic asset allocation, it was noted that a desired outcome of the strategy review was to develop a mix of asset classes which would still deliver good returns, thereby reducing the need for contribution rate rises from employers, but also bring down the overall risk of the portfolio which previously had high exposure to equities. The Fund had removed the diversified growth fund and absolute return bond fund portfolios and instead committed to private market portfolios, namely secured income, private equity, private debt and infrastructure. While this would decrease the overall liquidity of the Fund, this was being managed through a large allocation to gilts and the creation of liquid interim portfolios and as the portfolios matured they are expected to become self-funding. It was also noted that these asset classes were slow to implement, and that this was being managed through liquid market portfolios as well as engagement with Brunel to ensure it is deploying capital in an even way and building these portfolios up over time.

The Fund had also changed its allocation to low carbon passive equities. Previously, the Fund had various other passive equities portfolios, but now its investments were in a low-carbon alternative portfolio through Brunel. This gave the Fund the same returns and volatility to the broader benchmark index but had a much lower carbon footprint. It was noted that the strategic asset allocation would be fully implemented over the next few years and that this could take up to six years, due to the allocations to the private markets. In the meantime, the Fund would have interim portfolios which would be implemented on a risk-return basis.

Resolved

To approve the process regarding updating and obtaining approval for the ISS.

40 **<u>New Employer Policy</u>**

The Head of Pensions Administration and Relations introduced a report which aimed to outline the Fund’s policy approach to new employers’ admissions.

To date, the Fund’s approach to new employer admissions had been outlined on its website, in historical committee papers, the Funding Strategy Statement and through precedent. In the interests of greater transparency and consistency and in response to the changing employer environment, officers felt it necessary to formalise and clarify its approach to a range of new employer matters into a single policy. It was noted that there were no major changes in the Fund’s approach, instead the policy mainly represented a formalisation of existing practice. The policy had been produced in consultation with the actuary as it contained certain actions that the actuary would be required to undertake.

In response to a question from the Board it was noted that it was difficult for the Fund to insist on a guarantee being in place for certain categories of employers (such as scheduled bodies) as it was unable to enforce such a request because they had a statutory right to participate in the scheme. Admitted bodies only join the Fund upon signing an admission agreement, and as part of that process the Fund would not sign the agreement unless there was sufficient security in place (such as scheme employer guarantee). The Fund did not see these differing approaches as a particular risk as, for example, academies were funded through the Department for Education (DfE) and the DfE which had a guarantee in place for all academies across the country.

Regarding comparisons between the Fund's approach to new employers' admissions and that of other funds it was noted that whilst there was variation in how employers were treated more generally, the Fund's employer policy was broadly similar (with some aspects dictated by legislation) to that of other Funds.

Resolved

To consider the contents of the new Employer Policy.

41 **Local Pension Board Annual Report 2019-20**

Subject to some minor amendments identified by the Board, the Local Pension Board Annual Report was accepted as a true and fair record of the Board's operations during 2019-20.

Resolved

To approve the draft Local Pension Board Annual Report 2019-20.

42 **Risk Register Update**

Regarding the impact of COVID-19 on the Fund's business continuity, it was noted that there had been no increase in staff sickness and that staff were largely working from home.

In response to a question raised by the Board it was also noted that the Fund Governance and Performance Manager conducted a formal review of the risk register on a quarterly basis. Once this review had been completed, a summary of potential risk areas were circulated to officers for further comment before being brought to the Board and Committee for comment. Risk reviews were monitored and managed on an ongoing basis by officers.

Resolved

To note the risk register and recommend the changes/actions made by officers in points 5 and 8 of their report be submitted to the Committee.

43 **Administration Quarterly Key Performance Indicators**

In answer to a question from the Chairman, it was noted that the Administration Strategy target days were set locally by each Fund and were aspirational in nature. This is because they were designed to facilitate a high level of customer service and, in some cases, the regulatory timeframe was quite generous for administrators and not in line with what the Fund considered to be customers' expectations. Comparisons between funds were therefore difficult, although CIPFA hoped to promote some standardisation going forward which would allow for better comparative analysis.

Resolved

To note the current situation and the Fund's plans for improvement.

44 **Supplementary (Low Volume) Key Performance Indicators**

Officers introduced a new annual report on the Fund's low volume KPIs. It was noted that the intention of this report was to provide visibility to the Board of all the Fund's low volume KPIs by collating them into one document. Individually such performance measures would not warrant presentation and their occurrence was too infrequent to provide meaningful data on a quarterly basis.

Resolved

To note the findings of the low volume performance measures being monitored and managed by officers on behalf of the Fund.

45 **tPR Code of Practice 14 Self-Assessment for 2019-20**

The Fund Governance and Performance Manager introduced a report on the tPR Code of Practice Self-Assessment for 2019-20.

Overall, an improvement had been observed in the number of compliance areas falling below the required standard from ten areas identified as requiring improvement in 2018-19 to eight in 2019-20. Of the ten areas identified in 2018-19 two had shown improvement (moving to a well-managed green risk status), most notably reflected in the understanding of tPR breach reporting and its management. This left seven risks where no significant improvement had been made, as well as one risk where a marginal improvement had occurred (lowering it from a red to an amber risk rating). It was noted that officers would continue to implement their action plan to address the risks failing to reach the adequate standard. The implementation of the internal auditor's 2018-19 recommendation to random sample test the responses made during the self-assessment were also noted.

Resolved

To note the internal self-assessment undertaken.

46 **Valuation Process Review**

The Head of Pensions Administration and Relations presented a report outlining the review of the triennial valuation process.

In setting contribution rates, employers were written to after the Committee meeting on 25 October 2019 to provide them with details of their results and to request that each employer confirmed their agreement to the contribution rates to be paid over the next three years. The secure employers had the option of being part of the Stabilisation Policy, which is supported by the actuary's modelling. This policy limits increases and decreases on contribution rates to 1% per annum. All eligible employers remained within this policy. The remaining employers were sent a proposed contribution rate schedule as part of their valuation results. Officers agreed alternative employer contribution rates with 13 employers, which was in line with expectations and all revised rates were within the parameters agreed by Committee. For employers that failed to respond, despite various attempts to engage with them, the rates put into payment from 1 April 2020 were those proposed by the actuary.

The Head of Pensions Administration and Relations agreed to provide a link to the final valuation report to the Board following the meeting. It was noted that the report included in the agenda pack was only the draft version and as such there were several minor omissions from it.

Resolved

1. **To note the valuation update provided, including the appendices, and to note the final valuation report had been published.**
2. **The Head of Pensions Administration and Relations to circulate a link to the final valuation report to the Board following the meeting.**

47 **<u>How did the Board do?</u>**

The Board members agreed that the meeting had, under the circumstances, been effective and allowed the required decisions to be taken.

48 **<u>Urgent items</u>**

There were no urgent items.

49 **<u>Date of next meeting and Forward Plan</u>**

The next meeting of the Board would be held on 06 August 2020.

50 **<u>Exclusion of the Public</u>**

Resolved

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 51-52 because it was 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.

51 **<u>Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub-Committee</u>**

Resolved

To note the Part 2 (private) minutes of the Wiltshire Pension Fund Committee and the Investment Sub Committee held on 26 March 2020 and 27 February 2020.

52 **<u>Minutes</u>**

Resolved

To confirm as a true and correct record the Part 2 (private) minutes of the previous meeting held on 13 February 2020.

(Duration of meeting: 10.30 am - 12.15 pm)

The Officer who has produced these minutes is Craig Player of Democratic Services, direct line 01225 713191, e-mail craig.player@wiltshire.gov.uk

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

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

LOCAL PENSION BOARD ANNUAL REPORT FOR 2019-20

Purpose of the Report

1. The purpose of this report is to present the attached Local Pension Board Annual Report to Members of the Pension Fund Committee for a review of the Committee's actions during 2019-20 against the recommendations made by the Board.

Background

2. The Local Pension Board has a requirement under the Public Service Pension Act 2013, and its Terms of Reference, to provide an annual update to the Scheme Manager (Wiltshire Council) on its activities.

3. The Annual Report contains details of the activities, workplans, training and budgets of the Local Pension Board for the year to 31 March 2020. In addition, it also sets out the recommendations it has made to the Committee during that period.

4. It was approved, subject to minor amendments which have since been made, at the last Local Pension Board meeting on 21 May 2020.

5. A link to the Local Pension Board Annual Report will be included in the Pension Fund Annual Report and will also be published on the Wiltshire Pension Fund website.

Consideration for the Committee

6. The only Board consideration identified which the Committee has not yet to decide on whether to take forward is on **Page 17/18** – Key Decisions of the Fund's Committee – It states that substitute Committee members should also be MiFID II compliant, not just all Committee members. Currently only ISC members are asked to sign self-certify their MiFID II competence.
7. The Committee should consider whether a wider requirement to self-certify should be adopted, or comment on why it does not wish to take forward the Board's recommendation.

Risk Assessment

8. The are no material risks associated with reviewing of the Local Pension Board Annual Report.

Financial Considerations

9. These are considered in the Local Pension Board Annual Report. The costs incurred by the Local Pension Board are included in the operational costs of the Wiltshire Pension Fund and reported in the Fund's Annual Report.

Legal Implications of the Proposals

10. There are none.

Environmental Impact of the Proposals

11. There are none.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Proposals

13. Members are asked to note the Local Pension Board Annual Report 2019-20, ensure that they have either acted upon, or where required commented on, why they have not acted upon the Board's recommendations (as specified in item 6) and agree to its publication.

14. Members are asked to make a decision on whether it agrees with the Board's recommendation that Substitute Committee Members should also be MiFID II complaint (as outlined in paragraph 7).

Andy Cunningham
Head of Pension Administration and Relations

Report Author: Richard Bullen, Fund Governance & Performance Manager

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

Local Pension Board Annual Report

21 May 2020

Contents

Chairman's introduction

Welcome to the Annual Report of the Local Pension Board (LPB) of Wiltshire Pension Fund (WPF). This report covers the period from 1st April 2019 to 31st March 2020 during which the LPB held 4 meetings.

The focus of the LPB has been on ensuring the LPB and WPF governance complies with Public Service Pensions Act, the panoply of LGPS regulations that apply, LGPS best practice guidance issued by the national LGPS Advisory Board or CIPFA, plus the requirements of the Pensions Regulator (TPR).

I am pleased to say that with the support of the officers and advisors to the Wiltshire Pension Fund Committee, the LPB has made good progress in fulfilling its terms of reference in its fifth year, and the LPB is able to provide assurance that the WPF is complying with its statutory duties.

The LPB is pleased that Wiltshire Council as the Administering Authority continues to support the training and development of the Wiltshire Pension Fund staffing structure which will help future proof it from the increasing workload required by law to manage the WPF and provide the correct benefits to its members.

During 2019 the LPB undertook a review of the compliance with TPR Code of Practice 14. The LPB welcomes the actions being implemented by the fund to ensure the LPB and WPF fully complies with the Code.

The LPB also made a number of recommendations in respect of various improvements to the governance and administration of the WPF and is pleased that the vast majority were accepted and have either been completed or are in the process of being completed. These include clarifications and improvements to the Pensions Committee terms of reference, the WPF risk register, WPF members data protection, WPF key administration performance indicators, and WPF member communications.

The LPB has monitored the on-going process and risks and opportunities surrounding the pooling of the fund's asset with the Brunel Pensions Partnership (BPP), and has welcomed the progress being made to date, and actions underway to ensure BPP delivers value for money for WPF.

The LPB reviewed the WPF website and the services it delivers and stressed the need for it to be regularly updated and be kept as user friendly as possible for WPF members and employers to increase its usage and efficacy which will become increasingly important in the future.

As this is my last Annual Report could I thank my fellow Board members for their support and commitment to their roles on the LPB and I commend this report to you.

Howard Pearce

Independent Chair

Legal basis of LPB and annual reporting

The Local Government Pension Scheme Regulations 2013 (“the Regulations”) establish Wiltshire Council as the administering authority for the Wiltshire Pension Fund, with responsibility for managing and maintaining the Fund. The Regulations further require that Wiltshire Council in its capacity as administering authority, and in accordance with the Public Service Pensions Act 2013, establish a Local Pension Board for the purposes of assisting it;

- to secure compliance with the LGPS Regulations, other legislation relating to the governance and administration of the LGPS, and the requirements imposed by the Pension Regulator in relation to the LGPS; and
- to ensure the effective and efficient governance and administration of the LGPS

The functions of the Local Pension Board do not sit neatly within the typical arrangements that apply to local authority committees, including those that apply to the Wiltshire Pension Fund’s Pension Committee. Importantly, the Local Pension Board cannot be delegated to carry out the functions and responsibilities that legally pertain to the administering authority. The local pension board as has no decision-making authority.

The creation of a Local Pension Board does not change the core role of the administering authority or the way it delegates its pension functions. Instead the local pension board operates outside of the usual local authority committee structure and serves an advisory and compliance role for the Fund. The role of the Local Pension Board is sometimes likened to that of a “critical friend”.

The Regulations require that the Local Pension Board must be constituted of at least 4 members, two of whom must represent the membership of the fund and two of who must represent the fund’s employers. Employer and Scheme member representatives are required to have the capacity to represent their respective constituencies. While it is permissible for the local pension board to contain “independent” members i.e. those who are neither member nor employer representatives, such members are not permitted to vote. Details of how the Chair and members of the Local Pensions Board were and are appointed can be found in the terms of reference http://www.wiltshirepensionfund.org.uk/media/3560/terms-of-reference-local-pension-board.pdf

The Wiltshire Pension Fund Local Pension Board is comprised of;

- 3 scheme member representatives, and
- 3 employer representatives, and
- 1 non-voting Independent Chair

The Regulations do permit an administering authority to combine its Local Pension Board with the pension committee to which it has delegated some or all of its decision-making responsibilities in respect of the maintenance of the fund. Such a combined committee and board may only be created with the express permission of the Secretary of State for the Ministry of Housing, Communities and Local Government.

Wiltshire Council has chosen not to operate a combined local pension board and pension committee.

In addition to making Local Pension Boards a mandatory part of the LGPS governance structure the Public Service Pensions Act 2013 also brought about a new role for The Pensions Regulator. The

Regulator now has the role of overseeing good governance within all Public Service Schemes, which includes the LGPS. The Regulator can issue enforcement notices where it believes that LGPS Funds are not complying with certain pension legislation, including, in respect of Local Pension Boards, matters such as representation and ensuring that conflicts of interest do not exist on Boards.

While there is no statutory obligation for the Local Pension Board to publish a report, it is recognised as best practice for the Board to report on its activities for the year and its future plans.

The Public Service Pensions Act 2013 does require an administering authority to publish information about its pension board. The administering authority is required to publish a governance compliance statement which, in addition to information on the governance of the Fund, should include details of the terms, structure and operational procedures relating to its Local Pension Board.

The Board is accountable solely to the Administering Authority for the effective operation of its functions and reports to the Pension Committee at least annually and more often if deemed necessary. The subject of the Board's reports shall include;

a) a summary of the work undertaken since the last report
b) the work plan for last year and the programme for the next 12 months
c) areas raised to the Board to be investigated since the last report and how they were dealt with
d) any risks or other areas of potential concern it wishes to raise
e) details of training received since the last report and planned
f) details of all expenses and costs incurred over the past 12 months and projected for the next year
g) details of any conflicts of interest identified since the last report and how they were dealt with

The Governance Compliance Statement of the Wiltshire Pension Fund can be found http://www.wiltshirepensionfund.org.uk/media/4115/governance_compliance_statement.pdf

LPB members register and declarations of interests

Local Pension Board as at 31 March 2020

Role	Member	Date of Appointment	Date left Office	Number of meetings attended in 2019/20 (maximum 4)
Independent Chairman	Howard Pearce	12/05/2015	31/03/2020	4
	Mark Spilsbury*	01/04/2020	-	1
Employer Member Representatives	Sarah Holbrook	23/02/2016	22/02/2020	1
	Cllr. Richard Britton	16/05/2017	-	4
	Ian Jones*	26/11/2019	-	2
	Paul Smith*	25/02/2020	-	1
Scheme Member Representative	David Bowater	14/07/2015	13/07/2019	0
	Mike Pankiewicz	14/07/2015	-	4
	Barry Reed	14/07/2015	-	2
	Rod Lauder*	26/11/2019	-	2

*Attendance includes being present as an observer

Biographies of the Local Pension Board Members

Independent Chairman:

Howard Pearce, former Head of Pension Fund Management, Environment Agency.

Mark Spilsbury, former Head of the Gloucestershire Local Government Pension Fund & also Chair of the Cornwall Pension Fund.

Employer Member Representatives:

Sarah Holbrook, Finance Operations Manager, Office of the Police and Crime Commissioner

Richard Britton, Wiltshire Councillor

Paul Smith, Head of Finance and Deputy S151 officer - Swindon Borough Council

Ian Jones, Chief Operating Officer - The White Horse Federation

Scheme Member Representative:

David Bowater, Wiltshire Council employee, active member

Barry Reed, Unison representative, retired member

Mike Pankiewicz, Unison representative, retired member

Rod Lauder, Wiltshire Council employee, active member

Full biographies for all Board Members can be found here
http://www.wiltshirepensionfund.org.uk/wiltshire-pension-fund/about-us/local-pension-board/

The register of interests for members of the Local Pension Board can be found here
http://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=1280&Year=0

LPB approved training plan and members training logs

The Public Service Pensions Act 2013[1] requires that members of local pension boards have an appropriate level of knowledge and understanding in order to carry out their role. Any individual appointed to a local pension board must be conversant with;

- The regulations of the Local Government Pension Scheme, including historical regulations and transitional provisions, to the extent that they still affect members; and
- any document recording policy about the administration of the scheme

Local Pension Board members must also have knowledge and understanding of;

- the law relating to pensions, and
- such other matters as may be prescribed in other legislation

The degree of knowledge and understanding required by Board members is appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Local Pension Board.

The Wiltshire Pension Fund is committed to supporting Local Pension Board members to achieve the level of knowledge and understanding they require by providing the appropriate level of training and assistance.

Degree of Knowledge and Understanding
Members of the local pension board are expected to be conversant with the rules of the LGPS and the policies of the Fund. "Being conversant with" implies a working knowledge of what is relevant to the subject under discussion. A Board member should have an understanding of what is relevant to their role and be able to identify and challenge a failure to comply with;

- the LGPS Regulations;
- other legislation relating to the governance and administration of the scheme;
- requirements imposed by the Pensions Regulator; and
- any failure to meet the standards and expectations set out in any relevant code of practice issued by the Pensions Regulator

Areas of Knowledge and Understanding
The areas in which Local Pension Board Members would be expected to be conversant include, but are not limited to –

- Scheme approved policies (e.g. managing conflicts of interest, reporting breaches of the law or record keeping)
- Risk assessment and management
- Scheme booklets and other members' communications
- The role of Local Pension Board Members and the scheme manager (Wiltshire Pension Fund)
- Policies in relation to the exercise of discretions

[1] The Public Service Pensions Act 2013 made amendments to the Pensions Act 2004 (see s248A)

- Communications with scheme members and employers
- Key policy documents on administration, funding, and investment (e.g. the administration strategy, Funding Strategy Statement or Investment Strategy Statement)

Achieving the required level of knowledge and skills

The Board members approved training programme covering the period 2018 to 2021 has been fully implemented and is designed to develop the necessary level of knowledge and skills for members. The strategy integrates with the Pension Fund Committee members training programme & aims to offer the widest opportunity for development. During 2019/20 the key elements of the programme were;

- To provide induction training for all new Board members. During 2019 five members of the Board were either appointed or reappointed. New appointees were required to attend a 3-day LGPS Pensions Fundamentals Course presented by the Local Government Association, receive a copy of the Member's handbook and attend an Officer led Induction training session. This suite of basic training on all the key areas of the LGPS will provide a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work

- In addition, new Board members will complete the Pension Regulator's on-line toolkit designed to provide a sound understanding of the roles and responsibilities of public service pension board members.

- To use the results of the annual self-assessment to develop the training programme for 2020-21.

- To continue to receive regular training as part of Local Pension Board meetings and to supplement knowledge by attendance at relevant seminars and conferences.

The Local Pension Board's training plan can be viewed here Wiltshire Local Pension Board Training Plan

This year the Local Pension Board has received the following training sessions:

Date of meeting	Topics Covered	HP	SH	RB	IJ	PS	DB	MP	BR	RL
23/05/2019	CIPFA guidance changes to the Annual Report & Accounts	✓		✓				✓	✓	
22/08/2019	tPR Breach Reporting	✓		✓	✓			✓	✓	

The following were joint training sessions with the Pension Committee:

Date of meeting	Topics Covered	HP	SH	RB	IJ	PS	DB	MP	BR	RL
18/07/2019	CIPFA guidance changes to the Annual Report & Accounts	✓		✓				✓	✓	
23/09/2019	Responsible Investment training			✓					✓	✓
17/10/2019	Strategic Asset Allocation - Private Debt & Insurance Linked Strategies							✓	✓	✓
25/10/2019	Valuation refresher training	✓						✓		✓
28/11/2019	MiFID II compliance							✓		
28/11/2019	Manager performance presentation from CBRE							✓		
28/11/2019	Manager performance presentation from Investec							✓		
23/01/2020	Induction Training					✓				✓

The following was additional training opportunities undertaken by Board Members:

Date of meeting	Topics Covered	HP	SH	RB	IJ	PS	DB	MP	BR	RL
n/a	On-line tPR toolkit completion				✓					
15/05/2019	PLSA Conference								✓	
06/06/2019	Responsible Investment EU	✓								
31/10/2019	LGA 1st Pension Fundamentals training				✓					
06/11/2019	LGA 2nd Pension Fundamentals training									✓
13/11/2019	Brunel Investor Day	✓							✓	✓
12/12/2019	LGA 3rd Pension Fundamentals training				✓					✓
21/02/2020	CIPFA Seminar									✓

Key:
HP – Howard Pearce, Independent Chair
SH – Sarah Holbrook, Employer Representative
RB – Richard Britton, Employer Representative
IJ – Ian Jones, Employer Representative
PS – Paul Smith, Employer Representative
MP – Mike Pankiewicz, Retired Member Representative
DB – David Bowater, Member Representative
BR – Barry Reed, Retired Member Representative
RL – Rod Lauder, Member Representative

LPB Year 3 Work plan and outcomes

The primary function of the Local Pension Board (LPB) is to assist the Administering Authority in securing compliance with the LGPS Regulations, other legislation relating to the governance and administration of the Scheme and requirements imposed by the Pensions Regulator. In the pursuit of this aim it is for the LBP to set up a work plan that operates in conjunction with the workplan of the Fund whilst being committed to its own primary function.

The LPB's terms of reference require that it develop and report to the Wiltshire Pension Fund Committee, at least annually, on its work plan for the year. Examples of the areas that the Local Pension Board may wish to consider include (but are not limited to) the following;

- Regular compliance monitoring of reports which shall include reports to and decisions made by the Committee made under the Regulations.
- Management, administrative and governance processes and procedures to ensure that they remain compliant with the Regulations, Relevant Legislation and in particular the Code.
- The compliance of scheme employers with their duties under the Regulations and Relevant Legislation.
- Reviewing such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Investment Strategy Statement.
- Reviewing scheme members and employers' communications as required by the Regulations and Relevant Legislation.
- Monitoring complaints and performance on the administration and governance of the scheme.
- The Internal Dispute Resolution Process.
- Pension Ombudsman cases.
- The arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- The complete and proper exercise of employer and administering authority discretions.
- The outcome of internal and external audit reports.
- The draft accounts and Fund annual report.

The second core function of the Local Pension Board is to ensure the effective and efficient governance and administration of the Scheme. Again, the Local Pension Board may determine the areas it wishes to consider, including but not restricted to:

- Monitor performance of administration, governance and investments against key performance targets and indicators.
- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Monitor internal and external audit reports.
- Review the risk register as it relates to the scheme manager function of the Administering Authority
- Review the outcome of actuarial reporting and valuations.
- 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.

At its meeting on 24th January 2019 the Local Pension Board reviewed the delivery of its core functions and noted that it had achieved 75% of the core functions tasked to it since 2015.

Outcomes and LPB recommendations made to the Administering Authority (Pension Committee)

Decisions about the running of the Pension Fund are made by the Wiltshire Pension Fund Committee which is delegated to carry out that function by Wiltshire Council in its capacity as the Administering Authority for the Wiltshire Pension Fund. This function is also supported by the Investment Sub-Committee.

The creation of the Local Pension Board does not change the core role of the Administering Authority nor the way it delegates its pension functions to the Pensions Committee & in turn the Investment Sub-Committee. The role of the Local Pension Board is to oversee decisions made by the Administering Authority and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

This year the Local Pension Board has fulfilled its role in the following ways;

	Area	Minute	Outcome
All meetings	Pension Committee and Investment Sub-Committee decision making	The Local Pension Board actively scrutinises all Pension Committee and Investment Sub-Committee papers and minutes.	Minuted in LPB minutes
All meetings	Scheme Legal, Regulatory & Fund update	Key updates included: Reforms to public sector exit payments, the fair deal consultation, the cost cap mechanism, SAB's good governance review, tPR Code of Practice changes, McCloud, Responsible Investment, i-Connect, the Stewardship Code & the Fund's new Employer website. **Resolved:** • To present statutory actions before strategy actions. • To record McCloud as a red risk & to contact SAB on guidance connected with keeping members updated. • To feedback Employer reception to the new website to the Board.	All Board proposals have been taken forward
23 May 2019 (Min 23)	Minutes	Potential new nominees for the vacant employer representative post were noted. The process to secure candidates for all the member representative vacancies were set out. **Resolved:** Officers to conduct a wholesale membership recruitment process during 2019	The completion of the 2019 recruitment process saw appointments to all Board vacancies. Including Committee vacancies this represented 50% of the membership being appointed during the period.

	Area	Minute	Outcome
23 May 2019 (Min 30)	Internal Audit Report	The report made two priority 2 recommendations and four priority 3 recommendations. Namely, that a Data Improvement Plan should be put in place, that templates for the collection of employer data are reviewed including a process for non-compliant employers, that an audit trail of amendments is evidenced, that the suspense account is reviewed and cleared, that a full reconciliation be undertaken between Altair and SAP Payroll & that the Fund liaise with the Information Governance team to help develop a data retention plan **Resolved:** The Board to receive an update on the Key Controls and GDPR audit recommendations and whether they had been completed	All Audit recommendations have been completed with the exception of the reconciliation be undertaken between Altair and SAP Payroll. In light of the GMP Rectification exercise guidance was sought from the Scheme Advisory Board on best practice approach by which the reconciliation should take place.
23 May 2019 (Min 32)	Risk Register update	Officers produced a re-formatted risk register with changes made to enable a more evidence-based approach to identify risk. The Fund's register now aligns with the corporate risk register strategy however clarity was required on the nature of risks being distinguished by horizon, dynamic, ongoing and ceased risks. Furthermore, more granularity was requested to show the specific risk being mitigated, rather than generic areas of activity. Presentation of risk in accordance with the eight CIPFA categories was also be adopted, with a sub-categorisation of risk split by business plan objective & service function. **Resolved:** • To develop the risk register, by providing more detail about specific actions taken to mitigate risks • To sense check information recorded to ensure consistency.	Changes to the risk register were made by officers as instructed. The reformatted risk register is now in full operation & used by both the Committee & the Board each quarter.
23 May 2019 (Min 33)	Administration Key Performance Indicators	The Board requested that the administration strategy KPIs be presented after disclosure KPIs and	Officers have overcome the technical difficulties in reporting the

	Area	Minute	Outcome
		that the disclosure requirements incorporate a trend line. Furthermore, where increased volumes of incoming work effected backlogs, it was suggested that these cases be presented to provide context. It was also requested that the data missing on 'Joiners' be entered into the table. It was noted that technical difficulties existed in resolving this matter **Resolved:** The Board recommended that the changes highlighted should be made.	performance information required & have re-formatted the KPI report to be consistent with the Board's requests.
23 May 2019 (Min 34)	WPF Business Plan 2019-2022	The Board debated that levels of resourcing and capacity required in Years 1 and 2 be considered by the Committee to ensure that the budget reflected the objectives within the business plan. **Resolved:** The plan was noted & officers would take forward the Board's observations	Completed
23 May 2019 (Min 35)	Data Improvement Strategy and Plan	The data improvement plan was welcomed by board members as it provided a sound basis for future reviews of performance. **Resolved:** The Board noted the report and that a sub-plan had been prepared in respect of the Payroll & Pension database reconciliation. An update to be provided by officers in six months-time.	The timeframe for the update was extended to 12 months in view of the guidance being sought from SAB in respect of the GMP Rectification exercise.
23 May 2019 (Min 37)	Local Pension Board Annual Report	Assurances on the accuracy of the training log and the section covering the outcomes of LPB recommendations to Committee were sought and provided. The following corrections were requested that Mike Pankiewicz should no longer be described as an 'active' member & that the independent advice fees should be verified. Resolved: The board approved the report for publication, subject to the corrections being made	Completed & submitted to the Committee for their review of the Board's recommendations
23 May 2019 (Min 38)	How did the Board do?	The Board discussed a Unison report on the LGPS's and ESG position. **Resolved:** It was	Completed

	Area	Minute	Outcome
		recommended that the committee address the Fund's ESG position as part of the fund's Investment Strategy review.	
22 August 2019 (Min 53)	Training item: tPR Breach refresher	Approximately 75% of breaches reported to tPR relate to data management with the other main cause of breach being systems or process failures. The Fund's data management processes flag up errors, how those errors are escalated and how they are assessed. The links between breach reporting and KPIs were made and the need to understand repeated breaches by under-performing employers. A typical reason includes a change in payroll provider, as opposed to indicating any kind of financial instability Resolved: • Officers to raise tPR breaches with the Board on an exception's basis only • That all members agreed to complete tPR's on-line training toolkit as a minimum requirement.	Officers noted the Board's recommendations and will incorporate the changes
22 August 2019 (Min 53)	Internal Audit Report	Officers summarised the outcome of the Internal Audit report on the Fund's tPR Code of Practice 14 requirements. An overall improvement in the Fund's compliance was noted with the number of areas in which standards could be improved reducing from 16 in 2018 to 10 in 2019. Within the 10 existing areas requiring improvement three new areas had been identified. Namely the Board membership conforming to legal requirements, member training and an understanding of breach reporting. The auditor recommended that sample testing of submissions from managers should be implemented. **Resolved:** • Officers to address non-compliant areas. • Officers to sample test responses received from managers following self-assessments • Committee to	Officers noted the Board's recommendations and will incorporate them. In particular sample testing will be undertaken following the 2020 self-assessment & the Pension Fund Committee approval as Audit Report in December 2019 which was submitted to both the Audit Committee & the CLT.

	Area	Minute	Outcome
		commission an annual Fund audit plan & work with the Audit Committee to timetable the audit cycle	
22 August 2019 (Min 55)	tPR Report: Public Service Governance & Administration 2018.	Officers reviewed the findings & identified a number of areas where improvements could be made to the Fund's operating arrangements, notably cyber-security and data quality. **Resolved:** The Board supported the officers' recommendations to address cyber-security through reporting from service providers and data quality by seeking clarity on tPR data definitions	Officers have instigated meetings with both the Fund's Pension Database provider & the Council's ICT team to implement cyber reporting. Clarification from tPR concerning data definitions are still outstanding
22 August 2019 (Min 57)	Risk Register update	The Board supported further changes made by officers, namely that new risks would be presented, ceased or dormant risks would be removed but continue to be monitored subject to a reason for removal be approved by the Committee, that all red rated risks would continue to be submitted, that changed or re-categorised risks be highlighted to demonstrate their risk's direction of travel & that a full report of all the Fund's risks would continue to be published in key Fund documents. In addition, risk rating PEN041 concerning the Fund's approach to Climate change was challenged & it was agreed to recommend to Committee that its amber status be maintained. **Resolved:** • The Board agreed that officers would maintain the risk register based on the criteria determined above. • Officers would alter the risk rating on risk PEN041	Officers noted the Board's recommendations and incorporated the changes
22 August 2019 (Min 60)	Accounts, annual report & external audit update	Officers advised the Board that delays to Wiltshire Council's audit had delayed the audited sign off of pension funds accounts as they share the same auditor. However, the unaudited annual report and accounts of the pension fund	Officers published the unaudited Annual Report & Account by 31st July & submitted the Accounts to SAB for publication by 1st December 2019

	Area	Minute	Outcome
		would continue to be published. **Resolved:** The Board noted the delay and the publication of the Annual Accounts	
22 August 2019 (Min 62)	Clarification of the roles of the Local Pension Board and Committee	Officers gave a progress report on the implementation of the actions arising from the Member Effectiveness review. It was agreed that Officers would take forward the work on revised terms of reference for both the Board and Committee. **Resolved**: Officers to take forward the revision of Terms of Reference.	Work on the terms of reference is ongoing at the time of writing this report. On passing the Council's Constitutional Focus Group the changes will progress to the Standards Committee & finally be ratified at a Full Council meeting.
14 November 2019 (Min 76)	Minutes and Key Decisions of the Wiltshire Pension Fund Committee and Investment Sub Committee	On the 2 December 2019 the legacy funds were transferred to Brunel & the Committee notified. The Board commented on the Fund's need to manage its MiFID II compliance & ensure that all the Fund's partners were compliant too. **Resolved:** • Officers to produce metrics to compare the carbon footprint of the funds with the Environment Agency. • Officers to set in place a compliance framework to monitor the Fund's MiFID II compliance	Comparison metrics in relation to the Fund's carbon footprint with other Fund's has been carried forward to the 2020/21 Scheme Year & a reporting setting out the Fund's MiFID II compliance framework was endorsed at the Board meeting on 13th February.
14 November 2019 (Min 77)	Annual Training review: Board, Committee & Officers	An annual self-assessment of member training needs had been completed, the key areas identified related to Governance & Legislation, Investment, Accounting & Audit. Overall members of the Committee & Board felt that they operated at a "Skilled" level requiring only developmental training. A training strategy for 2020 would be developed based on the assessment. An officer training policy would be implemented as part of Wiltshire Council's appraisal process. **Resolved:** • To endorse the member training self-assessment for 2020-21. • To include MiFID II compliance on the risk register	Officers incorporated MiFID II compliance on the risk register & have prepared a member training strategy for 2020-21

	Area	Minute	Outcome
14 November 2019 (Min 79)	Risk Register update	Risk actions were reviewed & their assignment noted. **Resolved:** The Board recommended to keep risks PEN011 & PEN042 on an amber & red rating respectively & split risk PEN017 into two risks a) knowledge & understanding and b) Member compliance with all relevant regulations. Both risks would be given an amber rating	Board considerations noted & approved by the Committee
14 November 2019 (Min 81)	Internal Audit actions update	Officers introduced the internal audit actions update report. It was noted that the majority of the actions were complete or on target. It was identified as a good time to consider the internal audit plan for 2020/21 and to recommend areas to be audited. This would include the transfer of assets into BPP. **Resolved:** The Board requested an update in 6 months on the progress against the internal audit actions	Officers have scheduled a further audit report actions update & have prepared an audit plan for 2020/21 for approval by the Committee.
14 November 2019 (Min 82)	Pension Administration Strategy	The aim of the new strategy was to interlink all the administration elements, align the way work was managed with the KPIs and to prioritise work more effectively. A consultation on the revised strategy with scheme employers had been undertaken with no material feedback received. **Resolved:** •To request additional resources to deliver the administration strategy. •To investigate whether employers should be expected to sign up to the strategy.	Officer noted the Board's considerations & have incorporated a resourcing requirement into the 2020-21 budget. It was established that there is no requirement for Employers to sign up to the strategy.
14 November 2019 (Min 83)	Communications strategy	Officers outlined the key changes from the 2015 strategy which had been reviewed extensively. The strategy had been updated to reflect changes to the business plan and a decision had been made to digitalise communications as much as possible. A process was in place to notify members of the changes. **Resolved:** • To including the resourcing requirement in the 2020-21 budget.	Officers have taken forward the recommendations of the Board, however they expect the full implementation of recommendations to take at least 12 months.

	Area	Minute	Outcome
		• To monitor the take up of the digital communications and continue a communications framework with those not using digital platforms • Information on digitalisation should be made available on all platforms to avoid compliance issues • To note in the annual report that the monitoring of digital communications was taking place	
14 November 2019 (Min 84)	Data Retention Strategy	The purpose of the Data Retention Strategy is to ensure the Fund's compliance with the Data Protection Act 2018 and GDPR. To enable compliance some key actions and interim actions, were included within the Data Retention strategy report. In brief it was intended that the Fund would operate a minimisation & deletion strategy consistent with the guidance provided by the LGA. It was noted that a holistic data retention strategy would be adopted whereby the Fund would also recommend to Scheme Employers a duration period by which they should also hold data. However, it was noted that it was not be binding on the employer. The Board requested that greater clarity on the distinction between retaining data for 100 years from the member's or dependent's data of birth and the 15-year period after those benefits had stopped being paid should be made. **Resolved:** • Officers to engage with the Fund Actuary concerning actuarial requirements for ongoing data. • Officers to clarify the data retention 100-year requirement in respect of a member's & dependent's date of birth	The Actuary's observations on the retention of data were that it should be the same duration as HMRC's. Furthermore, ensuring that historic benefit corrections could be made were sighted. During the Board meeting on 13th February the distinction between the 100 years from the member's or dependent's data of birth and the 15-year period after those benefits had stopped being paid was clarified.
13 February 2020 (Min 8)	Minutes & Key Decisions of the Fund Committee &	A query from the Board was raised concerning MiFID II training. It was noted that where required, substitute members would be	The Board's considerations were noted and substitute members would be

	Area	Minute	Outcome
	Investment sub-Committee	included in the self-certification of competence process. The Chairman recommended that it should be made a requirement that substitute members be compliant with MiFID II. **Resolved:** The Board recommended that substitute Committee members ensure that they are MiFID II compliant.	asked to certify their MiFID II competence.
13 February 2020 (Min 11)	Business Plan 2020/21	A general concern was raised regarding the Fund's business continuity plan and its general resilience to IT issues. It was noted that officers planned to scrutinise its software provider and Wiltshire Council to determine the appropriate measures to put in place. Comment regarding the regular monitoring of employer covenant strength and monitoring of active membership numbers of small employers was made. **Resolved:** • Officers will liaise with the Fund's main IT services to mitigate cyber risks. • It was recommended that officers continue solvency analysis as part of the Business Plan and ensure that a framework was created.	To be taken forward the recommendations into the 2020/21 Scheme year.
13 February 2020 (Min 12)	Board Budget setting	It was explained that the budget had been kept largely the same as the previous year. The overall proposed budget for 2020/21 was £27,400. The proposed spend on insurance for 2020/21 was £2,800. This was a niche insurance area with no real history of claims which may explain why premiums appeared relatively expensive. Officers were asked to seek guidance on the procurement of cost-effective insurance. **Resolved:** • To agree the draft Local Pension Board's budget and to recommend the Committee includes it in the Fund's administration budget for 2020/21 • To monitor LPB budget on a quarterly basis. • Officers agreed to circulate a copy of the	To be taken forward into the 2020/21 Scheme year.

	Area	Minute	Outcome
		scope of the Board's insurance cover. • Officers to approach Wiltshire Council's Insurance team to enquire about cover provided by alternative providers.	
13 February 2020 (Min 13)	Risk Register update	The Fund had set out its approach to fulfilling the governance obligations associated with MiFID II. However, it was recommended that risk PEN049 should remain an amber risk until the Fund had been audited on its MiFID II compliance. PEN048 The Board enquired about the ability of Brunel to deliver its objectives. It was explained that going forward Brunel would be attending the ISC meeting on a regular basis and would provide regular updates on progress. **Resolved:** • To recommend the changes/actions made by officers except Risk PEN049 which should remain Amber & Risk PEN048 which should be amended to include a monitoring & reporting timetable of BPP.	Both Board recommendations were submitted to the Committee
13 February 2020 (Min 15)	Data Retention Strategy update	In respect of the six-year, plus current year term raised by Hyman's, to be consistent with HMRC's payroll data retention requirements, officers agreed that it would be prudent to extend the Fund's term prior to data minimisation from four to seven years. The Fund would continue to observe the "last payment of benefits plus fifteen years" definition in all cases for the purposes of the Fund's data retention strategy. **Resolved:** The Board endorsed the recommendation made by officers concerning changes to the strategy	The Board's considerations were noted.
13 February 2020 (Min 17)	MiFID II compliance strategy	To maintain the Fund's "Professional Investor" status, arrangements had been set in place to ensure members selected to oversee the Fund's investment matters continue to discharge their duties and responsibilities in	Officers to seek approval of the Fund's compliance arrangements with BPP.

	Area	Minute	Outcome
		accordance with the regulations. There had been limited national guidance on the practical steps that need to be taken so a best practice approach had been adopted. It was recommended that BPP be made aware of the Fund's arrangement and agree to any implementation of MiFID II compliance. **Resolved:** • To endorse the arrangements concerning the Fund's compliance with MiFID II and its maintenance of "Professional Investor" status. • To raise the Fund's MiFID II arrangements with BPP for their acceptance	
13 February 2020 (Min 18)	External Audit Report	It was noted that disaster recovery plan testing was generally the responsibility of the Council's IT department. However, the Fund had an oversight responsibility to ensure its IT had an effective plan in place. This included pensions administration database provider. **Resolved:** Officers to liaise with Wiltshire Council's IT dept & Heywood's concerning essential oversight arrangements.	Officers to take the action forward during 2020/21
13 February 2020 (Min 19)	Annual timetable review	The Annual timetable had been reformatted to align with the new budget planning structure, be consistent with all Board responsibilities set out in the Terms of Reference & provide additional background notes to members.	Board approved the plan subject to comments from the new Chair.

LPB Actions log

At its meeting of the 22 October 2015 the Local Pension Board agreed that an Actions Log should be developed in order to track the progress of actions. The Actions Log forms part of the Board's minutes and is considered at every meeting.

Review of LPB compliance with the Pension Regulator's Code of Practice No.14

From April 2015 the Pensions Regulator assumed a new oversight responsibility in respect of Public Service Pension Schemes, including the LGPS. To assist schemes in understanding the Regulator's expectations they have issued Code of Practice No. 14 that applies specifically to the governance and administration of public service pension schemes setting out the legal requirements in these specific matters. It also provides practical guidance and sets out standards of conduct and practice expected of those who exercise functions in relation to the legal requirements. This guidance can be viewed on the following link;

Governance and administration of public service pension schemes | The Pensions Regulator

One of the key responsibilities of the Local Pension Board is to assist the Administering Authority, Wiltshire Council, to ensure compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme.

Internal Audit Update

During the last scheme year officers undertook two reviews of the Wiltshire Pension Fund's compliance against the Regulators Code of Practice, the first of which was in June 2019 & the second in March 2020. The results of the June 2019 were also subject to an independent internal audit by the Council's captive auditor & submitted to the Board in August 2019.

Outlined in the Officers report in the summer of 2019 it identified that an overall improvement had been observed with a reduction from 16 areas requiring improvement in 2017-18 to 10 areas in 2018-19 on applying the Fund's standard questionnaire composed of 84 questions covering all areas of the Fund's internal controls. The answers to most of the areas reviewed were that they were found to be adequately overall & the risks were being well managed, although some practices required improvement to their internal controls to ensure that they achieved their objectives.

Of the 16 areas identified as requiring improvement in 2017-18, 9 had shown improvement moving to a well-managed risk status, most notably reflected in the internal controls of the Fund's contract management arrangements. This left 7 risks where no significant progress had been made, plus 3 new risks where the risk rating had worsened. The key risks identified where progress had worsened, or no improvement had been made are set out below. Officers agreed to implement an action plan to address the risks failing to reach the adequate standard;

- Board members completion of the Pension Regulator's toolkit for training.
- Employer and member representatives on the Board being in line with the legal requirements
- The Administering Authority being satisfied that those responsible for reporting Breaches understand their requirements
- A review of internal controls is required to ensure all Fund procedures are up to date
- Do member records record the information required as defined in the Regulations and are they accurate

Ensuring that Employers provide timely & accurate information

- Setting in place procedures to reconcile Fund & Employer records

- Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales

- Are Employers issuing new Scheme members will all the essential basic Scheme information

- Is all information to members provided within the required legal timescales

Following the Internal auditor's review, they provided a "Reasonable" assurance, but recommended that Fund officers complete sample testing of the responses received during the self-assessment to confirm that the responses were correct. The results of the review were endorsed by the Local Pension Board at their meeting in August 2019.

The purpose of the second compliance review against the Regulators Code of Practice in March 2020 was two-fold. Firstly, to conduct the review for 2019-20 & bring reviews into line with the relevant scheme & secondly to consider the Regulator's strategy of combining their Code 13 & 14 into a new code 15 & thus ensure that any changes to compliance resulting from the implementation of the new code could be adopted in time for the 2020-21 review in March 2021.

The results of the March 2020 review were not subject to independent audit but will be presented to the Board at their meeting in May 2020.

Outlined in the Officers report in the spring of 2020 it identified that of the 10 areas identified as requiring improvement in 2018-19, 2 had shown improvement moving to a well-managed green risk status, most notably reflected in the understanding of tPR breach reporting & its management. This left 7 risks where no significant progress had been made, plus 1 risk where a marginal improvement had occurred improving from a red to amber risk rating. The areas affected by the 8 amber risks are covered in the bullet points above, with the exception of the second & third bullet points which can now be considered concluded. The risk reducing from red to amber is reflected by the last bullet point above.

In light of the level of compliance identified against the Regulators Code of Practice it was agreed that as part of the Fund's overarching audit strategy the South West Audit Partnership will only audit the fund every other year. The next SWAP audit will therefore take place in 2021.

It is anticipated that the Auditors assessment will cover the Regulators Code of Practice 15 requirements in a similar manner to an external audit of measuring the performance of the Fund fulfilling its legal obligations as well the areas of the Code. The Code being broken down into the current 4 sections of;

- Governing your scheme
- Managing risks
- Administration
- Resolving issues

The focus for Officers is to continue to undertake a review of the compliance requirements and carefully project plan to ensure compliance with any statutory deadlines.

The full officers Regulators Compliance check can be found here;
https://cms.wiltshire.gov.uk/ieListDocuments.aspx?CId=1280&MId=9433&Ver=4

External Audit Update

During 2019 the items identified in the external auditor's report for the period 2018-19 were;

- That provision of a detailed membership reconciliation between 2017-18 and 2018-19 was needed to enhance accurate financial reporting of the fund accounts
- The 2019 Annual Benefit Statements were issued within the regulatory timescale
- It was recommended that the robustness peer review arrangements were increased in relation to the output of benefit calculations.
- That a formal disaster recovery testing strategy be put in place. Although IT a Fund level set of policies and procedures should be formally documented and tested to assist employees in the event of disaster

In summary, although there are a number of recommendations made by the new auditor Deloitte's a reasonable assurance opinion had been offered in relation to this audit as the Management Team of the Pensions Fund had a high awareness of the current issues and have a number of projects underway or planned to improve the controls. This includes the implementation of i-connect, member self-service, Docmail, as well as undertaking an end-to-end review of the process to identify inefficiencies

Summary of LPB communications outlining links to the website

Under the LGPS Regulations each Fund must produce a statement setting out how it will communicate with its members, member's representatives, prospective members and the many employers who participate in the fund. A new Communication Strategy was approved in December 2019 setting out the Fund's fulfilment of this responsibility over the next 3 years. The Board noted the usefulness of the information provided to members by the Fund and emphasised the need to keep it up to date.

The Fund's website called My Wiltshire Pension launched last year to active and deferred members has seen a 20% take up within its first few months. This service allows members to see their pension online and for the Fund to provide further education and engagement material to its membership.

During 2019/20 the Fund's communicated its intention to publish members annual benefit statements online, via My Wiltshire Pension, unless members have specifically requested to continue to receive their statement by post. It is envisaged that issuing member statements electronically will be more efficient, environmentally friendly & also be cost effective. A second communication will be sent to members in April 2020 reminding them of the fund's intention to communicate in this way.

The complete Communications Strategy can be seen here;

http://www.wiltshirepensionfund.org.uk/media/3183/communications-policy.pdf

The Wiltshire Pension Fund's current website is supported by the Fund's Actuarial Consultants. This website went live in April 2018. In February 2020 a bespoke Employer website area was attached to the main Fund website. Both the main website link & Employer website link are provided below.

Main website link: www.wiltshirepensionfund.org.uk

Employer website link: https://employer.wiltshirepensionfund.org.uk/

LPB operational costs for 2019-20 & Budget for 2020-21

The cost of the Wiltshire Pension Fund Local Pension Board is part of the overall running costs of the Fund and should be seen in the context of its role in assisting with the good governance and administration of the Fund.

The budget for the Local Pension Board is approved by the Pension Fund Committee as part of the process of setting the Fund's budget for the year. Any expenditure in excess of the agreed budget must be approved by the Wiltshire Council Associate Director, Finance.

The budget for 2019-20 and 2020-21 can be seen below.

	2019-20 Budget £	**2019-20 Actual £**	**2020-21 Budget £**
Independent Chair Remuneration	9,214	9,216	10,300
Consultancy Fees	7,000	-	6,500
Training	4,200	400	3,400
Committee Services	3,000	3,000	3,000
Travel & Subsistence & costs	800	800	1,000
Catering	400	0	400
Insurance	2,800	2,800	2,800
Total	**27,414**	**16,216**	**27,400**

Assurance of the LPB Annual Report

It is the role of the Local Pension Board to assist Wiltshire Pension Fund as the Administering Authority for the Wiltshire Pension Fund to secure compliance with;

- The LGPS Regulations and related legislation
- The requirements of the Pensions Regulator; and
- to ensure the effective and efficient governance and administration of the Scheme

The Local Pension Board is not intended to replace existing bodies such as the Wiltshire Pension Fund Committee or Investment Sub-Committee. Nor is the Board responsible for the auditing of the Wiltshire Pension Fund.

In carrying out its role, the Local Pension Board has;

- Considered the minutes of the Pension Fund Committee and Investment Sub-Committee
- Considered the main policies and documents of the Wiltshire Pension Fund
- Considered the Funds Business Plan, Audit Report and Risk Management Strategy
- Received a report on the Fund's compliance with the Pension Regulator's Code of Practice No. 14
- Received legal and regulatory updates on LGPS matters
- Received training from external advisers and Fund officers.

The funds external auditors have reviewed the LPB annual report as part of their annual audit of the Wiltshire Pension Fund, but they do not provide any assurance over its contents.

This Report is intended for the information of Wiltshire Council and the Scheme members and employers who participate in the Wiltshire Pension Fund. This Report has been formally noted by the Wiltshire Pension Fund Committee at their meeting of 16th July 2020.

LPB Annual timetable 2020-21 and proposed work plans

The Board's workplan for 2019-20

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Scheme, legal, regulatory and Fund update

Organisation	Subject	Link	Status	Comments	Risk Ref
HM Treasury	Reforms to public sector exit payments.	https://services.parliament.uk/bills/2017-19/publicsectorexitpaymentslimitation.html	Minor update	A 'final' consultation on this topic closed on 3 July 2019. The main proposal is that all employer costs (pension and non-pension) are capped at £95k when an employee leaves on grounds such as a compromise agreement or redundancy. For redundancy, the statutory redundancy payments must be paid so other benefits would need to be adjusted to ensure the £95k is not breached (although some exceptions apply). The consultation is not clear on how this would work in Schemes such as the LGPS. It is likely that LGPS Regulations would need to be changed such that an employee who leaves aged 55 over on redundancy grounds would face some reductions to their pension. For non-redundancy cases, existing employer discretions may become limited. Furthermore, the likely implementation date is also not clear. Initially it was planned that a proposal would be taken to Parliament before the summer recess but due to legislative backlog currently present, it is unlikely to now reach Parliament until 2021.	PEN021
MHCLG	Fair Deal Consultation	https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection	No change since the last meeting	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Again, because of the Parliamentary backlog, further progress may not be seen until 2021.	PEN040
	Changes to the Local Valuation Cycle and the Management of Employer risk Consultation	https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf	No update	This consultation covers the following areas: 1). Amendments to the local fund valuations from the current three-year (triennial) to a four-year (quadrennial) cycle. 2). A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles. 3). Proposals for flexibility on exit payments. 4). Proposals for further policy changes to exit credits 5). Proposals for policy changes to employers required to offer LGPS Membership. Section 5 proposes giving greater flexibility for further education corporations, sixth form college corporations and higher education corporations concerning membership of the LGPS and is the most	PEN044

Organisation	Subject	Link	Status	Comments	Risk Ref
				surprising part of this proposal; current employees would be protected but future employees could be ineligible. The consultation closed on 31 July 2019 and officers responded accordingly. The Government has only responded to section 4 of this consultation and has passed amendments to the LGPS Regulations which applied from 20 March 2020 but with retrospective effect to 14 May 2018. As such, officers amended the Fund's cessation policy which was approved by Committee on 26 March 2020. The consultation period with employers closed with no comments of note (just clarification questions) and hence the new cessation policy is now in place.	
The Department of Work and Pensions (DWP)	Pension dashboard project	https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/	No change since the last meeting	Discussions are still going on at a national level. Recent discussion suggests an implementation timeframe of mid 2020s	PEN038
Financial Reporting Council	Proposed revision to the UK Stewardship Code	https://www.frc.org.uk/investors/uk-stewardship-code	No change since the last meeting	The Financial Reporting Council (FRC) published the revised Stewardship Code on **24th October 2019** which sets substantially higher expectations for investor stewardship policy and practice. Officers will now review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC, but 31 March 2021.	None

Organisation	Subject	Link	Status	Comments	Risk Ref
Scheme Advisory Board (SAB)	Academies' review	http://www.lgpsboard.org/index.php/structure-reform/review-of-academies	No change since the last meeting	SAB commissioned PwC to produce a report on "Options for Academies in the LGPS" 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. 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 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.	None
	Cost cap mechanism & McCloud case	Summary by Osborne Clarke (our external legal advisers)	Minor update	The latest position on McCloud from the SAB and ministers can be found below. Progress is still at an earlier stage and timeframes and shape of the final remedy are both unclear: SAB Q&A Treasury statement However, the SAB has indicated that it intends to produce a consultation document for the Summer Parliamentary recess (i.e. in July 2020). Barnett Waddingham recently produced this briefing note which is the most comprehensive and most useful analysis officers have seen so far (despite the uncertainty): McCloud briefing note	PEN042
	Tier 3 employers review	http://www.lgpsboard.org/index.php/board-publications/invitation-to-bid	No change since the last meeting	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.	None

Organisation	Subject	Link	Status	Comments	Risk Ref
				In 2019, Aon Hewitt 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.	
	Good Governance Project (formerly known as the Separation Project)	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	Updated	Hymans-Robertson, on behalf of the SAB, has released its report on phase II which outlines a number of specific recommendations. Hymans Robertson and SAB are now moving towards Phase III of the project. In preparation of this, a series of roundtable discussions took place where there is an opportunity to give feedback to the Phase II proposals. Again, due to legislative delays caused by COVID-19, we understand the timeframes for this project have been postponed.	None
	Guidance Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	The Guidance project will identify regulations which may be better placed within statutory guidance and to both propose the necessary amendments and assist HMCLG with the drafting of guidance. This project is at an early stage and no further information is available at this time.	PEN039
	Data Project	http://www.lgpsboard.org/images/PDF/BoardFeb18/PaperBItem50218.pdf	No change since the last meeting	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. 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.	None
Wiltshire Pension Fund	Miscellaneous Updates	None	Updated	a). COVID-19 update: Despite a number of early adjustments being made, it is still largely business as usual from an operational point of view as Fund officers are able to all work from home without major issues. However, in terms of impacts and risks faced by the Fund:	See COVID-19

Organisation	Subject	Link	Status	Comments	Risk Ref
				i). Funding level – We had been receiving weekly funding level updates from the actuary due to the volatility in markets seen in March, however the picture is now more settled. The whole-fund funding level dropped as low as 86% in March (from 99% shortly before) although it has been more stable since then and has partially recovered to around 95% (at early July). ii). Employer risk: There is a risk of employers failing to pay contributions or provide data as a result of the situation. The Fund contacted employers and some employers said they may have some issues but on the whole the picture seemed fine. There has been no increase in late payments so far and the Fund already has guarantees in place for most higher risk employers. Data returns have been coming in later than expected from some employers which has put some additional pressure on the EoY process which may mean the annual benefit statement completion rate is lower than hoped. Officers are keeping both areas under review. iii). Service provider risk: We also contacted all major service providers and all confirmed they were able to remain operational largely as normal; officers have only seen some minor/short-term impact service availability which has shown good resistance to this issue. b). Business Plan: The Fund Business Plan was approved at the last Committee, and despite the impact of COVID-19, officers are still working to achieve the developments in the Business Plan as previously intended and are on target to do so. c). Terms of reference: The proposed Terms of Reference for the Local Pension Board and Wiltshire Pension Fund Committee have now passed both the Constitutional Focus Group stage (after a number of small amendments) on 17 June 2020 and the Standards	

Organisation	Subject	Link	Status	Comments	Risk Ref
				Committee on 7 July 2020. It will next go to Full Council to be finalised. d). I-connect and staff restructure: The Fund now has around 45 employers out of approximately 175 onboarded on to i-Connect. This now includes Wiltshire Council (our largest employer) and in total this covers well over 40% of the active membership. As a result of the significant impact of i-Connect, we have now made some adjustments to part of the admin team structure to fit our resourcing to our processes. Whilst there will be material long-term benefits to this change, in the short-term this is using up significant resource. e). End of year update (End of Year, Annual Benefit Statements): Some employers experienced delays sending us the end of year information we required but these are resolved now and we are also starting to see the benefit of i-Connect being in place in terms of the efficiency of the process (which will be fully realised in this respect for next year). We are still targeting issuing 99% of active member ABSs by 31 August (the regulatory deadline); this is hopefully still achievable but is now largely reliant on employers answering queries in a timely manner and it is too early to see if this is achieved. f). Pensioner payroll reconciliation: With additional resource now available again, officers have focused again on this area but unfortunately a number of software limitations have made this even more difficult than expected to progress as hoped. Officers hope to bring a summary paper and proposal to Committee in the Autumn. g). Employer Ill-health insurance review: The current provision put in place in 2017 is highly expensive and has caused a number of administrative difficulties. Officers are currently putting a proposal together to put a replacement provision in place some time later this year which should be cheaper and mitigate risk in a similar way. h). Member handbook: Given changes in the approach to providing induction and training material to Committee members overtime (which is now largely on online) and the availability of governance handbooks from third parties, officers intend to discontinue to the current handbooks which do not appear to be used by members and are onerous to maintain.	

Organisation	Subject	Link	Status	Comments	Risk Ref
				i). Wiltshire Council services update: The Fund is reliant on a number of Wiltshire Council services, as a service provider which are under strain resourcing-wise following austerity and, more recently COVID-19. Whilst the systems have generally proved reliable in the recent months, and have coped well under the current pandemic situations, officers have continued to have great difficulty in getting ITC to install or maintain key pieces of software and access to certain sites; in some cases the Fund has been waiting for over a year or over two years for solutions to be put in place despite reminders and escalation – limiting our ability to deliver certain parts of our Business Plan. Officers will continue to raise matters appropriately and seek improvements whilst being considerate to the budget constraints on the wider Council. There is also general discussions taking place over how other Council changes impact upon the Fund.	

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

WILTSHIRE PENSION FUND OUTTURN 2019-20

Purpose of the Report

1. The purpose of this report is to present the Fund's financial outturn for 2019-20.

Background

2. This report sets out the final Pension Fund outturn results for 2019-20 as at 31 March 2020. As in previous years, the appendix presents the outturn against the main budget areas of the Fund. The figures for the Local Pension Board are reported separately in the appendix.

Key variances against 2019-20 budget

3. There was a net underspend £40k (1.5%) against the Fund's controllable budget. This comprises a £54k net underspend against the Pension Fund Administration budget partially offset by a £4k overspend against the Investment Administration budget and £11k overspend against the new Oversight and Governance budget (using the realigned categories which have been retrospectively applied).

4. The key variances that contributed towards the net underspend against Pension Fund Administration budget were:
   a) Out of the one-off additional budget of £103k was approved by Committee for use in 2019/20, to cover additional external resource that was required to manage backlogs within the Administration team and resolution of a staffing matter, only around half was spent (on the resolution of the staffing matter), leaving £52k of this additional budget unspent at the end of the financial year. Alternative options on how to tackle the backlog are to be explored during 2020/21.

5. The key variances that contributed towards the net overspend against the Oversight and Governance budget were:

   a) £59k overspend against staffing costs on the Oversight and Governance budget. This is the cost of consultancy fees to provide interim staffing cover which related to 2018/19 which was allocated to 2019/20 because of the timing of when it was paid.

   b) A £25k overspend against the Advisory budget that relates to higher than anticipated use of our investment advisor, Mercer, during 2019/20. Of these additional costs, £21k related to pieces of work approved in advance by the Committee (£4k to review the emerging market multi asset portfolio, £5.5k to review protection assets, £6.5k training on private equity and private debt, £4k review on actions needed in the face of RPI reform, £1k on increasing the allocation to global property). The remaining overspend related to additional work done on the Brunel property offering, and on options for low carbon investing.

c) A £36k underspend against the legal fees budget. Legal costs were lower than expected during 2019/20 as most of the work was done via the Internal Legal team at lower hourly cost than external legal and because volumes were lower than expected.

d) A small net under-spend (£19k) against Actuarial Services owing to lower than expected activity during the year.

e) £18k underspend against other areas within this budget (see appendix).

6. There was an £80k overspend against the custodial fees budget in 2019/20. Custodian fees are charged via Brunel but the Fund also pays for some costs directly. This arrangement was not initially clear, and the Fund had to pay charges to State Street going back to 2018 within the current year. This budget has been increased from 2020/21 to be more reflective of the ongoing situation.

7. Securities lending income earned during the year was lower than expected (£55k) due to the transition of funds previously invested with Baillie Gifford into the Global High Alpha Fund in the Brunel pool, through which stock lending is not currently possible. The budget has been reduced back to pre-2019/20 levels from 2020/21.

8. Costs of pooling rose significantly during the year leading to a £341k (62%) overspend against the pooling budget. This was due to the Brunel budget being increased, as agreed by shareholders. The 2020/21 budget is now reflective of this increase. More detail on these costs was presented to the Committee at the 26 March 2020 meeting.

9. The base rate was 0.75% for most of the year to 31 March 2020, and slightly higher cash balances were held throughout the year, which led to higher than expected bank interest (£42k) being earned in 2019/20.

10. Investment fees (which includes transition costs) was higher than anticipated in 2019/20. This is partially due to a £10m performance fee which was owed to Baillie Gifford on termination of their mandate, when it was transitioned into Brunel. Baillie Gifford agreed that the Fund can pay the amount owing in four equal annual instalments commencing from 2019/20. The first instalment has now been paid. Outturn includes investment management fees and transaction costs not paid directly by the Fund, but which are accounted for using the more detailed cost transparency reporting. The outturn also includes £2m costs of transition into the Brunel Pool. This area is difficult to budget for since it depends on market movements and asset values, and also the volume of transactions made by the managers, and is included for information of an indicative spend rather than a strict budget.

Environmental Impact of the Proposal

11. There are no known environmental impacts from these proposals.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Risk Assessment

13. The Committee is asked to recognise that some costs, particularly investment fees, are dependent upon factors that are outside of the Council's control. They may go up or down, depending on market conditions.

14. In line with good governance practice, officers will be bringing budget monitoring reports back to Committee each quarter.

Proposals

15. The Committee is asked to note the outturn for 2019/20 and figures in the attached Appendix.

JENNIFER DEVINE Head of Pension Fund Investments &
ANDY CUNNINGHAM Head of Pensions Administration and Relations

Report Author: Rozalyn Vernon, Fund Investment and Accounting Manager

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

APPENDIX

Wiltshire Pension Fund Budget 2019-20 - Final Outturn

	2019-20 Budget £'000	2019-20 Outturn £'000	2019-20 Variance £'000		Explanations	2020-21 Budget £'000
Fund Investment						
INVESTMENT MANAGEMENT FEES	8,907	33,164	24,257	272.3%	Outturn includes investment management fees and transaction costs not paid directly by the Fund but which are accounted for using the more detailed cost transparency reporting. Outturn also includes the £2m cost of transition into the Brunel Pool and £10m performance fee owed to Baillie Gifford on cessation of our investment with them.	14,214
Custodian's Fees	113	193	80	70.8%		143
Securities Lending Income	- 300	- 245	55	-18.4%	Outturn is lower than budget following transition to Global High Alpha fund held in the Brunel Pool	- 20
Brunel Cost of Pooling	547	888	341	62.3%	Additional costs of pooling in 19/20	963
Bank Interest/ charges	- 18	- 60	- 42	230.7%	Fluctuations in bank rates have led to higher interest earned in 2019/20. The budget for 20/21 has been increased to reflect this change	- 53
TOTAL NET COSTS OF INVESTMENT MANAGEMEN	9,249	33,940	24,691	267.0%		15,247
Investment Administration Staffing & related Co:	123	127	4	3.2%		127
INVESTMENT ADMINISTRATION COSTS	123	127	4	3.2%		127
Scheme Administration						
Pension Scheme Administration Staffing Costs	1,047	996	-52	-4.9%	Additional budget for external resource not used	1,072
**Including £103k additional budget agreed for 2019/20 only*						0
Staff Training	18	19	1	6.8%		32
Corporate charges	311	311	0	0.0%		311
Pension Administration systems and data cleansi	319	310	-8	-2.6%		354
Other Administration Costs	97	102	5	4.7%		79
SCHEME ADMINISTRATION COSTS	1,792	1,738	-54	-3.0%		1,848
Oversight and Governance						
Staffing and Related	168	227	59	34.8%	Consultancy fees relating to 18/19	182
Training and Conferences	10	10	0	-1.6%		8
Subscriptions, memberships and levies	43	34	-9	-20.0%		45
Actuarial Services	225	206	-19	-8.6%		156
Audit - Internal and external	27	19	-9	-31.8%	Lower than expected because of credits carried forward from previous years	27
Legal Fees - Internal and external	59	23	-36	-61.8%	Legal costs for 2019/20 were lower than expected and most of the work was completed by internal legal at a lower hourly rates	58
Advisory Fees (Investment and Independent Advisor)	117	142	25	21.3%	Higher than expected use of investment advisor (Mercer) in 2019/20	170
Corporate Charges & other costs	146	146	0	0.0%		146
OVERSIGHT AND GOVERNANCE COSTS	796	807	11	1.4%		792
GRAND TOTAL (exc. Inv mgt' fees & securities lending income)	**2,711**	**2,671**	**-40**	-1.5%		**2,767**
GRAND TOTAL (Inc. Inv mgt' fees & securities lending income)	11,960	36,611	24,651	206.1%		18,014
LOCAL PENSION BOARD COSTS	27	14	-14	-49.3%		27

** Figures including additional £103k budget agreed at Committee on 18th July 2019 to cover additional staffing costs in 2019-20*

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

ANNUAL REPORT AND ACCOUNTS

Purpose of the Report

1. The purpose of this report is to update the Committee regarding the Wiltshire Pension Fund annual report and accounts for the year ended 31 March 2020.

Background

2. As originally set out in Regulation 34 of the LGPS (Administration) Regulations 2008, the Pension Fund is required to produce an annual report, and the 2019/20 version is currently in the process of being prepared.

Considerations for the Committee

3. The Pension Fund accounts, which form part of the annual report, are subject to audit as part of the main Wiltshire Council accounts. Due to issues with the Wiltshire Council accounts, it still has not been possible to sign off the audit for 2018/19, although the auditors completed their work on the Pension Fund accounts back in July 2019. Additionally, the audit sign-off of the Council accounts for 2019/20 will be delayed until November, so this year's Pension Fund accounts will also be delayed in being signed off, even though the auditors have almost concluded their work and we know that the figures are close to being finalised.

4. Due to COVID-19, the auditors have introduced different requirements this year with regard to going concern. They have requested sign off by the Committee of a going concern statement, which is attached as Appendix 1. This may still be subject to minor amendments in order to satisfy the auditors requirements, although the conclusion will remain the same.

5. This year's annual report will follow the same format as last year, as the CIPFA guidance has not changed. Wiltshire's 2018/19 annual report was held up by CIPFA as an example of best practice when they were delivering training workshops in early 2020, so members can be confident that Wiltshire are following the guidance and meeting the requirements.

6. The one change to note this year is that for the first time a specific section has been included on the Pension Fund's position and actions regarding climate change risk. This statement and report is attached as Appendix 2, for the Committee's review and approval.

7. It is proposed that the annual report for 2019/20 is published in September 2020, as an unaudited version. At this point in time the audit for the Pension Fund will have been fully completed, and we will have certainty that the figures are final, but like last year it will not be possible to obtain full sign off from the auditors until the audit of the Council accounts is fully completed. However, as this is a formality, and in the interests of publishing information while it is still relevant, it is proposed that once the Committee has reviewed the annual report at its meeting on 24 September 2020, that the annual report is published on the Wiltshire Pension Fund website.

Environmental Impact of the Proposal

8. Environmental impact is dealt with in Appendix 2 – Wiltshire Pension Fund climate change statement and report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

9. There are no known implications at this time.

Financial Considerations & Risk Assessment

10. There are no financial considerations resulting from this proposal.

Proposals

11. The Committee is asked to:

  a) note the status of the audit of the 2019/20 accounts;
  b) approve the going concern statement in Appendix 1, and authorise officers to make minor amendments to the statement if deemed necessary by the auditors;
  c) approve the climate change statement and report in Appendix 2;
  d) approve the process for publication of the 2019/20 annual report.

JENNIFER DEVINE
Head of Pension Fund Investments

Report Author: Jennifer Devine, Head of Pension Fund Investments

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

Appendices:
Appendix 1 – going concern statement
Appendix 2 – climate change statement and report

Wiltshire Pension Fund Committee – Statement of Going Concern

The LGPS is administered by individual "administering authorities", these being prescribed in statute. Wiltshire Council is the administering authority for the County area of Wiltshire, including Swindon. It has delegated this function to the Wiltshire Pension Fund Committee (the Committee).

Administering authorities are responsible for the administration of a Pension Fund established on behalf of all employer bodies in their Scheme. The Funds are not separate legal entities from administering authorities and therefore are not covered by trust law. Nevertheless, the role of the administering authority is very similar to that of a trustee and members of the Committee therefore act in a quasi-trustee role.

In the capacity described above, the Committee confirms that members have considered the evidence set out below, as well as their knowledge of the legislative framework surrounding the LPGS, and confirm that the Wiltshire Pension Fund is a going concern as at 31 March 2020.

Supporting evidence

Funding level

The Funding level (i.e. the ratio of the Fund's asset to liabilities) as at the last actuarial valuation (31 March 2019) was 96.6%. With negative investment performance in March 2020, the Funding level fell to 88.2% as at 31 March 2020. It has subsequently recovered to over 90%. The strategic asset allocation is set in order to deliver the investment returns which the Fund requires over time, in order to achieve full funding, and was modelled over a wide range of possible market environments. This was recently reviewed over the last year, and incorporated changes to de-risk the overall strategy, so it is better able to withstand extreme equity market downturns.

Liquidity

As set out in the Investment Strategy Statement, the Fund's approach to Liquidity risk is as follows:

"Liquidity risk – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice."

The Fund maintains a balance of cash sufficient to meet operational requirements, and this is reviewed on a regular basis. If cash balances fell (for example, due to payment of a large invoice, or from employers failing to make contribution payments), the Fund has sufficient liquid assets which can be liquidated to fund benefit payments, for example the gilts portfolio (which is currently over 20% of the Fund's total assets). As an illustration, the gilts portfolio at the end of March 2020 was valued at £598m. Total benefits payable for 2019/20 was £92m. Therefore using the liquid gilts portfolio alone, the Fund has sufficient assets to pay the benefits for 6.5 years.

Currently the cash flow position of the Fund is broadly neutral, which is to say that contributions from employers and employees are sufficient to meet the payments of benefits due without needing to utilise investment income, or liquidate investment assets.

Employer contributions

The Fund actively monitors timeliness of receipt of employer contributions on a monthly basis, and this data is reported to the Committee. The latest set of data reported to the Committee was up to 31 March 2020. Following 31 March 2020, there have been no concerning trends regarding timely receipt of contributions. Data on post-March 2020 contributions has been collated by one of the Fund's Investment and Accounting Technicians, and this is reported to the Head of Pension Fund Investments and the Fund Governance and Performance Manager.

Value of assets

During the year to 31 March 2020, the Fund experienced negative investment performance, mainly due to market turbulence during March 2020. The value of the Fund's assets were £2.5bn as at 31 March 2020. Subsequently, markets have continued to be volatile, but have rebounded significantly from the position towards the end of March 2020. Consequently, the value of the Fund's assets had recovered to £2.8bn as at 31 May 2020.

Arrangements with employers

The majority of the Fund's employers are public sector bodies, such as councils and academies, who are long term secure, tax backed employers, where the covenant is strong and backed by statute or the Department of Education guarantee. These types of bodies are unlikely to pose an insolvency risk to the Fund. Similarly, they are likely to able to make contributions when they fall due, albeit there will be some who may face cashflow challenges whilst balancing reduced income and increased outgoings due to funding pandemic related activity. This is monitored as mentioned above.

The most significant impact on covenant is in respect of other employers including those who are close to exit and/or are not public sector. However, it should be noted that from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date; the regulations required Admission Bodies to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund;
  and/or
- the current deficit

Operational concerns

Wiltshire Council has always promoted flexible and home working, and it has been a relatively easy transition to move to this way of working on a continuous basis. Staff are provided with the IT equipment they need, and Wiltshire Council has installed Microsoft Teams to aid in keeping teams in touch via video calls. Wiltshire Council itself is experiencing some budgetary difficulties, but this does not affect the Pension Fund, as it is funded by its own budget, which is agreed by the Committee. There have been no redundancies or furloughing of staff who work on the Pension Fund.

Key suppliers

Officers have been in regular contact with the investment managers, Brunel pool, Hymans (Fund actuaries), Mercer (investment consultants), Anthony Fletcher (independent adviser), and State Street (the global custodian) over the period since COVID-19 became a disruption and home-working became the norm. All suppliers have provided updates on their operational resilience, and all are successfully working remotely, and are readily contactable via phone, email or video conferencing. The Fund has experienced no issues in progressing projects, obtaining advice, arranging meetings, or otherwise being able to access these key suppliers and advisers.

Signed on behalf of the Wiltshire Pension Fund Committee:

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Climate Change Statement and Report

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential.

The Fund's approach to Climate Change Risk is to acknowledge that investing in companies who have properly considered this risk, and who have made plans for a transition to a low-carbon economy, is an essential part of being able to generate returns over the long term. The Fund takes action by a combined approach – through the Brunel Pension Partnership pool (Brunel), and on its own initiative, at a strategic level. Brunel is well resourced in this area, and the Fund views the work Brunel carry out on behalf of all clients as one of the key benefits of pooling. Further detail on Brunel's policy, and also Wiltshire's specific monitoring and actions is below.

Brunel 2020-22 Climate Change Policy Objectives

Brunel's Climate Change Policy set's out a plan to build a financial system which is fit for a low carbon future. The Policy explains how Brunel see three areas where they have a particular contribution to make. Namely: they will have significant direct influence over the investment managers they appoint; they can exert broader influence in the investment industry and with policy makers and lastly their ability to influence company practice and performance, in particular in conjunction with their Client Funds and others.

The Committee fully encourages and supports Brunel's 2020-2022 policy objectives on climate change which are set out in their Climate Change Policy below. The Committee are currently supportive of Brunel's approach of not issuing exclusion lists as the Fund believes that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

Brunel's 2020-2022 climate change policy objectives

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

Further details of Brunel's Climate Change policy are set out on its website.

Monitoring of Climate Change Policy and Reporting Progress

Reporting on climate change is an area that is rapidly developing, and the Fund is working with Brunel and other member funds to continue to improve this. The Fund is supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C.

The Fund currently undertakes climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within the Fund's portfolios.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to reflect on progress, the effectiveness of our approach, and potentially to raise our ambitions.

One of the key questions the Fund will be answering as part of this review is whether Brunel's decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, the Fund will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

The Fund will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the other partner funds and Brunel.

In addition to the full review, the Committee will be reviewing its beliefs and commitments on an annual basis to ensure that they remain fit for purpose and that strategic objectives are set with these in mind. To support this, the Fund will ensure there is regular training on climate change for the Committee, Board, and Officers so that those in charge of the decision making for the Fund are sufficiently informed.

Relevant Strategic Decisions and Actions taken during the year to 31 March 2020
During the year, the Committee instructed officers to carry out research into options for low carbon investing. Following this, the Committee decided to transfer its entire passive equity exposure (around 20% of the Fund at the time of transfer) into a low carbon passive equities portfolio managed by Brunel, which was completed in December 2019. This portfolio gave the Fund the ability to lower its carbon footprint, whilst not sacrificing any investment returns compared to the broader global equity index. The Fund published a press release, an extract of which is shown below, to share with members of the Fund and the general public the action it had taken.

Pension Committee Chairman, Councillor Tony Deane said:

"Climate change is an increasingly material issue for investors and we believe that investing to support the Paris goals is entirely consistent with securing long-term financial returns and is aligned with the best long-term interests of Wiltshire's beneficiaries. We also want to invest in a world worth living in, and investing in low carbon passive equities through our pool operators at Brunel gives us an ideal, cost-effective solution. It also helps us benefit from the wider expertise of our Pool. As the world steps up to meet the global climate emergency its vital that investors like us play their part."

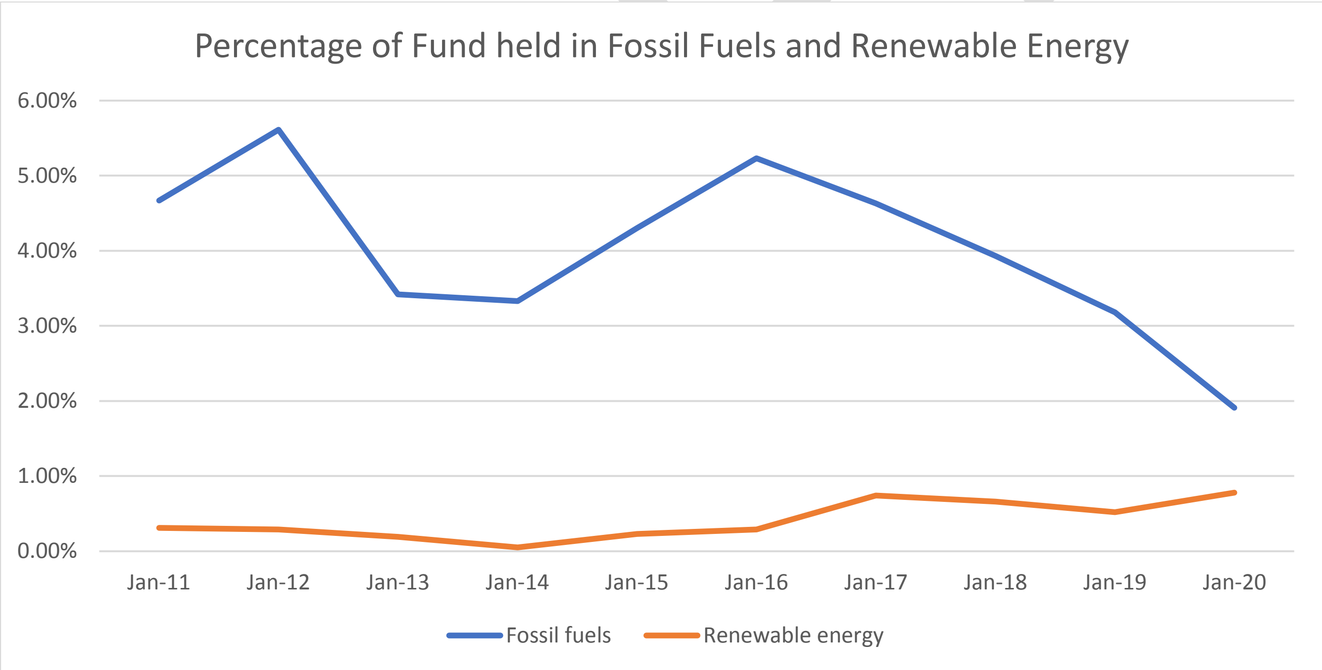
The Committee also agreed to sign up as a supporter of the Transition Pathway Initiative (TPI), which is a global initiative which assesses companies' preparedness for transition to a low-carbon economy, with the following statement:

We support TPI because as long term investors we consider all investment risks in developing our strategy, which includes climate change risk. The work TPI is doing in quantifying how companies are managing climate change risk is something that we will use to help hold our asset managers to account.

In order to begin setting a benchmark for progress, the Committee commissioned Brunel to carry out a carbon footprinting exercise on all equity portfolios (these are the portfolios on which this type of analysis is possible) as at 31 March 2019. The analysis was repeated at 31 December 2019 and the results are shown below. This exercise will be continued into the future in order to monitor trends and empower the Committee to hold Brunel to account in this area.

The Committee has also instructed an exercise which will model various climate change scenarios, and the effects of these on the Fund's portfolios. This will help inform policy and the direction of travel for the Fund going forward.

Monitoring of Relevant Metrics
The Committee monitors on an annual basis, as at 31 March, the Fund's overall exposure to companies which derive the bulk of their revenues from fossil fuels, as well as companies or assets (via the infrastructure portfolio) which are focussed on renewable energy. A graph showing the exposure as a percentage of the total Fund value over the last 10 years is shown below. Due to the transition to low carbon passive equities, the exposure of the Fund to fossil fuels is at an all-time low. Increased deployment of capital into infrastructure assets via the unlisted infrastructure portfolio managed by Partners Group has also increased the Fund's exposure to renewable energy sources.



The results of the carbon footprinting exercise are shown below:

Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 December 2019				
Metric	**Unit**	**Portfolio**	**Benchmark**	**Relative Efficiency**
Weighted Average Carbon Intensity	tCO2e/mGBP	153	301	49%
Extractive Industries Revenue Exposure (VOH)	%	2.3	5.3	57%

Wiltshire Pension Fund – Carbon Footprint Analysis as at 31 March 2019				
Metric	**Unit**	**Portfolio**	**Benchmark**	**Relative Efficiency**
Weighted Average Carbon Intensity	tCO2e/mGBP	292	450	35%
Extractive Industries Revenue Exposure (VOH)	%	4.3	8.0	46%

Definitions:

1. **WACI:** The weighted average carbon intensity shows the portfolio's exposure to carbon intensive companies. This measure is determined by taking the carbon intensity of each company and weighting it based on its holding size within the Portfolio. Because carbon intensive companies are more likely to be exposed to potential carbon regulations and carbon pricing, this is a useful indicator of potential exposure to transition risks such as policy intervention and changing consumer behaviour.

2. **Extractives Industries Revenue Exposure (VOH):** This is calculated by summing the weights of any holdings in companies that have a revenue dependency on extractives-related activities. This measure is useful as an indicator to show potential exposure to stranded assets.

This analysis shows that between March and December 2019, there has been significant improvement in Wiltshire's carbon footprint. Of particular note is the change in the WACI, which has reduced by 48% over the period.

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

ADMINISTRATION KEY PERFOMANCE 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. The Fund has committed to reporting administration KPIs in order to 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-focussed 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.

Considerations for the Committee

4. The structure of the paper is largely unchanged. Two metrics with very low volumes has been removed from the Disclosure Regulations tables as the low volumes mean that the percentages measures are of limited use and implies materiality.

5. The focus of officers is very much on making long-term improvements to processes. During 2020/2021, officers are particularly focussed on onboarding as many employers as possible on to the i-Connect platform. With time, this will help directly or indirectly improve the measures shown within but in the short-term some decrease in these metrics will be visible. Furthermore, there is a significant focus on improving controls and accuracy, which are not visible within this figures.

6. During the quarter reported, the focus of key members of the team has been on the end of year process to try to maximise the percentage of annual benefit statements being sent (as per the Business plan goal of 99%). The percentage of active statements sent last year was 95% although the new target may be more difficult to achieve due to some late end of year submissions from some key employers due to COVID-19 administrative difficulties.

Conclusions

General comments

Disclosure Regulations (Appendix 1)

7. The table in appendix 1 shows the Fund has generally performing well against these targets. The deferreds disclosure level has increased significantly due to change in the process. In relation to the measures which lower than desired:
   An explanation of the reason for the lower measures are given below:
   a). Refund payments (31%): There are staff shortages in this team which has been recently restructured. The process is also being reviewed which should result in improvements in the long-term, potentially from Q3.
   b). Transfers out quote (54%): These cases have been treated as a lower priority in comparison to the payment of benefits, resulting in a lower percentage although this is now being re-assessed.
   c). New joiners (72%): Staff have focused on end of year submissions and i-Connect onboarding during the quarter. This figure may be low in the next quarter due to the time taken to upload Wiltshire Council's first i-Connect return (which covers over a third of active members) and generally while employeres are onboarded onto i-Connect but it is anticipated this will become high once all employers are onboarded.

tPR Common and Conditional Data percentages (Appendix 2)

8. There are no change in these figures since the last meeting however they are included for completeness and show how the Fund compares against other Funds on a like with like basis. Our scores were 97.9% (Common) and 95.4% (Conditional) are above average and top quartile compared against peers in both cases which is reassuring on a relative level although further absolute improvement is still desired.

Administration Strategy KPIs – Fund (Appendix 3)

9. Chart 1 shows the Fund is operating below its desired targets for most cases mainly for the same reasons as outlined in paragraph 5. Officers have recently increased resourcing in the benefits team and are gradually reviewing processes to improve efficiency and meet our desired timeframes. The initial focus is on the compliance (disclosure) measures outlined in Appendix 1.

Administration Strategy KPIs – Employers (Appendix 4)

10. In the majority of cases, employers provide retirement information before the date the member retires. Employer performance also appears to be fairly consistent across different employers.

11. Employers timeliness should improve with the use of i-Connect, Wiltshire Council (and its academies) went live with effect from March 2020 and they make up a material proportion of the active membership (abeit data has only been added in July for the first return).

12. Further onboarding on to i-Connect will force employers to submit more quickly. We anticipate that over 50% of the active membership covered by 31 March 2020, and potentially much higher. Officers are also currently implementing escalating procedures to chase employers for later submissions.

Environmental Impact

13. There is no environmental impact from this report.

Financial Considerations

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

Risk Assessment

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

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no implications at this time.

Proposals

18. The Committee is asked to note the current situation and the Fund's plans for improvement.

Andy Cunningham
Head of Pensions Administration and Relations

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

APPENDIX 1 Table 1: Disclosure Requirements (CIPFA template)

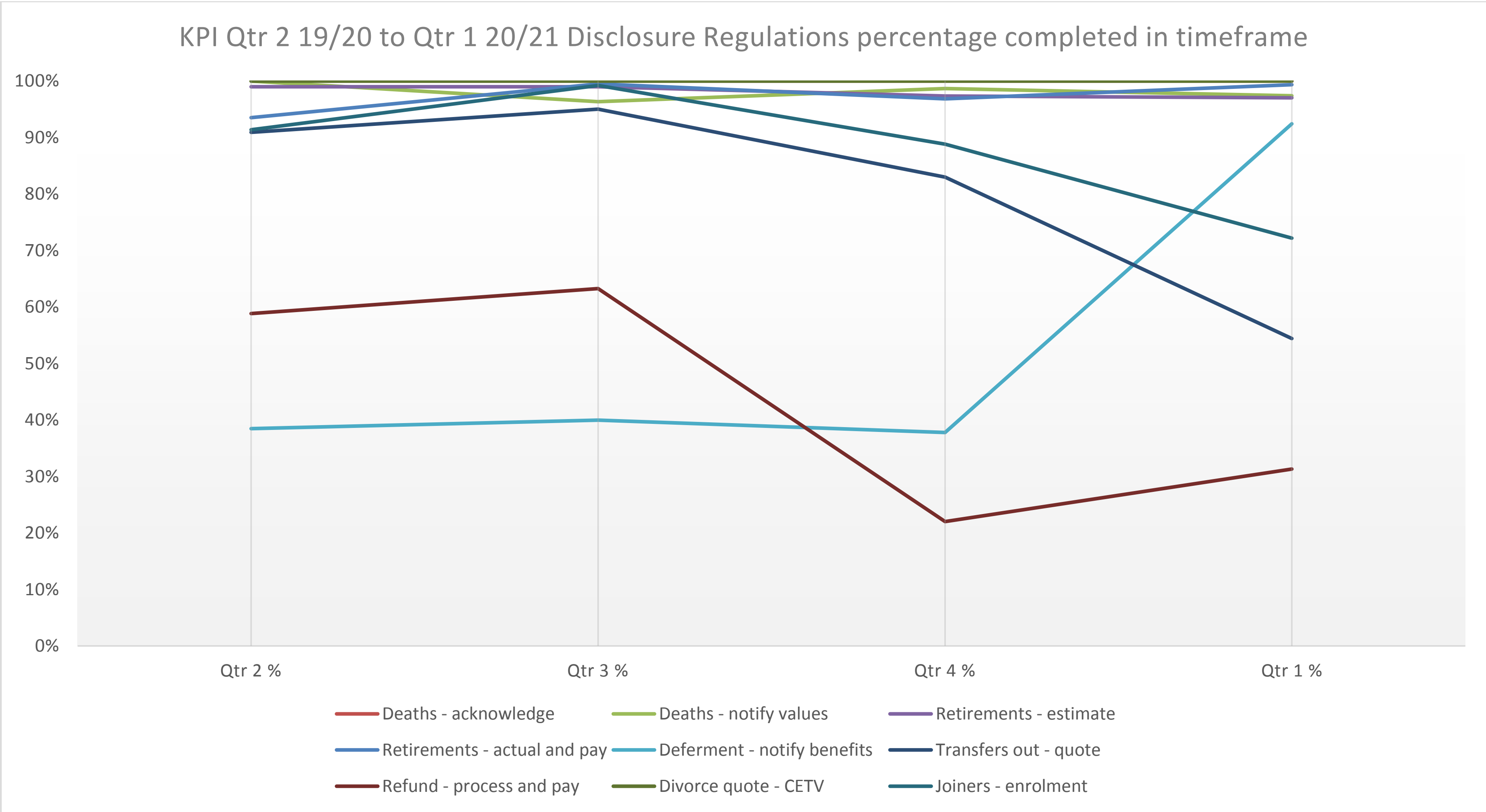
Disclosure Regulations

Period **01/04/2020** **to** **30/06/2020**

Process name		Disclosure Requirement	%	No. cases within Legal Timeframe
Deaths - initial letter acknowledging death		2 months	100.0%	147
Deaths - letter notifying amount of dependants pension		2 months	97.4%	143
Retirements - letter notifying estimate of retirement benefits	**Active**	2 months	n/a	n/a
	Deferred		n/a	n/a
	Total		96.9%	377
Retirements - letter notifying actual retirement benefits + process and pay benefits on time	**Active**	2 months	100.0%	95
	Deferred		98.9%	169
	Total		99.3%	264
Deferment - calculate and notify deferred benefits		2 months	92.4%	1248
Transfers out - letter detailing transfer quote		2 months	54.4%	81
Refund - process and pay a refund		2 months	31.3%	57
Divorce quote - letter detailing cash equivalent value and other benefits		3 months	100.0%	60
Joiners - notification of date of enrolment*****		2 months	72.2%	342

*Officers expect this figure to raise significantly in this quarter due to a change in process.

APPENDIX 1, Chart 1: Disclosure Requirements

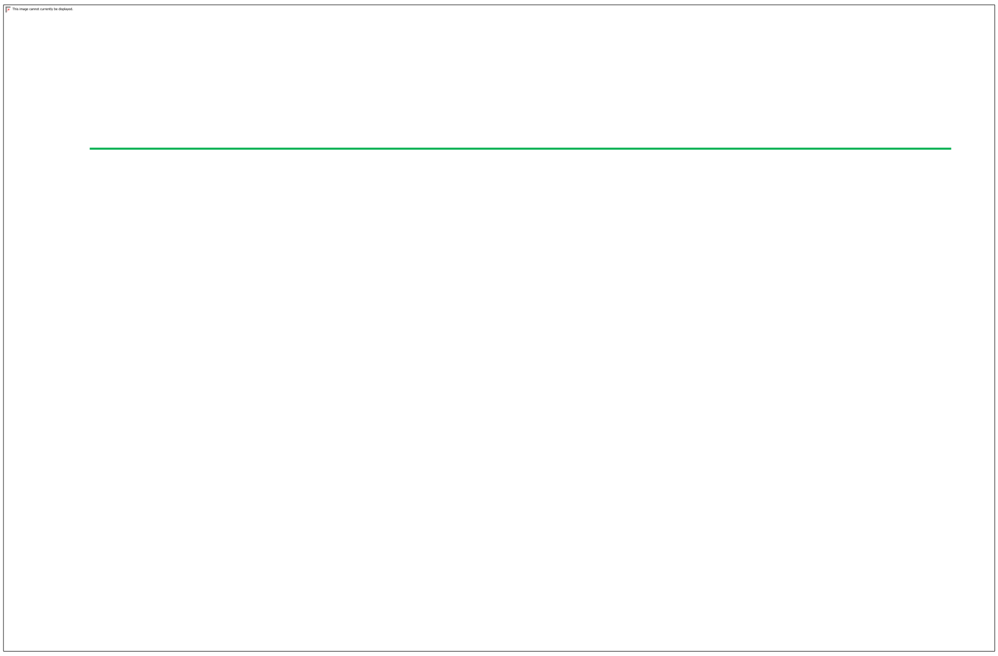


APPENDIX 2: tPR Data Quality scores

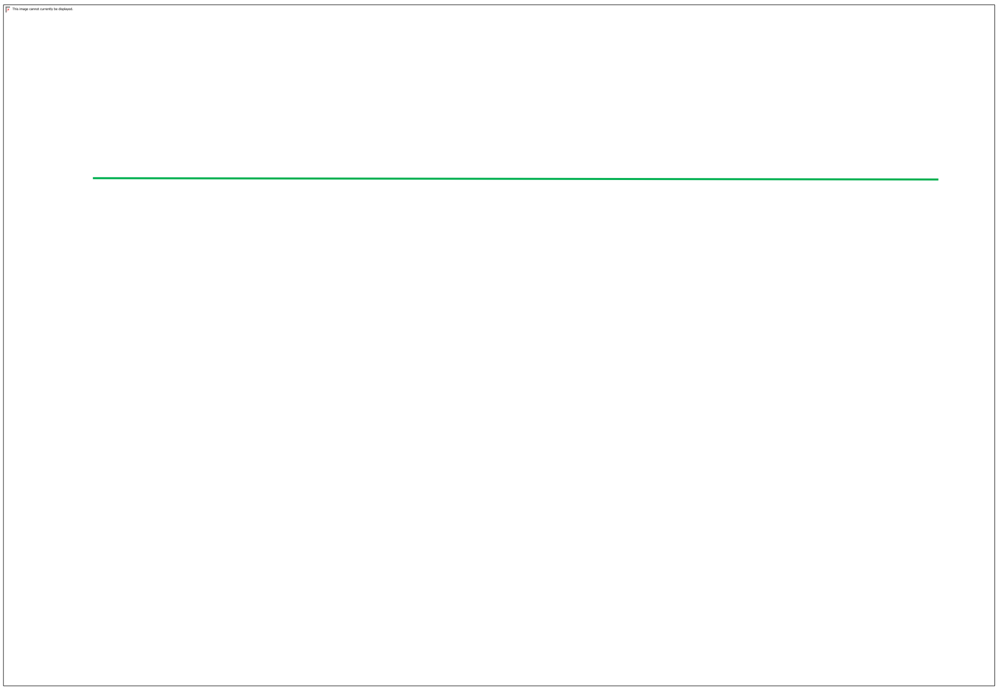
a). tPR Common Data Percentage Breakdown (At 11 October 2019)
Total score = 97.9% (from 94.2%)

b). tPR Conditional Data Percentage
Total score = 95.4%

The charts below show scores across Heywood clients which used the Heywood data quality report on like with like methodology basis.



Wiltshire Pension Fund



Wiltshire Pension Fund

Wiltshire Pension Fund

Administration Strategy

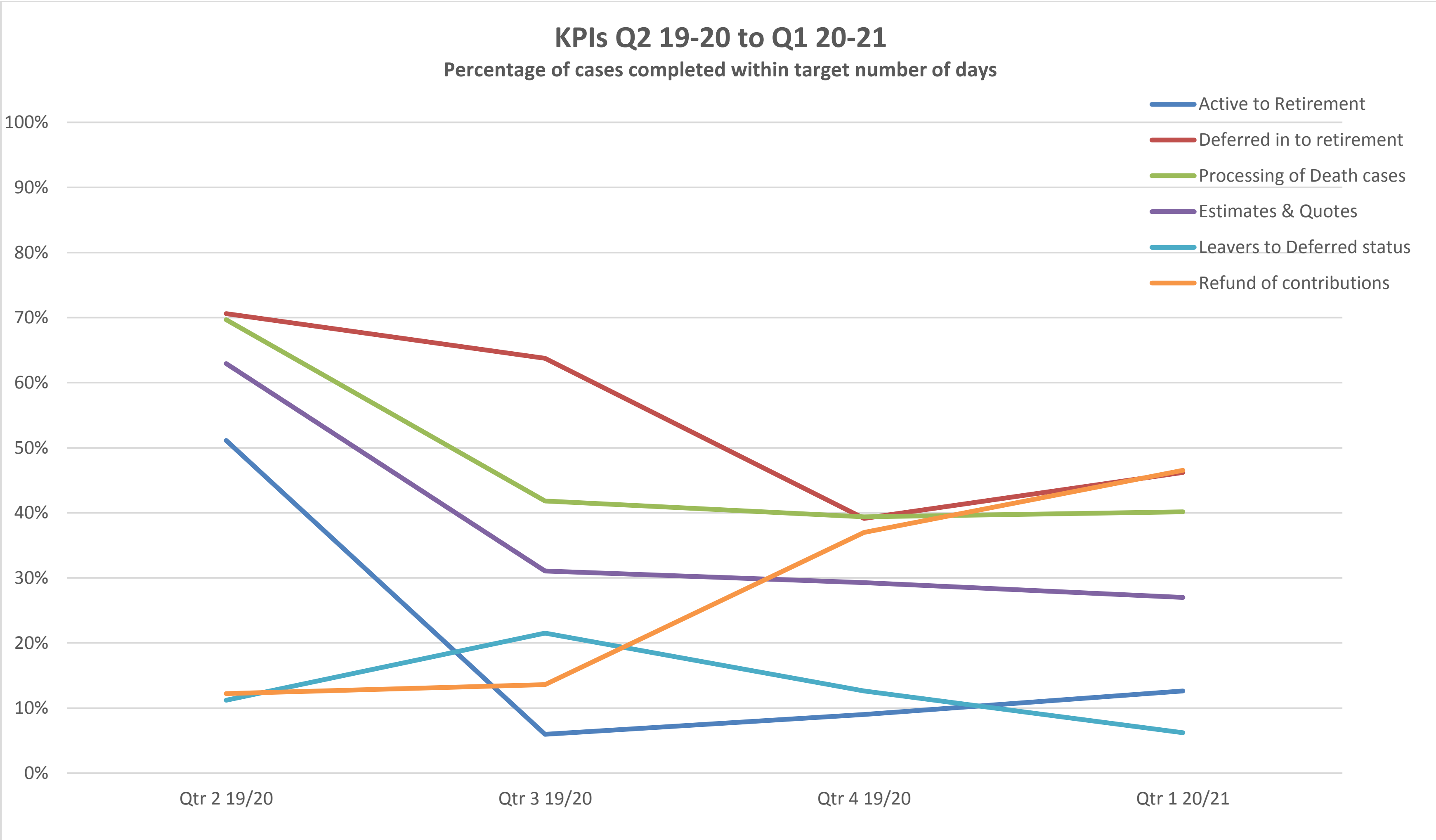
Benefit Administration Key Performance Indicators

Period **01/04/2020** **to** **30/06/2020**

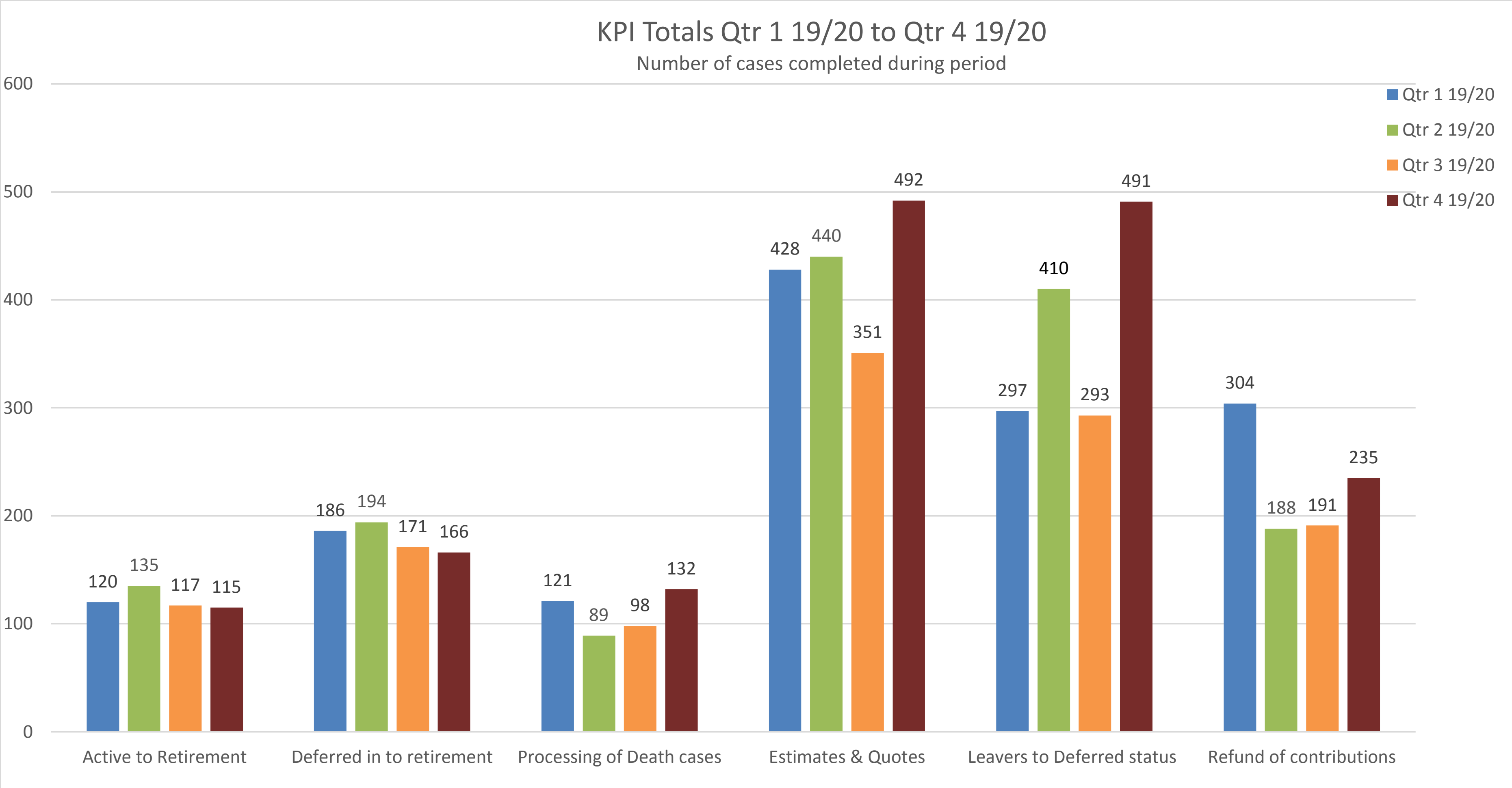
				Completed cases time to complete							Timescales Admin Strategy	
Type of case	**Created cases in period**	**Open cases at period end**	**Percentage against membership**	**0 - 5 days**	**6 - 10 days**	**11 - 15 days**	**16 - 20 days**	**20 - 40 days**	**40 + days**	**Total**	**% on target**	**working days**
Active to Retirement	103	85	0.4%	12	19	23	13	23	5	95	13%	5
Deferred in to retirement	224	23	0.1%	79	51	32	5	4	0	171	46%	5
Processing of Death cases	183	115	0.1%	59	23	29	17	12	7	147	40%	5
Benefit Estimates	492	33	0.1%	51	54	44	38	154	48	389	27%	10
Leavers to Deferred status	1624	3442	15.3%	18	3	3	7	30	438	499	6%	20
Refund of contributions	112	42	0.2%	100	1	1	2	3	110	217	47%	10
Grand Total	**2738**	**3740**		**319**	**151**	**132**	**82**	**226**	**608**	**1518**		
Percentage				**21%**	**10%**	**9%**	**5%**	**15%**	**40%**			

***Note: The case types highlighted have had a reduction in the target working days.**

APPENDIX 3: Administration Strategy KPIs - Fund (Chart 1)

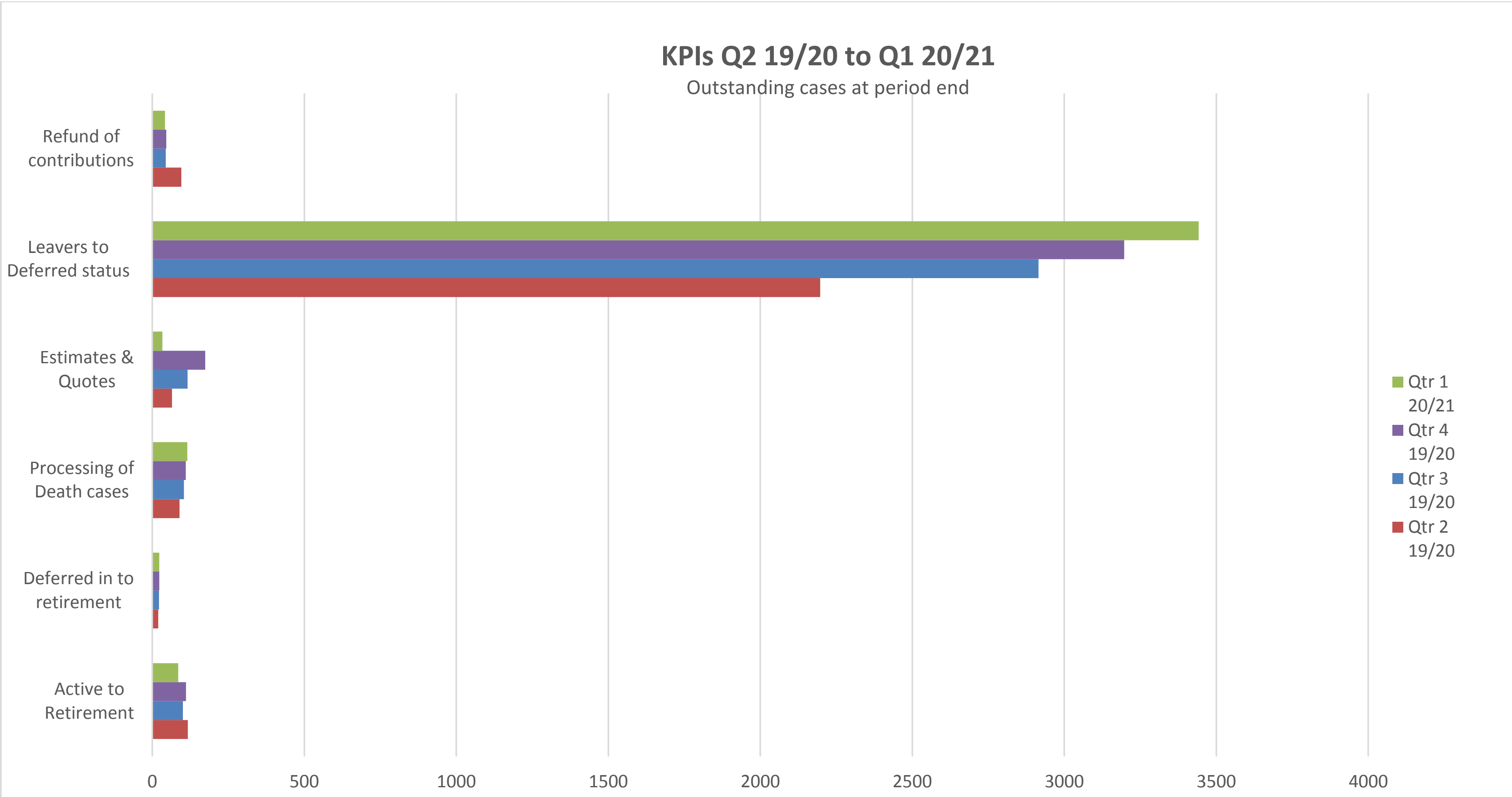


APPENDIX 3: Administration Strategy KPIs - Fund (Chart 2)



Note: Leaver to Deferred Status includes cases which will be later determined to be refund of contributions.

APPENDIX 3: Administration Strategy KPIs - Fund (Chart 3)



APPENDIX 4: Administration Strategy KPIs - Employers (Table 1)

Employer Key Performance Indicators

Administration Strategy

Period **01/04/2020** **to** **30/06/2020**

	Time to advise								Timescales Admin Strategy	
Type of case	**To Target**	**Target - 5 days**	**6 - 10 days**	**11 - 15 days**	**16 - 20 days**	**20 - 40 days**	**40 days +**	**Total**	**% on target**	**working days**
Retirement	49	2	12	3	3	10	16	95	52%	2
Leavers	30	17	84	20	11	114	223	499	32%	20
Refund of contributions	61	9	13	2	12	34	86	217	45%	20
Grand Total	**140**	**28**	**109**	**25**	**26**	**158**	**325**	**811**		
Percentage	**17%**	**3%**	**13%**	**3%**	**3%**	**19%**	**40%**			

APPENDIX 4: Administration Strategy KPIs - Employers (Table 2)

5 Largest "Managed" Employers

Employer	Managed Records	Time to advise - Retirements: To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +	Total	Admin Strategy % on target	Admin Strategy working days
Wiltshire Council	34154	26	2	5	1	0	6	6	46	57%	2
Swindon Borough Council	15721	5	0	1	0	0	0	3	9	56%	2
Police Civilians	2840	3	0	1	1	0	0	0	5	60%	2
White Horse Federation	1922	1	0	1	0	0	0	2	4	25%	2
Wiltshire College	1859	1	0	0	0	0	0	1	2	50%	2
Others	18263	13	0	4	1	3	4	4	29	45%	2
		49	**2**	**12**	**3**	**3**	**10**	**16**	**95**		
		52%	**2%**	**13%**	**3%**	**3%**	**11%**	**17%**			

Employer	Managed Records	Time to advise - Leavers: To Target	Target - 5 days	6 - 10 days	11 - 15 days	16 - 20 days	20 - 40 days	40 days +	Total	Admin Strategy % on target	Admin Strategy working days
Wiltshire Council	34154	3	0	0	0	1	33	94	131	3%	20
Swindon Borough Council	15721	4	4	23	3	2	20	20	76	47%	20
Police Civilians	2840	1	4	10	9	1	8	0	33	76%	20
White Horse Federation	1922	6	0	32	1	1	15	3	58	69%	20
Wiltshire College	1859	1	1	0	1	1	0	1	5	80%	20
Others	18263	15	8	19	6	5	38	105	196	27%	20
		30	**17**	**84**	**20**	**11**	**114**	**223**	**499**		
		6%	**3%**	**17%**	**4%**	**2%**	**23%**	**45%**			

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

INVESTMENT STRATEGY STATEMENT

Purpose of the Report

1. This report introduces the draft 2020 Investment Strategy Statement (ISS) for consideration and approval. It is an update to the 2018 version.

Background

2. The ISS has been reviewed and significantly updated from the 2018 version. This project has been done with advice from Mercer, the Fund's investment adviser, in order to ensure compliance with the requirements, as set out in the Government guidance on preparing and maintaining an Investment Strategy Statement, first published in September 2016 and updated in July 2017.

3. The formulation, publication and maintenance of an Administering Authority's Investment Strategy Statement is required by Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years. The ISS was last reviewed in July 2018, and the current review is therefore compliant with this requirement.

5. The new version incorporates the following major changes:
   - Includes the new Strategic Asset Allocation;
   - Reflects the new arrangements in place following the removal of the flight path trigger process;
   - Includes comprehensive information on the Fund's position regarding responsible investment and specifically on climate change;
   - Includes updates following the completion of the 2019 actuarial valuation;
   - Has been significantly streamlined in order to improve relevance and readability of the information contained in the document.

Main Considerations for the Committee

6. The draft ISS is attached as Appendix 1. The 2018 version has been updated for the changes detailed above. It has not been possible to highlight the changes from the previous version as they have been too extensive, with sections re-ordered etc, therefore members are encouraged to review the entire document.

7. The draft was reviewed by the Investment Sub-Committee on 2 July 2020, and was agreed to be an accurate reflection of the current situation, and has been updated for minor comments.

8. At the meeting on 21 May 2020, the Local Pension Board were asked to consider the process that has been followed in reviewing the ISS, and to confirm that this is in line

with best practice and expectations. Members of the Board were satisfied that proper process had been followed.

9. In another item on this agenda, members are asked to approve the decision to appoint a manager for the interim private debt portfolio. Subject to the decision made, the ISS will be updated from the current version to reflect this decision.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Environmental Impact of the Proposals

11. Environmental considerations are dealt with within the draft ISS.

Proposal

12. The Committee is asked to approve the draft ISS, and to authorise officers to update the ISS to reflect the decision made regarding the interim private debt portfolio.

JENNIFER DEVINE
Head of Pension Fund Investments

Report Author: Jennifer Devine, Head of Pension Fund Investments

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

Appendices:
Appendix 1 – Draft Investment Strategy Statement

Wiltshire Pension Fund

Investment Strategy Statement

May 2020

Table of Contents

WILTSHIRE PENSION FUND ("the Fund")

1. Introduction and Background

Outline of Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is available to all local authority employees and the staff of certain other public and associated bodies, apart from police and fire officers and teachers, who have their own specific schemes.

The LGPS is a funded defined benefit scheme. The rate of contributions paid by Scheme members and the calculation of benefits paid to them are contained in the statutory provisions. Employer bodies also contribute to the cost of the Scheme.

Role of the Administering Authority

The LGPS is administered by individual "administering authorities", these being prescribed in statute. Wiltshire Council is the administering authority for the County area of Wiltshire, including Swindon. It has delegated this function to the Wiltshire Pension Fund Committee (the Committee).

Administering authorities are responsible for the administration of a Pension Fund established on behalf of all employer bodies in their Scheme. The Funds are not separate legal entities from administering authorities and therefore are not covered by trust law. Nevertheless, the role of the administering authority is very similar to that of a trustee and members of the Committee therefore act in a quasi trustee role.

Statutory Background

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 required administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. A link to the guidance on maintaining the ISS can be found at the link below:

https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement

This ISS is a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, based on its current policies and provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been kept short, in order to be read in as user-friendly manner as is possible.

This statement will continue to be reviewed by the Wiltshire Pensions Committee at least triennially or more frequently should any significant change occur. The Wiltshire Pension Fund is currently involved in the Brunel Pension Partnership (BPP) for investment pooling which commenced implementation in 2018.

2. Investment of Money in a wide variety of investments

Objectives of the Pension Fund

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death before or after retirement for their dependants, in accordance with LGPS Regulations, whilst at the same time seeking to minimise the contributions that need to be paid in to the Fund by employer bodies.

The level of employer contribution is assessed every three years through an actuarial valuation of the Fund. This valuation establishes the solvency position of the Fund, that is, the extent to which the assets of the Fund are sufficient to meet the Fund's pension liabilities accrued to date. The objective is that the Fund should be at least 100% funded on an ongoing basis, taking account of any additional contributions paid by employer bodies to cover any past service deficit. The projection is that full funding is achieved over a time frame agreed appropriate by the Actuary for each employer, as set out in the Funding Strategy Statement.

Funding Strategy Statement

All Local Government Pension Scheme (LGPS) funds have to produce, consult on and publish a document called a "Funding Strategy Statement" (FSS). The purpose of the FSS is:

a) To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

b) to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and

c) to take a prudent longer-term view of funding those liabilities.

However, there will be conflicting objectives which need to be balanced and reconciled. For example, for most employers, objective a) implies low contribution rates, because they would see pension liabilities being "best met" by gaining as much help as possible from the investment strategy over the long term, which would lead you towards an equity-biased investment strategy. By contrast, objectives b) and c) imply stability and prudence of employer contribution rates, which would lead you towards a bond biased investment strategy.

Therefore, the best that can be achieved is a sensible balance between these different objectives, while considering the affordability of employer contributions.

The FSS and ISS are intrinsically linked and together aim to deliver stable contribution rates for employers and a reduced reliance on employer contributions over time. The FSS can be viewed at the link below:

https://www.wiltshirepensionfund.org.uk/media/5113/funding-strategy-statement-final.pdf

Investment Powers

These are set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which outline the wide investment powers allowing committees to invest in line with its ISS, with certain restrictions as long as proper advice has been obtained.

The Secretary of State also now has the power to direct should an authority fail to act in accordance with the guidance issued under these regulations.

Responsibility for Decisions

The Committee is responsible for overall investment policy and for the implementation of appropriate investment management arrangements. In carrying out this role, the Committee receives advice from independent external advisors (Mercer) and from the Head of Pension Fund Investments and the Treasurer to the Pension Fund (the Director of Finance and Procurement). The Committee is also supported by its Independent Adviser (Anthony Fletcher). It appoints external investment managers to implement investment policy, who are therefore responsible for day to day investment decisions. Increasingly, as implementation of pooling takes place, the Brunel Pension Partnership Limited ("the pool") will be responsible for the appointment of external investments managers to implement the Fund's investment policy.

The Committee believes these arrangements strike the right balance between their own overall responsibilities in acting in a quasi trustee role and having decisions taken with the most appropriate level of expertise available.

Types of Investments held

The Committee has freedom to operate within the Regulations and its policy is outlined below. Its expectation, however, is that the majority of assets are invested in major stock markets, where the underlying investments can be easily traded if required.

The Fund therefore invests in pooled funds managed by properly authorised organisations (equities, property, infrastructure and government bonds) and sterling and overseas cash deposits. The Fund also hedges a proportion of its overseas currency exposure to equities. It may also invest in futures and options, as well as limited investment in direct property. The Fund also invests and has commitments to private markets mandates, including Infrastructure, Private Equity, Private Lending & Secured Finance.

Balance between the Various Types of Investments

An explanation of the relative amount to be invested in each asset class (type of investment) is provided below by the strategic benchmark adopted by the Committee. However, that does not mean that these percentages need to be rigidly maintained and ranges are shown to outline the maximum and minimum investments.

Based on the Fund's interim target portfolio, the Fund invests 40% on a passive (index tracking) basis and 60% on an active basis (to outperform the benchmark). In the long-term investment strategy the Fund's passive (index tracking) investment allocation is 27% and therefore 73% on an active basis.

Expected Returns on Investments

The Committee recognises that the past is not a reliable guide to the future in respect of predicted returns on investment. In addition, it recognises that the range of expected returns is greater for some asset classes than others and that the prospect of higher returns is usually accompanied by higher levels of risk. The target return set by the actuary at the valuation is 1.6% per annum in excess of gilt yields. Based on the Actuarial valuation carried out by Hymans, this is currently estimated at 3.8% p.a.

Risk Control

The Committee regards the major control of risk to be required at the strategic asset allocation level and this has been taken into account in setting its overall investment strategy. This is explored later in the document, but the key themes for the Fund include equity risk, inflation and interest rate protection.

The Committee is less attracted to tight regional benchmarks that encourage managers to stay close to the benchmark for their own risk control reason, so the Fund's investments are increasingly moving towards unconstrained approaches, typically benchmarking against World Indices or Inflation plus targets.

All risks are continually monitored and a high level asset allocation review is undertaken annually to check the appropriateness of the Fund's current strategy.

Investment Beliefs and Objectives

The investment objective is therefore to maximise returns subject to an acceptable level of risk whilst increasing certainty of cost for employers, and minimising the long term cost of the Fund. Having a thorough understanding of the risks facing the Fund is crucial and these are covered later in this statement.

The Fund has formed the following investment beliefs which help to inform the investment strategy derived from the decision making process.

- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate against adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.
- Managing risk is a multi-dimensional and complex task but the overriding principle is to avoid taking more risk than is necessary to achieve the Fund's objectives.
- Environmental, Social and Governance factors, including Climate Change are important factors for the sustainability of investment returns over the long term.
- Value for money from investments is important, not just absolute costs. Asset pooling is expected to help reduce costs over the long-term, whilst providing more choice of investments, and therefore be additive to Fund returns.
- High conviction active management can add value to returns, albeit with higher short-term volatility.

Securities Lending

The Fund does not currently engage in any securities lending as all the equity holdings are now held within pooled fund structures. The intention going forwards is to increase returns through employing securities lending through the Brunel portfolios, when viable.

3. Investment strategy and the process for ensuring suitability of investments

Funding Policy

The objectives of the Wiltshire funding policy are expressed in its FSS. The Fund has a very strong employer covenant, being funded substantially by tax-raising local authorities. Therefore, the Committee can adopt a long-term view, without concern about the ability of its sponsors to meet their liabilities.

Given the on-going restructuring of public bodies the Fund is now maturing increasingly faster. The positive cashflow position is declining (investment income is available if the Fund does go cashflow negative) and this position is being closely monitored. The recent changes made to the Fund's long-term investment strategy, with increased allocations to income generating assets, will help with ongoing cashflow needs, and at this time it is not felt necessary to change the investment strategy of the Fund any further.

As the Fund has a deficit of assets against liabilities (97% funded at the 31 March 2019 Triennial Valuation), the Committee wishes to employ the appropriate amount of risk in order to facilitate the closure of this deficit. Over time as the funding level has increased, the Committee have reduced the level of risk inherent in the investment strategy, in order to protect the strong funding position, whilst being mindful that a degree of future investment return and therefore risk is necessary to maintain the funding level over time.

It is all the employer organisations in the Fund who feel the result of unstable employer rates, and for the precepting authorities, ultimately the local tax payer either through the Council Tax or through service levels. Therefore, another very important consideration is the need for relative stability of investment returns, given that employee rates are fixed by statute and the tools available in the actuarial valuation process for smoothing of returns are limited. This can be achieved by investments that are inherently more stable, such as bonds. However, it is also aided by diversification (so that the ups and downs on particular investments do not arise together), and by seeking returns from both passive investments (market based risk) and additional returns from active investment management.

Consequently, the Committee has set an overall investment goal that reflects these four factors.

Investment Goal

The Wiltshire Pension Fund's investment objective is to achieve a relatively stable "real" return above the rate of inflation over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities.

Investment Strategy

The Wiltshire Fund Pension Committee has put in place a strategy to achieve this goal through use of the following elements:

- A relatively large allocation to equity investment to achieve higher returns;

- Allocations to more diversified and less correlated asset classes such as bonds, property, infrastructure, multi-asset credit and private markets to achieve to achieve stabilisation; and

The Committee took the decision to decision to de-risk the Fund's investment strategy, which involves a reduction in the allocation to equities and alternative growth assets, in order to increase the allocation to income generating assets and protection assets. It will take some time to move towards the new long-term strategic asset allocation; therefore an interim asset allocation will be used to benchmark progress towards the long-term asset allocation.

Agreement has been reached to implement one new alternative investment strategy following modelling and discussions with employers. This lower risk strategy is split between the following high level investment categories, Growth, Income/Mid-Risk and Protection split 20%, 25%, 55% respectively. Adoption of a lower risk strategy will be dependent on an employer's individual circumstances, and will result in higher employer contributions in order to make up for the lower anticipated investment returns, but will provide more certainty and a lower risk of short term falls in investment performance, which would adversely impact the employer's funding level.

Where commitments to private market mandates have been made, the Fund seeks to attain exposure to these asset classes in the interim to their drawdown of commitments through the use of asset classes that have moderate to strong correlation (risk and return) to that of the private market asset class, while being sufficiently liquid to ensure monies can be sourced efficiently for drawdowns.

The Fund's interim and long-term target strategic asset allocations, along with an overview of the role each asset class plays is set out in the table below:

ASSET CLASS	INTERIM TARGET ALLOCATION %	INTERIM CONTROL RANGES %	LONG-TERM TARGET ALLOCATION %	LONG-TERM CONTROL RANGES %	ROLE(S) WITHIN STRATEGY
Global Equity (Active)	16.0	26.0 – 36.0	10.0	18.5 – 25.5	Long-term growth in excess of inflation expected. Reduce carbon footprint through low carbon mandates
Low Carbon Equity (Passive)	15.0		12.0		
Emerging Markets Equity	5.0	3.0 – 7.0	5.0	3.0 – 7.0	
Private Equity	–	–	7.5	6.0 – 9.0	
Equity	**36.0**	**29.0 – 43.0**	**34.5**	**27.5 – 41.5**	
Infrastructure (Unlisted)	2.5	6.5 – 9.5	8.0	6.5 – 9.5	Provides access to a diversified (but long term, illiquid) return source and a stream of inflation related income.
Infrastructure (Listed)	5.5		–	–	Serves as a warehouse for capital that has yet to be drawn down into the Unlisted Infrastructure mandate, allowing interim exposure to the asset class.
Alternative Growth Assets	**8.0**	**6.5 – 9.5**	**8.0**	**6.5 – 9.5**	
Multi Asset Credit	5.0	4.0 – 6.0	5.0	4.0 – 6.0	Diversified source of income and provides a degree of protection from interest rate changes. Some return above gilts expected.
Emerging Markets Debt	5.0	4.0 – 6.0	5.0	4.0 – 6.0	Exposure to fixed income in emerging markets, serving as a good source of diversified return.
Property	13.5	11.5 – 15.5	15.0	13.0 – 17.0	Diversification; income; some inflation sensitive exposure; illiquidity premium.
Private Lending	–	–	7.5	6.5 – 8.5	Offer a wide range of long-term investment opportunities; return diversification; as well as returns from expected illiquidity premium.

ASSET CLASS	INTERIM TARGET ALLOCATION %	INTERIM CONTROL RANGES %	LONG-TERM TARGET ALLOCATION %	LONG-TERM CONTROL RANGES %	ROLE(S) WITHIN STRATEGY
Private Lending (Interim)	7.5	6.5 – 8.5	–	–	Serves as a warehouse for capital that has yet to be drawn down into the Private Lending mandate, allowing interim exposure to the asset class.
Income Generating Assets	**31.0**	**26.0 – 36.0**	**32.5**	**27.5 – 37.5**	
Secured Income	–	–	10.0	9.0 – 11.0	Relatively low volatility asset class, aims to help service the Fund's increasing cash requirements through investing in secure inflation linked cashflows.
Gilts	25.0	22.5 – 27.5	15.0	13.5 – 16.5	Provide protection from changes in real yields both in terms of capital value and income.
Protection Assets	**25.0**	**22.5 – 27.5**	**25.0**	**22.5 – 27.5**	
Total	**100.0**	**–**	**100.0**	**–**	

The maximum allocations outlined in the table above may be amended with the approval of the Pension Fund Committee for specific transition events when terminating or changing investment managers. The table below sets out the Benchmark/Target of each respective mandate:

Current Investment Management Mandates

MANAGER/MANDATE ALLOCATION	INTERIM / LONG TERM ASSET ALLOCATION	BENCHMARK / TARGET P.A.
Brunel High Alpha Fund Global Equities	16% / 10%	MSCI World +2-3% p.a.
Brunel Low Carbon Passive Equities Fund Passive Equities	15% / 12%	MSCI World Index (long-term) – match but with lower carbon
LGIM Passive Index-Linked Bonds (UK)	25% / 15%	FTSE A Index-Linked Gilts

Loomis Sayles Multi Asset Credit	5% / 5%	50% Barclays Global Agg, 25% Barclays Global HY, 15% JPM CEMBI, 10% S&P/LSTA Leveraged Loan
Ninety One Emerging Market Multi Asset Mandate*	10% / 10%	50% MSCI Emerging Market Equity NDR Index, 25% JP Morgan EMBI Global Diversified Index, & 25% JP Morgan GB-EM Global Diversified Index +2-4% p.a.
CBRE Global Multi Manager Property Fund of Funds (UK & Europe)	13.5% / 15%	IPD UK Quarterly Property Fund Index +0.4% p.a.
Partners Group / Brunel Infrastructure once launched Infrastructure	2.5% / 8%	8-12% p.a. net IRR
Magellan Listed Infrastructure	5.5% / 0%	CPI + 5% p.a. over the business cycle
Brunel Private Equity	0% / 7.5%	MSCI ACWI +3% p.a.
Brunel Private Debt	0% / 7.5%	GBP 3M LIBOR + 4% p.a.
Interim Private Debt / TBC	7.5/ 0.0	TBC
Brunel Secured Income	0% / 10%	CPI + 2% p.a.
TOTAL	**100% / 100%**	

***BPP have not initially offered an Emerging Markets Multi-Asset Fund, so the Fund will need to go through the Create/Amend/Delete (‘CAD’) process for this mandate.**

Timeframe for Investment Managers’ Targets

Three year targets are generally preferred when monitoring investment managers because of the need to see clear evidence of added value as soon as possible. The Committee recognises, however, that three year periods may not be appropriate for particular managers’ styles, or for specific asset classes. Five year rolling periods, rather than three year periods, are therefore adopted where appropriate. Further, even longer measurement periods may be appropriate for the Fund’s investments in private markets (for example 7-10 years for private equity).

Review and Policy

The Pensions Committee is responsible for the Fund’s strategic asset allocation which is determined via a triennial strategy review as part of the valuation process. The review is both qualitative and quantitative and is undertaken by the Pension Committee in conjunction with the actuary, officers and independent advisers. The review considers:

- The required level of return that will ensure that the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the order of magnitude of the various risks facing the Fund is established so that a priority order for mitigation can be determined.
- The desire for diversification across asset class, region, sector, and type of security.
- Approach to how environmental, social or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.

The Committee takes the view that the Fund should only take as much risk as is necessary to recover the deficit and maintain contribution rates at an affordable, sustainable level.

The Investment Sub-Committee formally monitors the investment performance of the managers against their individual performance targets and meets them on an annual basis, reporting back to the main pension committee. All Members of the Committee receive quarterly performance and asset allocation figures based on reports provided by the Council’s global custodian, State Street.

A quarterly check is made on how the overall strategic benchmark of the Fund is performing, relative to other funds, and in relation to the financial assumptions contained in the previous actuarial valuation.

The Committee also undertakes a high level asset allocation review once a year.

Fee Structures

The Committee generally has an ad-valorem fee scale applied in respect of the investment management services it receives. This is generally accepted practice for passive tracking mandates and is easily understood. A performance related fee basis is sometimes set, however, if it is believed to be in the overall financial interests of the Fund, particularly for active mandates where higher fees are paid for more consistent outperformance of market indices. The approach taken varies depending on the type of investment and the target being set.

The Fund pays special attention to the monitoring of fees paid in respect of private markets mandates, as these typically have more complicated fee structures. An additional layer of complexity is also added from having a fund of fund structure, which requires further oversight.

The Fund is required to report in line with the CIPFA requirements under the Transparency Code and requires its investment managers to provide sufficient information to fulfil this requirement.

4. Approach to risk and how its measured & managed

Risk measurement and management

Risks are assessed both qualitatively and quantitatively as part of regular investment strategy reviews, and prioritised accordingly forming a key element in setting its strategy. Sufficient risk is needed to achieve long term returns expectations but mitigated as appropriate to allow as far as possible stable employer contribution rates. This approach to risk is reviewed at least annually.

(a) Investment Risks

Provided below is commentary on the major investment risks the Fund is running:

Liability related interest rate and inflation risks – One of the largest risks the Fund is running is in relation to its liabilities and the sensitivity of these to changes to long-term interest rates and inflation expectations. The Fund mitigates these risks to a degree through its holdings in index linked gilts, other bonds and other sources of secured cashflow. The Committee is looking further at these risks as part of the current strategy review.

Equities – The other large risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a large negative impact on the Fund's assets. The Fund holds equities in order to provide the necessary long-term expected returns to help ensure that the Fund remains affordable. The Committee believes that the extra returns that are expected to be generated by equities compensate for the level of risk equities bring to the Fund. As shown by the long term Strategic Asset Allocation above, the Committee is working towards a reduction in equity exposure, helping to bring down the overall risk contributed from equities accordingly.

Active manager risk – Investment managers are appointed to manage the Fund's assets on its behalf. This risk is small relative to other risks; however the Fund still addresses this risk. Extensive due diligence is undertaken before managers are selected, with a number of different managers chosen to mitigate against concentration risk. The investment managers are also monitored regularly by the Committee and by the Fund's Investment Consultant.

Liquidity risk – the Committee recognises that there is liquidity risk in holding assets that are not readily marketable and realisable. Given the long term investment horizon, the Committee believes that a degree of liquidity risk is acceptable, given the potential return. The majority of the Fund's assets are realisable at short notice. Where commitments have been made to private market mandates that have not yet drawn down all of the committed capital, the Fund has invested these assets in liquid interim asset classes that have a moderate degree of risk & return correlation to the private markets assets. In this way, some exposure to the desired asset class is retained and as the interim asset classes are liquid, the risk that the Fund would have to be a forced seller to meet these drawn downs, is mitigated.

Exchange rate risk – this risk arises from investing in unhedged overseas (non GBP denominated) assets. The Fund has a currency hedging policy in place to hedge c.50% of the overseas equity exposure. For other asset classes, currency hedging is reviewed on a case-by-case basis.

The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund can manage the level of risk run to the extent desired.

Asset Class	DME	EME	PE	Infra	MAC	EMD	SPD	Prop	LLP	Corp	FIG	ILG
Developed Global Equity	1.00	0.63	0.62	0.75	0.59	0.37	0.21	0.27	0.26	0.32	0.10	0.10
Emerging Market Equity	0.63	1.00	0.56	0.57	0.53	0.55	0.13	0.29	0.28	0.29	0.13	0.11
Private Equity	0.62	0.56	1.00	0.56	0.55	0.34	0.25	0.24	0.22	0.28	0.09	0.06
Infrastructure	0.75	0.57	0.56	1.00	0.59	0.36	0.24	0.44	0.39	0.30	0.08	0.14
Multi-Asset Credit	0.59	0.53	0.55	0.59	1.00	0.64	0.53	0.38	0.34	0.31	-0.04	0.08
Emerging Market Debt	0.37	0.55	0.34	0.36	0.64	1.00	0.15	0.16	0.19	0.22	0.03	0.11
Senior Private Debt	0.21	0.13	0.25	0.24	0.53	0.15	1.00	0.27	0.22	0.11	-0.14	-0.01
Conventional Property	0.27	0.29	0.24	0.44	0.38	0.16	0.27	1.00	0.74	0.11	-0.03	0.03
Long Lease Property	0.26	0.28	0.22	0.39	0.34	0.19	0.22	0.74	1.00	0.24	0.12	0.37
UK Corporate Bonds	0.32	0.29	0.28	0.30	0.31	0.22	0.11	0.11	0.24	1.00	0.78	0.32
Fixed Interest Gilts	0.10	0.13	0.09	0.08	-0.04	0.03	-0.14	-0.03	0.12	0.78	1.00	0.30
Index-Linked Gilts	0.10	0.11	0.06	0.14	0.08	0.11	-0.01	0.03	0.37	0.32	0.30	1.00

Source: Mercer Asset Model correlations as at 31 March 2020 (note that figures are estimates for modelling purposes and may not be a true reflection of actual asset correlations in the future, particularly for illiquid asset classes).

(b) Cashflow management risks

The Fund is becoming more mature and although it is cashflow positive after taking investment income, managing cashflow will become an increasingly important consideration in setting the investment strategy. Specifically should this position ever reverse, mitigating actions would be taken to manage the cashflow shortfall such as investing in assets that produce cashflows that could be used to meet these payments.

(c) Demographic risks

The Fund is subject to a range of demographic risks, but with particular reference to investment strategy, the Committee is aware of the potential for the Fund to mature over time as pensioner liabilities increase. A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments would need to be made to pay benefits. The Fund is not in that situation at present as income from contributions and investments are greater than benefit payments. However, this situation is monitored regularly and formally as part of the actuarial valuation and strategy review.

(d) Governance risks

The Pension Fund Committee believes that there is a benefit to the Fund to be gained from good governance in the form of either (or both) of an increased return and/or decreased risk. Poor governance can lead to opportunities and risks to be missed, and have a detrimental effect on the funding level and deficit. The current delegations and use of an investment sub-committee assist in managing this risk. There is also additional governance risk from the Fund's participation in the BPP and the ways this can be mitigated and managed were developed.

(e) Financial ESG risks

The Committee believes that in order to carry out their fiduciary duty by acting in the interest of its members, that effective management of Environmental, Social & Corporate Governance management (ESG) issues, including climate change, which are financially material to the Fund is essential.

ESG risks should be taken into account on an ongoing basis and are an integral part of the Fund's strategy and objective of being a long term investor.

The Committee believes that engagement is crucial in relation to strong corporate governance, which in turn is expected to help enhance returns. Details of the Fund's policies can be found later in this statement.

One area of focus of the 2017 strategy review is the risks caused by Climate Change and the associated issue of stranded assets. The strategy review looked at the carbon footprint of the Fund's equity portfolio and considered reduction options, as well as conducting climate change scenario analysis and the potential impacts that a range of climate pathways could have on the Fund's asset allocation. The Fund will consider an appropriate process for the management of climate change risk for its active and passive equity mandates in the future. For example the Fund will carry out some scenario modelling in relation to Climate Change and its impact on the Fund's investments in 2020.

Contingency Plans

The investment risk is mitigated by regular monitoring of investment managers performance and review of the Fund's strategy on a quarterly basis. These, along with the other risks are monitored quarterly as part of the Fund's Risk Register and on-going funding level analysis undertaken by the actuary.

The Fund also monitor the funding level and if it falls by more than 20% from the funding position recorded at the last actuarial valuation, this triggers an immediate review. This review is undertaken in conjunction with the Fund's investment consultants and Actuary, with appropriate action taken. Given that a fall in the funding level could be realised through a number of different channels, there is no set framework here, with actions tailored to the individual circumstances the Fund finds itself in.

As outlined in the FSS, the Fund is also committed to providing some different investment strategies in the future to assist employers in managing and mitigate their exposure to investment risk where this is most appropriate for their specific liabilities.

5. Approach to Pooling Investments, use of collective investment vehicles & shared services

The Fund pools investments with 8 other local authorities and the Environment Agency through the Brunel Pension Partnership and it's operator Brunel Ltd, as mandated by Government.

The Fund first transferred assets to BPP Ltd in July 2018 and, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd. However, the fiduciary responsibility dictates that the Pension Fund Committee must always act in the best interest of the Fund and it will need to ensure the most appropriate investments are used in the implementation of its investment strategy. This includes ensuring BPP Ltd are able to implement the Committees strategic decisions, that they are held to account for performance and in extremis, potentially consider other investments if the value for money opportunity cannot be delivered through BPP Ltd in terms of collective and individual basis.

BPP Ltd is a company which is wholly owned by the Administering Authorities. The company is authorised by the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds assets within investment portfolios with defined risk and return characteristics. In particular it researches and selects the underlying investment managers needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Fund is a client of BPP Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement is in place which sets out the duties and responsibilities of BPP Ltd, and the rights of Wiltshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

The governance of the Brunel partnership is of the utmost important to ensure the Fund's assets are invested well and the needs of the Fund and its beneficiaries are met. Governance controls exist at several levels within Brunel.

- As shareholders in Brunel the Fund entered into a shareholder agreement with the company and the other shareholders. This gives considerable control over Brunel – several matters, including significant changes to the operating model and finances, are reserved matters requiring the consent of all shareholders.

- An Oversight Board comprising representatives from each of the Administering Authorities has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.

• The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

• A separate level of governance is provided by the Board of Directors at Brunel, which are appointed by the Fund and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.

• Finally, as an authorised firm, Brunel has to meet the extensive requirements of the FCA which cover standards such as conduct, good governance, record keeping, training and competency, policy and process documents, and internal controls.

The arrangements for asset pooling for the Brunel pool were formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

Wiltshire Council approved the full business case for the Brunel Pension Partnership on 21 February 2017. The Fund's first investment assets were transitioned across to BPP in July 2018. At the time of writing BPP are still working to finalise a number of their portfolio offerings, with the target date for all portfolios operational extending into 2021. An investment timetable can be found in the appendix of this paper which sets out Brunel's current expectations around Fund launches. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance.

Following the completion of the transition plan outlined in the Appendix, it is currently envisaged that the majority of the Wiltshire Pension Fund's assets will be invested through BPP Ltd. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd.

Currently not all proposed portfolios to be offered by BPP Ltd provide a direct substitution for the Fund's investment strategy. For example, there is not a replication of the Fund's Emerging Market Multi Asset mandate, although this could be substituted with the use of separate Emerging Market equities and bond portfolios, and this is one of the ways that BPP can deliver the same outcomes by providing a different solution. In this case, where BPP cannot accommodate a specific solution, these assets would remain outside the Fund and continue to be managed by the Fund until such time as they are liquidated, and capital is returned.

More details on the Brunel Pension Partnership can be found in Appendix B.

6. Social, environmental and corporate governance policy

Approach to Environmental, Social and Governance (ESG)

ESG are important factors for the sustainability of investment returns over the long term. The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. As part of owning publicly listed companies Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). To provide guidance, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts.

Brunel has appointed Federated Hermes EOS as the engagement and voting services provider. The appointment enables a wider coverage of assets and access to further expertise across different engagement themes. The Federated Hermes team is diverse, made up of 11 nationalities with 10 language capabilities, which facilitates engagement in local language and an understanding of cultural customs.

Brunel will publish its voting policy and provide online voting records no less than twice a year.

The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), to enable it to act with other local authorities on corporate governance issues. LAPFF's mission is to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Details of their activities can be found on the following link:

http://www.lapfforum.org/about-us

The Fund has a fiduciary duty to act in the best interest of its members and therefore expects its investment managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund believes that taking account of such considerations forms part of the investment managers' normal fiduciary duty.

As such, the Fund has a commitment to ensuring that the bodies in which it invests adopt a responsible attitude toward the environment, and adopt high ethical standards. Such companies are expected to behave in a socially responsible manner by taking account of the interests of all stakeholders.

In 2019 the Fund transferred the entire allocation to passive equities to a passive global low carbon equity mandate, which reduced the carbon footprint of the portfolio. The long-term allocation to low carbon equity is 12% of total Fund assets.

Non-Financial ESG Considerations

The pursuit of a financial return is the predominant concern for the Fund to address the funding deficit and minimise the on-going cost of pension provision to its 170+ employer organisations. The Fund is aware it may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think stakeholders would support the decision.

The Fund's Pensions Committee has two employer representatives and two employer observers, while the Local Pension Board has three employer body and three member representatives who both represent and can engage with beneficiaries and stakeholders to ensure the Fund is aware and can respond effectively to all stakeholders concerns.

The Fund also aims to communicate using its website, newsletters, Annual Report and proposed Annual General Meeting to engage directly with all stakeholders.

When formulating and developing any policy on non-financial social, environmental, and corporate governance factors, the Committee will take proper advice from either its investment consultant or other appropriate expertise in this area and ensure the Local Pension Board and other stakeholder views are considered through the use of specific Board reports and consultations. Any policies once developed would be available on the Fund's website.

Social Investment

The Government considers that social investments are appropriate for LGPS funds where either the social impact is simply in addition to the financial return. It also considers that investments where some part of the financial return is forgone in order to generate the social impact are also appropriate, where the administering authority has good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the Fund.

The Fund is consistent in the application of risk and returns requirements when evaluating all investment opportunities, including those that address societal challenges. The Fund would invest in opportunities that address societal challenges but generate competitive financial returns.

Seeking such opportunities is generally delegated to our external fund managers.

Sanctions

The Fund does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

Brunel Pension Partnership Policy

The Brunel Pension Partnership Investment Principles clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel Company), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the processes in the selection, non-selection, retention and realisation of assets. One of the principal benefits, outlined in the BPP business case, achieved through scale and resources arising from pooling is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and includes an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives. For more information is on the BPP website.

As an example the Fund invests in passive low carbon equities through Brunel.

Brunel 2020-22 Climate Change Policy Objectives

Brunel's Climate Change Policy set's out a plan to build a financial system which is fit for a low carbon future. The Policy explains how Brunel see three areas where they have a particular contribution to make. Namely: they will have significant direct influence over the investment managers they appoint; they can exert broader influence in the investment industry and with policy makers and lastly their ability to influence company practice and performance, in particular in conjunction with their Client Funds and others.

The Committee fully encourages and supports Brunel's 2020-2022 policy objectives on climate change which are set out in their Climate Change Policy below. The Committee are currently supportive of Brunel's approach of not issuing exclusion lists as the Fund believes that simply stating exclusions or requiring divestment from specific stocks or sectors will not compel investment managers to develop their capacity on climate change or drive change in the companies in which they are invested.

Brunel's 2020-2022 climate change policy objectives

We will play an active and leading role in encouraging policy makers to establish comprehensive and robust climate change policy frameworks. Within this, we will focus particular attention on:

- The adoption of a meaningful price on carbon, which is material (i.e. sufficient to drive change at the scale and rate required), progressive over time and widespread (i.e. applies to all major sectors of the economy).
- The removal of fossil fuel subsidies.
- The introduction of policy measures – for example, product standards, limitations on high carbon technologies, support for low carbon technologies – that accelerate the move away from high impact activities and sectors.
- The removal or correction of regulatory barriers to progress and support financial policy makers and regulators in being ambitious and effective in implementation of plans to mitigate climate risk and under the Adaptation Reporting Power.
- The integration of climate change into the mandates and into the oversight and control processes of prudential regulators and other regulatory bodies.
- Ensuring that climate change policy is socially sustainable and takes due account of workers' rights and community interests (the 'Just Transition') when taking action to reduce greenhouse gas emissions and adapt to a changing climate.

We will play an active leading role in encouraging policy makers to integrate climate change into multilateral and bilateral trading frameworks, with a particular focus on the UK post Brexit.

We will encourage policy makers to introduce mandatory climate change disclosure requirements for companies, with a focus on providing clear, decision useful information and encouraging a clear articulation of the risks that companies and their investors face.

We will support the development of skills, knowledge and professional standards of those intermediaries who are critical influencers in the action of investors and companies. These include, but are not limited to, investment consultants, actuaries, lawyers and auditors.

Further details of Brunel's Climate Change policy are set out on its website.

Monitoring of Climate Change Policy and Reporting Progress

Reporting on climate change is an area that is rapidly developing, and the Fund is working with Brunel and other member funds to continue to improve this. The Fund is supportive of Brunel's involvement in initiatives, such as the Institutional Investors Group on Climate Change ("IIGCC") Paris Aligned Investment Initiative, that are working to allow asset owners and investment managers to explain, in a consistent and comparable manner, how their portfolios compare to the goals of a net zero carbon future and of keeping global temperature rise below 2 °C.

The Fund currently undertakes climate change scenario analysis and carbon footprinting (measuring carbon intensity and fossil fuel reserve exposure) to better understand opportunities and risks within the Fund's portfolios. As holdings transition into Brunel portfolios, the Fund will be publishing the following metrics and data, as relevant, for different asset classes and strategies:

- Carbon footprints
- Fossil fuel exposures
- Green and brown share (i.e. the proportion of its portfolios invested in areas such as renewable energy)
- Engagement and voting activities

The Fund will use its website as the primary method of communication. The Fund will publicly report in line with Task Force on Climate Related Financial Disclosures "TCFD" recommendations in due course and are developing an approach in this area.

Alongside Brunel and the partner funds, the Fund will look to undertake a full review of our climate change policy approach in late 2022 to early 2023 to provide us with the opportunity to reflect on progress, the effectiveness of our approach, and potentially to raise our ambitions.

One of the key questions the Fund will be answering as part of this review is whether Brunel's decision to engage with investment managers has been effective. Specifically, whether it has been effective in delivering change in the way investment managers work and in their ongoing engagement with companies to drive improvements in corporate strategies on climate change, so that these companies are on a trajectory to be aligned with the transition to a 2°C economy. If the answer is no, the Fund will be expecting Brunel to consider whether they need to change investment managers and/or introduce selective divestment requirements for companies.

The Fund will continue to monitor Brunel's progress on implementing its policy objectives and will work with them to achieve our collective climate change ambitions. If the Fund does not feel action is progressing at an appropriate pace, the Fund will seek to address this with the other partner funds and Brunel.

In addition to the full review, the Committee will be reviewing its beliefs and commitments on an annual basis to ensure that they remain fit for purpose and that strategic objectives are set with these in mind. To support this, the Fund will ensure there is regular training on climate change for the Committee, Board, and Officers so that those in charge of the decision making for the Fund are sufficiently informed.

Responsible Investment Initiatives

To deliver the Fund's Responsible Investment policy the Fund is active in supporting a number of responsible investment initiatives. The Fund plans to become a signatory to the new UK Stewardship code. The Fund is a member of the LAPFF. The Fund supports the Transition Pathway Initiative ("TPI"). In addition, the Fund supports Brunel as a signatory to the UN supported Principles for Responsible Investment ("PRI").

7. Policy for the exercise of rights (including voting rights) attaching to investments

Voting Policy

The fund believes that voting is integral part of the responsible investment and stewardship process.

For assets that have transitioned to Brunel, the Committee has delegated the exercise of voting rights to Brunel on the basis that voting power will be exercised with the objective of preserving and enhancing long-term shareholder value. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/ EGMs). Brunel aims to vote 100% of all available votes. To provide guidance to its managers, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider. Brunel will publish its voting policy and provide online voting records at least annually.

The Fund undertakes its engagement activities through its active membership of the Local Authority Pension Fund Forum which targets specific areas of concern across the holdings of its LGPS membership.

The Fund also expects its asset managers to report on their engagement activities on a regular basis and summarises these in its quarterly updates.

The Fund will publish the voting carried out on its behalf on its website.

Stewardship Code

The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council strongly encouraged best practice in respect of investor engagement. The Fund published its statement of compliance with the code during 2011 and this is reviewed annually. All of our global equities managers currently comply fully with the code. The Fund is rated as Tier 1 compliant by the Financial Reporting Council.

In late 2019, the Financial Reporting Council ("FRC") published its revised 2020 UK Stewardship Code ("2020 Code"). The latest Code defines stewardship as "*the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*"

The FRC has described the 2020 Code as ambitious and highlighted the increased focus on 'activities and outcomes' as opposed to policy statements alone. As part of this increased remit the 2020 Code covers a wider range of asset classes, requires signatories to consider the systematic integration of ESG and climate change in the stewardship and investment process, and is based on a more stringent ‘comply and explain’ basis. The revised 2020 Stewardship Code now has 12 principles for signatories.

The Fund plans to become a signatory to the 2020 Code by the end of 2021, recognising the significant amount of work complying with and reporting on the new Code will entail. The Fund has already had discussions with its partner funds and Brunel to ensure appropriate structures are in place to enable this.

Stewardship in Investment Pooling

As part of Brunel, the Fund is actively exploring opportunities to enhance our stewardship activities. At the same time the Fund will continue to be an active owner in our own right. The Committee believes one of the potential benefits of pooling, achieved through the scale and resources arising from pooling, is the improved implementation of stewardship practices. Brunel has published its Responsible Investment Stewardship Policy which outlines its approach and priorities. The policy reflects the priorities of its underlying clients, and the Fund was active in contributing to the policy.

With the support of the Fund and the other partner funds, Brunel has been using its influence to press for improved stewardship at external investment managers and has been actively involved in government consultations and other initiatives in the area. Once all equity assets have been transitioned, the Partnership and Brunel Ltd will seek to deliver best practice standards in responsible investment and stewardship in terms of company engagement as outlined in the Brunel Pension Partnership Investment Principles. More information is available on the website (www.brunelpensionpartnership.org).

The Committee has delegated investment powers to Brunel and the Fund’s investment managers (where assets have not yet transitioned to Brunel) to act in the best interests of the Fund. Brunel and the Fund’s investment managers are encouraged to engage in constructive dialogue on behalf of the Fund and to use their influence to encourage companies to adopt best practice in key areas. Brunel and the Fund’s investment managers have been asked to report to the Committee on the implementation of their stewardship and engagement activities, which will be reviewed on a regular basis.

A representative from Brunel is also periodically invited to present at Committee meetings to provide updates on developments.

The Fund recognises the importance of collaboration with other investors to achieve more effective and wider reaching outcomes. In this respect, the Fund is a member of the Local Authority Pension Fund Forum (“LAPFF”) which aims to protect the long-term investment interests of beneficiaries by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. Further details can be found on their website.

Advice Taken

In creating this statement, the Fund has taken advice from its Investment Consultant. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant, Mercer, and the Fund Actuary, Hymans Robertson. In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

8. Other Investment Policies

Investment Consultant Objectives

The Fund has set objectives for its Investment Consultant, Mercer, in conjuction with the recent Competition & Markets Authority “CMA” directive. The Fund’s Investment Consultant is measured against these objectives in the Annual Reporting review, which is detailed in a separate document. A statement will be submitted to the CMA annually regarding the Investment Consultant’s compliance with these objectives.

Markets in Financial Instruments Directive (MiFID)

In 2017, when the Markets in Financial Instruments Directive (MiFID) was integrated into UK financial regulation, local authorities were reclassified automatically to ‘Retail clients’ due to the UK local authorities being in the unique position of managing pension funds. Whilst Retail status provides increased investor protection relative to Professional clients, there are a number of disadvantages including:

- Restricted access to investment managers as few firms are authorised to deal with retail clients.
- Limited products and services available as only certain types of investments are deemed suitable for retail clients. Many private markets products are not deemed suitable for Retail clients, namely Infrastructure funds, Private Equity funds, Hedge Funds, this is not consistent with the Fund’s current investment strategy.
- Significant implications for pooling
- Sale of assets not available to retail clients and respective exit charges implications.

For the reasons outlined above, local authorities engaged with the FCA, and whilst the Retail Status will not change, the Fund has been able to ‘opt-up’ to Professional status to ensure none of the aforementioned drawbacks of Retail status apply.

Wiltshire Pension Fund
June 2020

Appendix A

12 Principles of the 2020 Stewardship Code

1) Purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2) Governance, resources and incentives support stewardship.
3) Manage conflicts of interest to put the best interests of clients and beneficiaries first.
4) Identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5) Review their policies, assure their processes and assess the effectiveness of their activities.
6) Take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7) Systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8) Monitor and hold to account managers and/or service providers.
9) Engage with issuers to maintain or enhance the value of assets.
10) Where necessary, participate in collaborative engagement to influence issuers.
11) Where necessary, escalate stewardship activities to influence issuers
12) Actively exercise their rights and responsibilities.

Appendix B

Brunel Pension Partnership

High Level Investment Principles

Working with all the partner funds and the Brunel Pension Partnership, we have agreed a set of investment principles with the intention that they provide a framework for the investment strategy, operations, manager selection, monitoring and reporting. The principles are also designed to meet the Ministry for Housing, Communities and Local Government - Local Government Pension Scheme: Investment Reform Criteria and Guidance and the requirements and expectations of Financial Conduct Authority. They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the portfolios. The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered.

Long-term investors	We are long-term investors: we implement our funds investment strategies that require productive assets that contribute to economic activity, such as equities, bonds and real assets. This may include the delegated responsibility to provide sustainable and sufficient return on their assets.
Responsible investors	We are responsible investors: we believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
Best practice governance	We adopt best practice collective governance with appropriate oversight, prioritisation, delegation and decision making at the right level, and clear accountability.
Decisions informed through experts and knowledgeable officers and committee	We make our decisions based on extensive expertise including trained and insightful operations' governance members, experienced and professional officers and high quality, knowledgeable advisors.
Evidence and research at heart of investments	We take an evidence and research-based approach to investment: continually learning and reappraising from academic research, investment professionals, and our peers, and seek continual development in our understanding of investment.
Leadership and innovation	We are prepared to be innovative and demonstrate thought leadership in collective investment, within the requirement of prudence and our joint fiduciary duty.

Right risk for right return	We will make our collective investments work as hard as possible to meet our funds' objectives: we will provide the right structure of sub funds and managers within asset classes. While we take account of market and economic levels in our decision making, we will avoid making decisions on purely a short term basis.
Full risk evaluation	We will be comprehensive in our consideration of our funds' risks assessed on their liabilities and contributions; consider financial and non-financial risk as appropriate; offer a pooled structure to accommodate the need to diversify risk, but also recognise the limits of that diversification – as long term investors we accept that our investment success depends substantially on the sustainable growth of the economy.
Responsible stewardship	We will enable our funds' to exercise responsible stewardship of the assets they hold, and act as a collective responsible voice in the broader investment community.
Cost effective solutions	We will seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively: we recognise the impact of costs on the Funds, but we are prepared to pay for active management and other services when we believe that the costs incurred are likely to be justified by the benefits. We will seek to gain leverage from our collective status through reduction in fees and avoidance of cost through increased resilience and sharing our peoples' strengths, knowledge and expertise.
Transparent and accountable	We believe in the importance of being transparent and accountable, to ensure correct decisions are taken and to minimise risk. This applies both in our own operations, those we work with, and our investments
Collaborate	We will collaborate with others whenever possible, to share ideas and best practice; to improve effectiveness and to minimise costs.

Implementation: Approach to Asset Pooling

Brunel Pension Partnership Ltd. (Brunel) was launched on 18 July 2017 as a company wholly owned by the ten Administering Authorities. Brunel obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an Investment advisor.

Brunel is an FCA regulated full scope MiFID investment management firm, established by our 10 owners (9 local authority pension schemes and the Environment Agency) to ensure their pension schemes are sustainable and cost effective. Brunel has currently transitioned ~£15bn of assets from a pool of £30bn. We have an agreed strategic plan to invest the remaining £15bn over the coming two years. Brunel are long term investors with an influential voice in Responsible Investment and pooling, which is a national initiative with ~£1/4 trillion assets under management.

Brunel's key objectives are as follows:

- Offer a client driven range of products and services to ensure our partner funds remain at the forefront of pension fund investment
- Outperform benchmarks in long term (min 3-5 years listed, longer PM)
- Provide additional benefits (beyond financials) including stewardship, responsible investment, influencing policy, diversification and risk analysis
- Taking a prudent approach, managing risk through robust governance and controls
- Make fee savings, whilst maintaining performance, of £27.8m (8.9bp) by 2025 and manage transition and operational costs to achieve breakeven by 2023, and cumulative net savings of £550m to 2036

The arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

The Fund, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel. The Fund is also able to suggest new portfolios to Brunel and engage with Brunel on the structure and nature of existing portfolios.

The Fund's first investment assets were transitioned across to BPP in July 2018. At the time of writing BPP are still working to finalise a number of their portfolio offerings, with the target date for all portfolios operational extending into 2021. A full time table can be found below:

Fund Launch/Project	Transition	Fee Savings Start
Emerging Markets	09/10/2019	Nov-19
LDI & Passive Gilts	15/11/2019	Dec-19
Global High Alpha	22/11/2019	Dec-19
DGF	23/03/2020	Apr-20
Sustainable Equities	12/06/2020	Jul-20
Multi Asset Credit	14/08/2020	Sep-20
Smaller Companies	22/05/2020	Jun-20
Sterling Corporate Bonds	25/09/2020	Oct-20
Global Core	18/11/2020	Dec-20
Hedge Funds	22/03/2021	Apr-21
Global Bonds	19/04/2021	May-21
TAA	26/07/2021	Aug-21

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 June 2020

New Employer Policy

Purpose of the Report

1. The purpose of this report is to present a new Employer Policy to the Committee for consideration and approval.

Background

2. To date, the Fund's previous approach to new employer admissions has been outlined in a mixture of text on its website, in some historical committee papers, the Funding Strategy Statement and through precedent.

3. In the interests of greater transparency and consistency, and in response to the changing employer environment, officers propose formalising and clarifying its approach to a range of new employer matters into a single policy.

4. The draft version of this Policy was presented to the Local Pension Board on 21 May 2020. At that time, several questions were asked by the Board concerning guarantee arrangements, risk and how the policy compared to the approaches from other Funds. Following responses by officers, no recommendations for changes were made by the Board.

Considerations for the Committee

5. The policy itself splits employers into the three main categories of:
   a). Scheduled Bodies;
   b). Resolution/Designating bodies; and
   c). Admission bodies.

6. It covers matters such the regulatory and eligibility position, additional Fund requirements on admission, the Fund's approach to guarantees, securities and covenants as well as funding approaches such as whether to set up employers as standalone or pooled and whether to use a 100% funding level or share of deficit approach.

7. There are no major changes in Fund approach outlined in this policy, instead this policy mainly represents a formalisation of existing practice.

8. This policy has been produced in consultation with the actuary, Hymans-Robertson LLP as the policy contains certain actions the actuary would be required to undertake.

Environmental Impact of the Proposal

9. There are no known environment implications from this report.

Financial Considerations & Risk Assessment

10. There are no material financial or risk considerations relating to the implementation of this policy.

Legal Implications

11. There is no legal requirement to produce a new employer policy, but the application of a policy aims to reduce the risk of legal disputes.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposal

13. To provide greater transparency and consistency to new employer admissions.

Proposal

14. The Committee is to approve this Policy.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

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

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

WILTSHIRE
PENSION FUND

Wiltshire Pension Fund – New employer policy

1. Introduction

This policy sets out the Wiltshire Pension Fund's (the Fund) approach for accepting new employers into the Fund. It covers both employer eligibility as well as the Fund's approach to the financial set up of the new employer (such as the starting funding level). It applies independently from any risk-sharing agreed bilaterally between an existing Scheme Employer and a new employer although the Fund will take these into account when setting up a new employer, if made aware of such arrangements.

It has been prepared by the Administering Authority, with input from the Fund's Actuary, Hymans Robertson LLP. This policy relates to the admission of all new employers from the effective date of this policy.

The main purpose of this policy is to provide transparency and to help the Fund ensure its approach to admitting new employers is consistent, compliant with legislation and it aims to minimise the risk of a new employer bringing inappropriate levels of risk to other employers in the Fund.

2. Terminology

The following terms all have the same meaning as defined in the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), as amended from time to time: scheme employer, administering authority, active member & deferred member.

3. Regulatory Framework

The Local Government Pension Scheme ("LGPS") Regulations 2013 ("the 2013 regulations) outline the general framework for employees and employers participating in the Local Government Pension Scheme in England and Wales, in particular, the following sections.

Schedule 2, part 1: A list of bodies commonly referred to as "Scheduled Bodies" (Includes Wiltshire Council, Swindon Borough Council, all academies, further education colleges, Wiltshire Police and Wiltshire and Dorset Fire Authority)

Schedule 2, part 2: A list of "Resolution Bodies" or "Designating Bodies" (Includes all Town and Parish Councils)

Schedule 2, part 3: "Admitted Bodies" which the Fund splits further into "Community Admission Bodies", as defined in part 3, 1(a), "Transferee Admission Bodies", as defined in part 3 1(d)(i), & "Other Admitted Bodies" as defined in part 3, 1(b), 1(c) and 1(e). Note: the terms defined here no longer form part of the LGPS Regulations, but the Fund finds it helpful to still make these distinctions.

Schedule 2, part 4: Outlines the minimum requirements of admission agreements.

Schedule 3 part 2: Outlines the appropriate administering authority for different types of members.

For the remainder of this policy, the terms defined in this section will be used to refer to the different employer types outlined above.

4. Policy Review

This policy will be reviewed at least every three years following a triennial valuation or following changes to the 2013 Regulations pertaining to employers joining the Fund. It is subject to scrutiny by the Local Pension Board and will be approved by the Wiltshire Pension Fund Committee.

The approaches outlined in this policy are not exhaustive and individual circumstances will be taken into consideration where appropriate to decide if it is appropriate to differ from the details outlined in this policy. Any queries relating to this policy should be directed to Andy Cunningham, Head of Pensions Administration and Relations in the first instance at Andy.Cunningham@wiltshire.gov.uk or 01225 718296.

5. Employer eligibility and funding approach

Employer eligibility requirements are detailed below for each employer type. Further requirements concerning guarantees, securities and bonds are outlined in section 6 and an overall summary of key points is available in Appendix 1.

5.1 Overview of approaches to funding

The Fund operates a unitisation system to help manage employer-level asset allocations. At a highly simplified level, income related to a specific employer is treated as buying units and outcoming payments are treated as selling units within each employer sub-fund. The unit price is set and varies based on the performance of the Fund's investments (where all assets are pooled together) within the relevant Fund investment strategy.

The Fund's policy is to seek to set up employers as standalone employers within the Fund with their own pot of units where possible, so each employer is broadly responsible for paying for its own member and investment experience, with the exception of the following two scenarios:

a). Town and Parish Council pool: Historically, the Fund decided to pool together all Town and Parish Councils in appreciation that these are normally similar style bodies, mostly with a small number of staff and they can join and leave the Fund when they wish. In recent years, the Fund has noticed developments in this area in relation to large staff movements and outsourcing of services and hence prompted the Fund to take an updated approach for some Town and Parish Councils meaning some will be pooled and others won't; this is explained further in section 5.3.

b). Employers with risk-sharing arrangements in place: Some admission bodies agree to share responsibility for the pension costs with the source employer (normally a Scheduled Body); if such an arrangement means any surplus and deficit would be the responsibility of the source employer, the Fund will treat employers as being pooled for funding purposes rather than standalone, if this arrangement is known to the Fund.

Note: Whilst not technically a pooling arrangement, the Fund's policy is to treat each Multi-Academy Trusts (MAT) which participates in the Fund as a single employer and not to recognise the underlying academies in a MAT as employers in their own right but rather as part of a larger employer.

A summary of funding positions, split by employer type is outlined in the appendix as well as in sections 5.2 to 5.4.

5.2 Scheduled Bodies

a). Regulatory and eligibility position

Scheduled Bodies are referred to in Schedule 2, Part 1 of the 2013 Regulations. Under the 2013 Regulations, Scheduled bodies automatically become a Scheme Employer within the geographically relevant Fund, upon meeting one of the definitions in the Schedule 2 for all eligible staff (as defined by the Regulations). This regulatory approach creates a two-way requirement where the Fund is required to accept the employer as a participating employer and the employer is required to join the Fund.

While the geographical requirement states that a Scheduled Body must join a Fund based on its geographical location (see LGPS Regulations Schedule 3, part 2) subject to approval from the Secretary of State (SoS) it is possible for participating employer to apply to join or move to a different LGPS Fund. This option can be particularly useful where an employer participates in more than one Fund and wishes to consolidate membership into a single Fund. Ultimately it is for the scheme employer to make an application to the SoS, but the Fund will support any requests to the SoS to make such a change where the Fund believes it would not place the Fund or any of its participating scheme employers at risk.

Examples of employers which are covered by this category are County, Borough and unitary Councils, Police, Fire, further education bodies and academies.

b). Funding approach

Academies: New academies or Multi-academy Trusts (MATs) normally start participating in the Fund following a TUPE transfer of staff from another employer (e.g. the Local Council or another MAT or academy). This means that the Fund's actuary will calculate how many assets to credit the new employer with as part of a one-off asset transfer from the ceding employer. New academy convertors are credited with an initial asset amount equal to their starting liabilities on an ongoing basis multiplied by the ceding employer's estimated funding level, on an ongoing funding basis, at the point of conversion. If an existing MAT merges with another, the assets and liabilities will be combined and then tracked together. If part of a MAT merges with another academy or MAT, or demerges, a suitable approach will be agreed with the parties involved to transfer the assets. Demergers are also discussed in the Fund's cessation policy.

The Fund will treat each MAT within the Fund as a standalone employer with its own contribution rate. It will not pool MATs together nor will it split out the MAT into separate sub-employers. Further details are outlined in the Fund's Funding Strategy Statement.

Other Scheduled Bodies: Other types of Scheduled Bodies rarely join the Fund; where they do join, they are likely to be the result of a change in legislation and/or government reorganisation. In such cases, the Fund's default position would be to set the body up as 100% funded on an ongoing basis and the for the new employer to be standalone employer in the Fund. However, by exception, if there are convincing reasons why the new employer should be set up differently then the Fund will consider those reasons before making a final decision on its approach.

5.3 Resolution or designating Bodies:

a). Regulatory and eligibility position

Under LGPS Regulation 2(1B)(a), Resolution or Designating bodies must pass a resolution allowing some or all employment positions for those employees to be eligible and for the employer to join the LGPS. These bodies can change their decision at a later date by passing another resolution. If a Resolution body does pass such a resolution, the Fund must accept it as an employer. Normally, the resolution will relate to staff employed directly by the Town or Parish Council but there are also occasions whereby the staff have been TUPE transferred from another employer (for example, a Local Authority) to the Resolution Body.

Current examples of employers within the Wiltshire Pension Fund which meet this criterion are Town and Parish Council although some other categories of organisations are also eligible as per the definitions outlined in the LGPS Regulations.

b). Funding approach

New Town or Parish Councils will normally join the existing Town and Parish Council pool and begin participating with no assets or liabilities of their own as their membership is triggered by assigning one or more employee roles as being pensionable. However, upon joining the pool, the new employer immediately becomes responsible for a proportionate amount of the overall pool's deficit or surplus and its overall contribution rate will be determined by consideration of the wider pool's funding position and membership details. The main advantage of this type of pooling arrangement is that it reduces the risk of volatility in the pooled funding level and contribution rate for those in the pool.

By exception, and at the discretion of the Head of Pensions Administration and Relations, in consultation with the Fund actuary and the employer involved, a larger Town or Parish Council (normally with 5 or more active members) *may* become a new standalone body within the Fund whereby it will only have responsibility for its own assets and liabilities. New Resolution Bodies which are neither a Town or Parish Council will normally be set up as a standalone body although their individual circumstances will be taken into account.

Furthermore, if a new resolution body is formed in conjunction with a movement of new staff under TUPE from another employer in the Fund, then normally the Fund would move an equal amount of assets to the liabilities transferring (as determined by the actuary) and would consider whether the new body should participate as a standalone employer or where it should be linked (e.g. pooled) with the originating body.

Generally speaking, the Fund wishes to reduce risk to the wider pool by individual participants actions such as outsourcing staff and services, resulting in an admitted body potentially being linked to the pool.

Fund officers will take into account the new employer's current and forecast financial position, type of body/business model and any security offered to the Fund before making a decision on whether a resolution body should form part of the existing pool, join as a standalone employer or whether an alternative funding arrangement should be put in place.

5.4 Admitted Bodies

5.4.1. Introduction

The Fund classifies admitted Bodies arrangements into the following three categories:

Community Admission Bodies (CAB): A body with a "*community of interest*" to employers in the Fund which applies to participate in the Scheme, either an existing body or one which has been created from an existing employer. These bodies have no automatic right of entry, and it is at the Fund's discretion whether to admit them.

Transferee Admission Bodies (TAB): A body which applies to join the scheme following an outsourcing of a service from an existing employer (normally a local authority or academy) to an outside organisation such as a charity or private sector organisation (often following a tender exercise). In such cases the LGPS is one of the means by which the ceding scheme employer can ensure appropriate pension protection for the transferred employees (for academies outsourcing it is essentially the only option). It is still at the Fund's discretion whether to admit such a body. The Fund is willing, however, to admit such a body subject to the body agreeing to meet all the requirements of the Regulations (including those relating to bonds, securities and guarantees) throughout its period of participation and for the ceding employer agreeing to honour its ongoing responsibility in respect of the transferred employees at the point the admission agreement ceases.

Other Admission Bodies (OAB): A body to which the Scheme Employer either contributes or represents the interests of a Scheme Employer. These bodies have no automatic right of entry, and it is at the Fund's discretion whether to admit them.

5.4.2 Community Admission Body

a) Regulatory and eligibility position

CABs are eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations from the Fund concerning securities and bonds, as outlined in section 6. The Fund's standard policy is only to accept such bodies into the Fund if another Scheme Employer acts as guarantor unless exceptional circumstances apply.

Approval for new CABs to join the Fund is delegated to the Head of Pensions Administration and Relations and such agreement to admit such a body will be subject to the body meeting the requirements of this policy and any other reasonable requirements that the Head of Pension Administration and Relations deems reasonably necessary.

Subject to appropriate securities being in place, the Fund will accept the CAB's admission to operate on either a 'open' or 'closed' basis in respect of the admission of new staff post- transfer although the Fund would normally seek for the body to participate on a 'closed' basis.

b). Funding position

The Fund's default approach is for a community admitted body to start 100% funded in the Fund on an ongoing basis by crediting the body with an equal amount of assets and liabilities (which will be zero if no staff have transferred). It will also join as a standalone employer within the Fund (i.e. no pooling arrangements will apply) unless a suitable arrangement is reached with an existing Scheme Employer.

5.4.3 Transferee Admission Body

a). Regulatory and eligibility position

TABs are also eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations concerning guarantees, securities and bonds (see section 6). In the scenario whereby an admission agreement has not been agreed by the transfer date of staff, the LGPS Regulations allow for the admission agreement to be signed with retrospective effect. However, clearly this undesirable and hence the Fund's preference and objective is for all admission agreements to be signed prior to the transfer date.

Subject to the ceding employer's agreement, the Fund will accept the admission agreement operating on either an 'open' or 'closed' basis in respect of the admission of new staff post-transfer.

If a TAB enters into more than one contractual arrangement with one or more Scheme Employers, the Fund must enter into separate admission agreements with the TAB, each of which will be considered independently and may have differing provisions in place.

b). Funding position

The Fund's default approach is for a transferee admitted body to start 100% funded in the Fund on an ongoing basis by crediting the body with an equal amount of assets and liabilities. TABs will also normally join as a standalone employer within the Fund (i.e. no pooling arrangements will apply) unless there is risk-sharing arrangement in place which means that as there is already a *de facto* pooling arrangement in place and the Fund will recognise this accordingly, if made aware. However, the Fund, in conjunction with the Fund's actuary, is willing to consider other starting funding positions and the impact of any ongoing risk-sharing agreements subject to the agreement of all parties involved and provision of appropriate guarantees and securities in place.

For all TABs, a condition of admission is that the Scheme Employer recognises and accepts its responsibilities under the Regulations (i.e. that the Scheme Employer acts as ultimate guarantor).

5.4.4 Other Admitted Bodies

a). Regulatory and eligibility position

OABs are also eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations concerning guarantees, securities and bonds (see section 6). In the scenario where an admission agreement has not been agreed before the transfer date of staff (if applicable), the LGPS Regulations allow for the admission agreement to be signed with retrospective effect. However, clearly this undesirable and hence the Fund's preference and objective is for all admission agreements to be signed prior to the transfer date.

Normally the Fund would expect the new admission agreement to be 'closed to new entrants' but it will accept an 'open' arrangement if appropriate securities are in place.

b). Funding position

The default position is the admitted body to start 100% funded (albeit this is only relevant if there is a transfer of staff from a Scheme Employer).

6. Covenant and Security arrangements

The admission of new employers creates a number of risks to the Fund, in particular there is a financial risk that the new employer fails to make the required payments to the Fund including payment of any cessation deficit. The LGPS Regulations stipulate minimum requirements that the Fund must meet; these and some additional Fund requirements are summarised in the table below.

New Employer Type\Security requirement	**Scheme Employer Guarantee required**	**Bond required**	**Parent Company Guarantee required**
Scheduled Body	No	No	No
Resolution/Designating Body	No	No	No
Transferee Admission Body	Yes	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe; subject to risk assessment by Fund and Scheme Employer
Community Admission Body	Yes*	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe, as an alternative to a bond.
Other Admission Body	Yes*	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe, as an alternative to a bond.

*Note: This is a Fund-level approach, rather than regulatory approach, as it goes beyond the requirements of the LGPS Regulations. It is present to protect the interests of other employers in the Fund which have no connection to the new employer's admission.

7. Other matters

7.1 Set up costs: The Fund's approach to new employer costs are covered by its charging policy, as amended from time to time. Most costs relate to legal and actuarial support, as required. The Fund's approach is to pass on these costs to either the new or ceding employer depending on the circumstances.

7.2 Onboarding arrangements and employer support: When a new employer joins the Fund, an officer from the Fund will send a welcome email and follow up with a phone call to help manage the transition to the new arrangement.

7.3 Employer responsibilities: Employer responsibilities are broadly laid out in legislation, and its admission agreement if relevant, while its specific administration responsibilities are outlined in the Fund's administration strategy as found on the Fund's employer website.

7.4 Memorandum of understanding (MOU): To help meet data protection requirements, the Fund looks to enter into a MOU with all new employers to clarify the Fund and employer's roles as joint Data Controllers and responsibilities entailed.

7.5 Authorised contacts: As part of an employer's role within the Fund, the Fund will ask employers to identify its authorised contacts (i.e. those employers which can make decisions on that employer's behalf). Further information can be found on the employer website.

7.6 Investment strategy: At the time of inception of this policy, the Fund has two investment strategies in place. The main fund investment strategy (which has longer term objectives, and higher risk) and an alternative investment strategy (with shorter term objectives and is lower risk). The Fund will consider which strategy is appropriate for all employers, including new employers.

8. Related policies and strategies

The Fund also publishes and maintains the following policies and strategies which interlink with this policy.

- Administration Strategy
- Cessation Policy
- Charging Policy
- Funding Strategy Statement

Appendix: Summary of admission policies by employer

Note: The funding position and pooling/non-pooling arrangements set out below are the Fund's default position. However, where a risk-sharing agreement has been entered between the participating employer and the ceding employer, the details may vary.

Employer Type	Fund requirement to accept employer	Employer requirement to join Fund	Funding position (Ongoing basis)	Standalone or Pool	Standard approach to contribution rate setting	Covenant/Security Arrangements
Scheduled Body: Non-academy	Compulsory	Compulsory	100%, ongoing basis	Standalone	Based on a 75%* likelihood of being fully-funded over a 20 year period.	None required
Scheduled Body: Academy	Compulsory	Compulsory	Share of deficit based on ceding Council's position OR The existing assets if formed from another academy. (as relevant)	Standalone	Based 75%* likelihood of being fully-funded over a 14 year period	None required
Resolution Body/Designating Body	Compulsory	Optional	100%, ongoing basis (although some bodies are pooled)	**Smaller T&P Councils (within 5 or fewer active members)** = Resolution Bodies Pool **Larger T&P Councils (with 5 or more active members)** =	**Part of the pool**: The pool's common contribution rate is adopted. **Non-part of the pool**: Based on a 75%* likelihood of being fully fund over a 20 year time frame.	None required

				Either pool or stand alone. **None T&P Councils** = Standalone		
All admitted bodies	Optional	Optional	100% ongoing basis, unless agreed otherwise as part of admission agreement	Standalone unless the Fund is aware of a relevant type of risk-sharing arrangement being in place.	**Part of a pool for deficit/surplus**: 75%* likelihood of primary contribution rate being sufficient to remain fully funded over the timeframe used for the source employer (usually 14/20 years) **Standalone**: The expected average future working lifetime or contract length of the employer (whichever is shorter)	See section 6.

*Or an alternative percentage and timeframe stated with the Funding Strategy Statement where different, as revised from time to time.

Other areas of consideration:

a). <u>Ill health insurance</u>: By default, all new employers (except those pooled with employers which do not participate) will be covered by the Fund’s ill-health insurance unless they choose to opt out.

b). <u>Transfer of staff between existing employers</u>:

i). Individual members: In cases where an individual member transfers between two existing employers, the value of assets to be transferred is calculated using a "Cash-Equivalent Transfer Value" using factors determined by the Government Actuaries Department.

ii). Group transfers (2 or more members): Normally, assets will be transferred based on the current funding level although the Fund will take into account the views of the employers involved. Such calculations will be carried out by the Fund Actuary.

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

1. The purpose of this report is to update the Commiittee 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. A reconfiguration of the Risk Register took place during 2019 to make it a more dynamic document and the new design was approved by the Committee on 18th July 2019. Members requested that whilst a full Risk Register is maintained by officers only the following risks need to be highlighted to Committee on a quarterly basis.

   - New risks;
   - Risks which have changed or been re-categorised;
   - Risks which are rated red; and
   - Risks which are considered to have been mitigated & stabilised & can be recommended for approval to the register's ceased/dormant category for continued monitoring by officers only.

3. Under the reconfigured Risk Register strategy, the identification of risks will be more evidence based using the Scheme update, Business Plan, Audit recommendations, Minutes of meetings, Fund's KPI dashboard and Brunel and investment pooling data as sources of information for risk identification.

4. One risk identified in this report has altered on the risk register since it was reviewed by the Board at their meeting on 21st May (PEN011) See point 10.

Key Considerations for the Committee / Risk Assessment

5. The significance of risks is measured by the 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).

6. During the last quarter the following "new risks" were identified.

   - **PEN053: Failure to implement Fund's Data Retention Strategy:** (Green) A poorly implemented data retention strategy may could potentially breach GDPR compliance & create service issues in the event of data being inadvertently minimised or deleted.
   - **PEN054: Failure to implement an interim investment portfolio, investment in private markets & multi asset credit arrangements as required**: (Amber) The implementation does not match risk/return requirements before capital can be deployed & a strategic asset allocation cash drag may occur on the investments.

7. The evidence-based review of the register identified no changes or recategorizations were needed during the last quarter. Only text updates were made to risks by officers consistent with the integration of the 2020/21 business plan objectives.

8. Risks remaining "red", high risk:
   - **PEN042: Significant retrospective legislation changes related to the McCloud case:** It is still unclear exactly what impact there will be on the administration, although the impact actuarially speaking is likely to be minimal. Members requested that it be kept as a red risk until the administrative impact is clearer.
   - **PEN048: The transition of the pooling of LGPS assets with BPP fails to deliver the projected savings:** Progress and updates should continue to be regularly reported to Committee. A Board recommendation to introduce a monitoring & reporting timetable of BPP was approved by the Committee.
   - **PEN052: COVID-19:** An infectious global virus which WHO has classed as a pandemic. Its multiple impacts on the Fund continue to be continuously monitored and managed, until the risk(s) subside.

9. It is recommended that three risks are removed from quarterly presentation to the Committee. These are;

   - **PEN032: Failure to manage Fund budgets & controllable costs:** (Green) Poor budget setting & cost control can lead to over expenditure and a loss of value in the services of the Fund. Quarterly reporting to Committee has since been put in place to provide greater oversight. It is recommended that this risk be moved from Dynamic to dormant.
   - **PEN014: Failure to provide the service in accordance with sound equality principles:** (Green) The risk register shows that the Fund has completed an Equality Risk Assessment and has an Equality Implementation Plan in place. It is recommended that it be moved from Ongoing to dormant.

10. Alteration to PEN011 – At the Board meeting on 21st May it was recommended that this risk be moved to a dormant status on the register, however since May there has been a staff restructure within the Fund's Investment team following which it has been recommended to keep the risk on an (Amber) rating. **PEN011 – Lack of expertise of Pension Fund Officers and Service Director, Finance.** Note: The original decision to reduce the risk followed the appointment of a permanent s151 Officer & the recognition that other officer appointments were now established in their posts & a new officer training plan had been implemented.

Financial Implications

11. No direct implications.

Legal Implications

12. There are no known implications from the proposals.

Environmental Impacts of the Proposals

13. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no known implications currently.

Proposals

15. The Committee is asked to approve the attached Risk Register and the changes/actions recommended by officers in points 6 to 10.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations
& JENNIFER DEVINE
Head of Pension Fund Investments

Report Author: Richard Bullen, Fund Governance & Performance Manager

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

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Ref.	Risk	Cause	Impact	Primary Risk Category (CIPFA)	Secondary Risk Category (Operational)	Risk Owner	Level of risk (Inherent)	Impact	Likelihood	Inherent risk score	Controls in place to manage the risk	Impact	Likelihood	Residual risk score	Further Actions necessary to manage the risk	Level of risk (Residual)	Direction of Travel	Risk Action Owner	Date for completion of action
Horizon Risks																			
PEN054	**Failure to implement an interim investment portfolio, private markets & multi asset credit arrangements as required**	The implementation does not match risk/return requirements before capital can be deployed into private markets & a strategic asset allocation cash drag occurs on the investments	A loss on assets to the Fund. Assurance is required that investments are being made in line with expectations & being managed properly	**FINANCIAL MARKETS & PRODUCTS**	**BUSINESS PLAN 2020/21 (Objective(s) 18,22,23)**	Jennifer Devine	Medium	3	2	6	ISC to be updated at each quarterly meeting on the progress of the investment	2	2	4		Low	←	Jenny Devine	N/A
PEN053	**Failure to implement Fund's Data Retention Strategy**	Poorly implemented strategies agreed by the Board & Committee to ensure that the retention of data is properly executed in respect of both the Fund & Scheme Employers may occur.	A failure to adhere to the strategy could potentially breach GDPR compliance & create service issue in the event of data being inadvertently minimised or deleted.	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 28)**	Mark Anderson	Low	1	2	2	Heywood (Altair Database manager) to introduce a tool to minimise & delete records in August 2020. Includes an export function to identify records managed via this process which can be reported on. This can be cross referenced against the membership statistics if required.	1	2	2		Low	←	Mark Anderson	N/A
PEN052	**COVID-19**	COVID-19 is an infectious global virus which WHO has classed as a pandemic. The UK could be taking similar actions to other countries bad affected by this virus such as China & Italy which will cause significant business continuity issues to the pension fund	In a worst case scenario, there will be material issues related to: Staff shortages, investment returns, employers supplying data, management of employer covenants, support from suppliers & contractors.	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham/ Jenny Devine	High	4	4	16	The Council's/Fund's Business Continuity Plan will need to be activated. Regular communication with key services & service providers should be maintained. Fund officers have already taken a series of steps to ensure ongoing service & are giving consideration to the daily government updates & Council policy in the taking of those decisions.	4	4	16	The series of steps have been specifically identified to manage this risk. In particular, maintaining the movement of money, communication with all stakeholders & essential operating practices; Consequently the following risks were focussed upon; Movement of money PEN001, PEN002, PEN003, PEN015 & PEN033. Communication with stakeholders PEN013, PEN030 & PEN033 & Essential operating practices PEN004, PEN010 & PEN037. A survey was also sent to Employers requesting information about their circumstances & a close monitoring of actual employer behaviour has been adopted & will continue to be in relation to their service obligations.	High	↕	Andy Brown/ Andy Cunningham/ Jenny Devine	N/A
PEN050	**Failure to comply with tPR's Code of Practice 15**	The new requirements for pension scheme governance came into force on 13 January 2019 as part of the transcription of the IORP II Directive into UK law. The new EU Directive covers the activities and supervision of **i**nstitutions for **o**ccupational **r**etirement **p**rovision (IORP)	Consequently the tPR is simplifying its codes of practice as part of its 'clearer, quicker, tougher' campaign and in response to new requirements for scheme governance, the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018	**GOVERNANCE**	**SERVICE FUNCTION**	Richard Bullen	Low	2	2	4	It is anticipated that early focus will be on the codes that are most affected by the new regulations, starting with internal controls & effective governance. Trustees will need to be able to demonstrate that they have an effective system of governance within 12 months of its publication	3	1	3	None, until Code of Practice 15 is released	Low	←	Richard Bullen	N/A
PEN018	**Failure to set in place appropriate Cyber Security measures**	Over reliance by Fund is potentially being place on its Administering Authority's IT security arrangements & that of its key software database providers without proper scrutiny/reporting of their security arrangements	Impact is significant concerning the operational effectiveness of the Fund, notably in relation to the data held and the ability to calculate and process member benefits	**ADMINISTRATION**	**SERVICE FUNCTION**	Andy Cunningham	Low	4	1	4	Cyber security reports to be requested on an annual basis from both Wiltshire Council's IT department & the main database manager Heywood's. Further steps will be considered on the receipt of those reports	4	1	4	Officers attended a Cyber Security event in January 2020 hosted by Wiltshire Council's IT department.	Low	↑	Andy Cunningham	N/A
PEN04[illegible]	**GMP legislative changes**	The Government has been planning to make a number of changes to way that GMPs work which brings about certain risks. In particular, changes to the indexation approach (which have been repeatedly delayed) and equalisation between males and females.	Both sets of plans could increase scheme costs and cause material amounts of additional administrative work.	**ADMINISTRATION**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	Senior officers to keep themselves appraised of developments.	2	2	4	None	Low	→	Andy Cunningham	N/A
PEN044	**Change to valuation cycle**	The Government is consulting on changing the fund valuation cycle. The next valuation will be in 2022 but it is unclear when the next one will follow.		**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Low	1	3	3	Officers will respond to the consultation stating they are not in favour of such a change	1	3	3		Low	→	Andy Cunningham	N/A
PEN043	**Administration disruption and employer cost pressures cause by the Cost Cap review**	The cost cap floor has been breached meaning the Scheme rules need to be adjusted.	Administration: Some impact on administration processes and communications - unknown at the moment as the details have not been finalised. Cost: Higher costs for employers	**ADMINISTRATION**	**SERVICE FUNCTION**	Andy Cunningham	Medium	2	4	8	None until further information is available. Note: this is unlikely to happen until the McCloud case changes are finalised, as McCloud will already increase costs in itself.	2	4	8	None	Medium	→	Andy Cunningham	N/A
PEN042	**Significant retrospective legislation changes related to the McCloud case**	An age discrimination case taken to Court by a group of firefighters and Judiciary employees	Increased contribution rates for employers and high levels of administration time and complication.	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 32)**	Andy Cunningham	High	3	4	12	None - Whilst it now appears almost certain that a change will take place, it is still unclear exactly what the change will be, its magnitude and how the Fund can mitigate it. It is noted that the Valuation results have made no allowance for the consequences of the McCloud case, primarily due to the prudence applied to the investment return/discount rate expectations of 75%, but also due to the implementation of actuarial guidance.	2	4	8	On actuarial guidance it is anticipated that whilst a review will be required the financial impact may be minimal as in most cases the underpin check for a member's benefits will not bite. Officers are already trying to mitigate the administrative impact by dovetailing some of the administrative work need with the data cleansing process used for onboarding employers on to i-Connect.	Medium	→	Andy Cunningham	N/A
PEN040	**The Fund's inability to implement the conclusion of the Fair Deal Consultation**	This consultation contains proposals which would strengthen the pensions protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provide	The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. Failure to implement the changes would have a significant impact on affected members benefits.	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	Officers have responded to the consultation but have yet to hear anything further from MHCLG. The next step is likely to be either another consultation or the introduction of legislation. Officers will continue to monitor developments to help ensure it is prepared to make any changes required.	2	2	4	None	Low	→	Denise Robinson	N/A
PEN039	**The Fund's inability to implement the reforms associated with the Good Governance Project**	SAB has requested a review of governance structures for the LGPS using a criteria of four possible governance models which might help funds to deliver good governance for their employers and members. A final consultation report is due in July 2019	Poor governance has a reputational risk impact, leading to poor service for Fund stakeholders, a lack of clarity of roles & responsibilities and potential conflicts of interest emerging	**GOVERNANCE**	**BUSINESS PLAN 2020/21 (Objective(s) 40,41)**	Andy Cunningham	Low	2	2	4	Officers have contributed feedback to the consultation exercise in May 2019 and taken part in various discussions. This has helped officers gain an understanding of the likely direction of travel and help ensure the Fund is aligned and prepared (for example by making certain adjustments to the terms of reference).	2	2	4	Officer to introduce a statement of Fund principles, beliefs & precedents.	Low	→	Richard Bullen	N/A
PEN038	**The Fund's inability to implement the DWP's Dashboard within a notified timescale.**	Late communication by the DWP to specify their requirements for the Fund to comply with this new nationwide Dashboard. Potential for unexpected implementation costs and/or the Fund being unable to meet the reporting requirements.	Non-compliance would lead to a reputational risk for the Fund. A statutory requirement to contribute may also be created.	**ADMINISTRATION**	**SERVICE FUNCTION**	Andy Cunningham	Low	1	2	2	Senior officers to keep themselves appraised of developments and seek more detailed information as the project develops.	1	2	2	None	Low	→	Mark Anderson	N/A

PEN021	**Ineffective implementation of the Public Sector Exit Cap**	The Treasury is consulting on draft regulations to introduce a cap of £95,000 on exit payments in the public sector, in response to concerns about the number of exit payments that exceed or come close to £100,000 and the need to ensure they represent value for money. This will include changes to LGPS regulations. Introduction of exit cap will require an additional burden on the administration team as it is likely to effect all redundancy calculations. Funds are often given little time to implement changes which brings about this risk.	Changes need to be communicated to individuals and employers and systems adapted once the revised regulations have been approved. LGPS Fund's could be in breach of the legislation in they are logistically unable to implement the cost cap mechanism once introduced.	**LEGISLATIVE**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	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	None	Low	→	Andy Cunningham	N/A

Dynamic Risks

PEN051	**There is a risk that the fixed income portfolios which are currently being scoped by Brunel & which the client group have had input into, may not be the best fit for Wiltshire**	Fixed income portfolios will transition to Brunel from late 2020 onwards	If the portfolios are not the best fit for Wiltshire, there is a risk that the investment strategy is not properly implemented, or that there is a delay before assets can transition	**INVESTMENT PERFORMANCE & RISK**	**BUSINESS PLAN 2020/21 (Objective(s) 19)**	Jennifer Devine	Low	4	1	4	Officers are working with Brunel to ensure that the portfolio specifications for the fixed income portfolios will meet Wiltshire's strategic requirements. A review of the ISS will take place to ensure that it is consistent with the prevailing strategy asset allocation.	4	1	4	Continue to work with Brunel to review and feedback on portfolio specifications as they are developed	Low	→	Jennifer Devine	Mar-20
PEN047	**There is uncertainty around the ability of Brunel to resource its property portfolio offering**	It is intended that property assets will transfer to Brunel in late 2020.	If Brunel are not adequately resourced, this could result in the portfolio not being effectively managed, and/or costs being higher than expected.	**INVESTMENT PERFORMANCE & RISK**	**BUSINESS PLAN 2020/21 (Objective(s) 24)**	Jennifer Devine	Low	4	1	4	Officers are working with Brunel to ensure that the transition plan is appropriate before proceeding with this transition. Define reporting metrics for the Committee to make a decision.	4	1	4	None	Low	→	Jennifer Devine	Jun-20
PEN037	**Failure to implement a strategy to address the administration backlogs**	Failure to effectively administration the scheme could result in incorrect payments, inefficiencies in the process, failure to meet disclosure timeframes, complaints and inadequate oversight over the fund.	Poor administration resulting in incorrect payments and can lead to reputational risk issues. The mitigation of this risk is contingent on the mitigation of other risks such as PEN034 & PEN036	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 1,35,37)**	Andy Cunningham	Medium	3	3	9	The implementation of PEN034 & PEN036 along with addressing the internal auditors comments in their 2018/19 Key Controls report should mitigate this risk. As part of the 2020/2021 budget, approval for more resource is available to help mitigate this risk although this could take time to use given the impact of COVID-19 on office based working.	3	2	6	Employer training to be enhanced to assist the provision of information to officers & efficient management of backlogs. Improving peer review policy to enhance they way work is checked.	Medium	→	Jennie Green	On-going
PEN034	**Failure to implement Lean process review**	Low KPI performance has been identified, particularly in relation to the disclosure requirements, as a result of inefficient processes and insufficient training and support.	An end to end processing review of all repeatable processes with the key objectives of improving the customer experience and identifying and realising efficiencies. Semi-automated work allocation is required to target key items of casework more quickly	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 3,13,15,29)**	Andy Cunningham	Medium	3	2	6	The Fund's Project team has started a programme of work over a 2 year timeframe to review repetitive processes within the dept. As at April 2020, revised processes are in place for starters, leavers/refunds, aggregation and child pension reviews. Other processes will be looked at based on priorities with the intention of completing the reviews during 2020/2021.	3	1	3	Officer training to be enhanced to assist with the efficient processing practices. Officers have introduced a 2nd line of review strategy, where experienced officers conduct internal audits at a technical level, not just at a process level.	Low	→	Samantha Wooster	On-going
PEN032	**Failure to manage Fund budgets & controllable costs**	During a period of chain management involving the introduction of new staff, new software & new working practices the cost control against the Fund's approved budget requires close management	Poor budget setting & cost control can lead to over expenditure and a loss of value in the services being offered by the Fund. As a public sector Scheme there is also a reputational risk associated with the poor management of funds.	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Low	3	1	3	Annual Fund budgets are approved in the 1st quarter of each year. Expenditure against the budget are monitored by Senior Officers. Senior Officers work with the Council's Treasury team to ensure accurate specification of charges made to the Fund. Senior Officers maintain a contract management framework to monitor the fees of service providers. All invoices are compared against estimates before payment is made.	2	1	2	It was agreed that budget monitoring reports are now submitted to the Committee at each quarterly meeting	Low	→	Jennifer Devine	On-going
PEN029	**Failure to implement the effectiveness review between the Committee & Board**	An effectiveness review conducted by Hymans was undertaken in 2018, following which a report was produced and a focus group created of key Wiltshire Council stakeholders to act on the outcomes of the Report. The review covered the Committee, Board & ISC.	An ineffective Committee & Board could lead to a poorly run Pension Fund, which has a lack of governance and internal controls. Defining the roles & responsibilities of all groups & stakeholders enable clarity of purpose & efficient management.	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Medium	3	3	9	Creation of a Focus steering group to implement the recommendations of the Hymans report. A review of Governance documentation, such as Terms of Reference of the Committee, Board & ISC to bring it up to date and ensure that all documentation is consistent & integrated with the other documentation around it.	2	2	4	To avoid a reputational risk & action by the Government or the Pension Regulator, close attention is paid to communications from the Regulator & SAB on best practice and the outcomes implemented. Guidance from the LGA is also adopted into Fund working practices.	Low	→	Richard Bullen	On-going
PEN028	**Failure to introduce new administration software effectively**	Implementation of new software including I-connect, payment instruction automation and a new member website. All to be completed during 2021/2022.	Delay in the payment of member benefit, poorer data quality, sub-standard communication arrangements with members & employers & slower delivery times leading to a more costly service	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 4,5,6,8,9,14,16,26,30)**	Andy Cunningham	Low	2	2	4	Individual project plan have been prepared for each implementation of software, including their GDPR implications, with individual project issue logs and risk registers. A bespoke Project team has also been established within the pension's dept. who initiate formal handovers to officers on completion of the new implementation. i-Connect, which will have the largest impact, is partially delivered with around a third of active members onboarded.	2	1	2	SQL capability to be developed within team to enhancing reporting & verify effective implementation. Nova Sail will also be introduced to leverage & optimise the software capability employed by the Fund.	Low	→	Samantha Wooster	On-going
PEN022	**The rectification of records with GMP issues is time-consuming, costly & causes reputational damage.**	From 1 April 2016, State Second Pension ceases and HMRC no longer provides GMP data on members to Funds. The Fund is looking to complete the reconciliation during the 2020/2021 year.	If GMP records for members are inaccurate there is the potential for incorrect liabilities being paid by the Fund.	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 34)**	Andy Cunningham	Medium	2	4	8	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 the Fund trying to engage with Government to agree on a nationwide approach and in order to undertake further analysis of the problems identified.	2	4	8	Working with other south-west Funds to try to agree on a common approach and present it to Government Departments. SABs to review a further letter from the SW Pension Fund's Group on 3rd February. It is hoped that a more positive approached will be received from SAB this time. NONE RECEIVED.	Medium	↓	Samantha Wooster	u/k

Ongoing Risks

PEN049	**Failure to comply with the FCAs MiFID II compliance**	The introduction of new financial & investment requirements with effect from 3rd January 2018 in which the Fund opted up to "Professional Investor" status	Committee members & key officers, particularly those sitting on the ISC need to ensure that they maintain a requisite level of knowledge & understanding to satisfy the "Professional Investor" requirements	**FINANCIAL MARKETS & PRODUCTS**	**BUSINESS PLAN 2020/21 (Objective(s) 17)**	Jennifer Devine	Medium	4	2	8	Controls include; 1) An annual review of training needs for members & officers 2) A self-certification by members that they continue to consider themselves "professional investor" competent 3) The implementation of a policy & procedure to ensure officers to manage the ongoing compliance framework & 4) For the MiFID II requirements to be included in the 2020-21 audit plan	4	1	4	A paper setting out the procedures put in place was submitted to the Board on 13th February. The Fund will also be audit in 2020 for it compliance with MiFID II. To be reduced to a Green risk on completion of a satisfactory internal audit.	Low	→	Jennifer Devine	N/A
PEN048	**The transition to pooling of LGPS assets with BPP fails to deliver the projected savings**	The Fund needs to pool its LGPS assets with other Funds using the Brunel Pensions Partnership.	Poor implementation could be costly in terms of unanticipated costs and/or savings less than projected.	**INVESTMENT PERFORMANCE & RISK**	**BUSINESS PLAN 2020/21 (Objective(s) 21)**	Jennifer Devine	High	4	3	12	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	3	9	Significant amount of resource still required by officers to progress this project. On 13th February 2020 the Board recommended that a monitoring & reporting timetable being put in place concerning BPP's transition to help mitigate this risk.	Medium	→	Jennifer Devine	On-going
PEN041	**The Fund's inability to implement a strategy to ensure Climate Change considerations are integral to its investment strategy**	There is a global climate change emergency, as declared by Wiltshire Council in February 2019.	Failure to embed climate change considerations in the investment strategy could cause a negative impact on investment returns over the long term.	**FINANCIAL MARKETS & PRODUCTS**	**BUSINESS PLAN 2020/21 (Objective(s) 20)**	Jennifer Devine	Medium	3	3	9	Work is being done within the Brunel pool to address this risk. The Committee needs to use the support offered by Brunel to help define policies in this area and implement them via the Investment Strategy Statement.	2	2	4	None	Low	↓	Jennifer Devine	On-going
PEN036	**Failure to implement a Dashboard of KPIs for regular monitoring**	Difficulties in extracting the required data from the workflow section of the administration system. Improve the range of Key Performance Indicators (KPIs) produced for the Committee and Local Pension Board to help provide transparency and clearer oversight & management of administration performance.	Failure to implement a dashboard of comparable benchmarks, will be counter to the Pension Regulator's requirements on factors such as data quality measures	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 12,27)**	Andy Cunningham	Low	1	2	2	Officers have implemented a suite of KPIs to be utilised at different levels. Namely, at a Statutory level, for the Committee & the Board, for use between Employers & the Fund & at management level for use at an operational level within the Pension's dept. The introduction of a new PAS document will enhance the flow of KPI information to members. Further work is required to introduce a suite of customer service based KPIs.	1	2	2		Low	↓	Mark Anderson	On-going

PEN033	**Failure to manage AVC providers**	The Fund is a Data Controller with four AVC providers under management who operate to a system of policies & endorsements rather than service provider contracts. Consequently, there is a risk due to the mismatch between Fund responsibility & control in relation to the assets under management.	Failure of a AVC provider can lead to issues of reputational risk to the Fund, as well as being exposed to adverse governance & financial implications.	**ACCOUNTING & AUDITING**	**SERVICE FUNCTION**	Jennifer Devine	Low	2	2	4	A minimum of annual service review reviews have been implemented with all AVC providers, managed by the Investment & Accounting team. The review will cover customer service & investment performance.	2	1	2	None.	Low	→	Roz Vernon	On-going
PEN026	**A lack of effectiveness of Committee meeting due to the impact of MiFID II Regulations**	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 maintain "professional" status it will limit the range of investments available and may lead to the forced sale of assets.	**INVESTMENT PERFORMANCE & RISK**	**BUSINESS PLAN 2020/21 (Objective(s) 17)**	Jennifer Devine	Low	2	2	4	Wiltshire Fund is now being treated as a Professional Client, having followed due process. Maintenance of the Fund's Professional Client status will require on-going compliance with the requirements including competence	2	2	4	Guidance received from officers & the Independent Adviser to the Fund has mitigated the impact of MiFID II. Officers implemented a self-assessment return completed by members concerning their competence to maintain "professional client status". A member training strategy for 2020/21 includes MiFID II related training	Low	↓	Jennifer Devine	On-going
PEN025	**Further academisation of Schools, the possibility of MAT breakups and cross fund movements.**	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 180 to between 400 and 500.	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	Regular communications with schools to understand their intentions. Revised cessation policy aims to address some of the risks relating to MAT breakups.	2	2	4	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.	Low	→	Andy Cunningham	N/A
PEN017a	**A lack of knowledge and expertise on the Pension Fund Committee**	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	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Medium	2	3	6	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	1	2	The results of the knowledge assessment was 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. Generally both Committee & Board members are taking a more active approach to training and requesting structured training in key areas	Low	→	Richard Bullen	On-going
PEN017b	**A lack of Committee Member compliance with all regulations**	Lack of Member willingness or awareness to be compliant with new regulations as they come into force leading to breaches of legislation and reportable offences	Over reliance on officers & advisers to ensure compliance leading to a lack of oversight challenge	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Medium	2	3	6	Member attendance at conferences & seminars enables independent information sources. Update of the Look forward plan including the introduction of an annual audit plan to ensure the fund's compliance requirements are implemented & the results of the audit reported to Committee	2	1	2	None	Low	→	Richard Bullen	On-going
PEN016	**A lack of effectiveness in respect of the Fund's Treasury Management Services**	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	**INVESTMENT PERFORMANCE & RISK**	**SERVICE FUNCTION**	Jennifer Devine	Low	3	1	3	The Pension Fund will review an updated Treasury Management Strategy annually which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m. The Fund will also review in Treasury Management Agreement with the Council in 2019.	2	1	2	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. A minimum of annual updates by the Council need to be presented to the ISC	Low	→	Roz Vernon	N/A
PEN015	**Failure to collect payments from ceasing employers**	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. The impact of COVID-19 on financial markets means the likelihood is currently increased.	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	**ACTURIAL METHOD**	**BUSINESS PLAN 2020/21 (Objective(s) 36,42)**	Andy Cunningham	Medium	3	3	9	The Pension Fund Committee approved a revised cessation policy on 26 March 2020 to address regulatory changes made in March 2020 (backdated to May 2018). 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. Due to the current impact on COVID-19 situation on investment returns, we are currently encouraging employers to delay cessation crystallisation events where possible to avoid crystallise a large deficit.	2	1	2	A NEW Employer policy is to be developed.	Low	→	Andy Cunningham	On-going
PEN014	**Failure to provide the service in accordance with sound equality principles**	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.	**ADMINISTRATION**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	1	2	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	None	Low	→	Luke Webster/ Jennie Green	On-going
PEN013	**Failure to communicate properly with stakeholders**	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.	**GOVERNANCE**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	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	1	2	None	Low	→	Denise Robinson/ Samantha Wooster	N/A
PEN011	**Lack of expertise of Pension Fund Officers and Service Director, Finance**	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. Resourcing issues due to holding a vacancy in a key role in the investments team.	Bad decisions may be made in relation to any of the areas on this register, but particularly in relation to investments. Risk of being unable to fulfil statutory obligations and/or maintain key financial controls.	**GOVERNANCE**	**BUSINESS PLAN 2020/21 (Objective(s) 2,3,31)**	Andy Cunningham/ Jennifer Devine	Medium	3	3	9	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. Formulated annual Training Plans relevant to officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists. A Fund knowledge hub is being developed.	2	3	6	The Director of Finance & Procurement is now filled on a permanent basis and other senior officer roles in the Pension Fund are now filled by permanent staff for a significant period of time. Officer training to be enhanced to assist knowledge & understanding.	Medium	↓	Andy Cunningham/ Jennifer Devine/ Corporate Directors	On-going
PEN010	**Failure to keep pension records up-to-date and accurate**	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc. Early indications suggest the likelihood is increased due to the impacts of COVID-19 on employers and Fund officers.	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	**GOVERNANCE**	**BUSINESS PLAN 2020/21 (Objective(s) 38)**	Andy Cunningham	Medium	3	3	9	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 and the Fund's Data Improvement Plan.	3	1	3	The Fund is currently addressing new data issues identified by a review of the tPR two key data standards and other data reviews while ensuring data is of high quality is an on-going responsibility.	Low	→	Mark Anderson	On-going
PEN008	**Failure to comply with LGPS and other regulations**	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	**ADMINISTRATION**	**BUSINESS PLAN 2020/21 (Objective(s) 7,33)**	Andy Cunningham	Low	2	2	4	*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. *Audits & internal reviews to maintain best practice	2	2	4	Review of ABS requirements to ensure on-line delivery is compliant with disclosure requirements	Low	→	Luke Webster/ Jennie Green	N/A
PEN007b	**Significant rises in employer contributions for non-secure employers due to poor/negative investment returns**	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	**FINANCIAL MARKETS & PRODUCTS**	**SERVICE FUNCTION**	Jennifer Devine	Medium	3	2	6	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	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. Query over covenant reviews following expiry of PWC contract.	Low	→	Jennifer Devine	On-going
PEN007a	**Significant rises in employer contributions for secure employers due to poor/negative investment returns**	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	**INVESTMENT PERFORMANCE & RISK**	**SERVICE FUNCTION**	Jennifer Devine	Low	2	1	2	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	The implementation of the Stabilisation Policy limits increases for secure employers.	Low	→	Jennifer Devine	On-going

PEN006b	**Significant rises in employer contributions for non-secure employers due to increases in liabilities**	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.	**ACTURIAL METHOD**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	As above	2	2	4	As above	Low	⇢	Andy Cunningham	On-going
PEN006a	**Significant rises in employer contributions for secure employers due to increases in liabilities**	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.	**ACTURIAL METHOD**	**SERVICE FUNCTION**	Andy Cunningham	Low	2	2	4	Longevity and bond yields are generally beyond the control of the Fund as are the values of the liabilities in general. However, the Fund has started the 2019 Triennial Valuation process and it is concurrently reviewing its investment strategy and implementing separate employer investment strategies. 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	2	4	None	Low	⇢	Andy Cunningham	On-going
PEN005	**Loss of funds through fraud or misappropriation**	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	**ACCOUNTING & AUDITING**	**SERVICE FUNCTION**	Jennifer Devine	Low	4	1	4	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	Officers completed an Anti-Money Laundering questionnaire issued by Deloitte's & returned to the Accountancy firm in January 2020. The responses will form part of the Auditor's audit strategy.	Low	⇢	Roz Vernon	On-going
PEN002	**Failure to collect and account for contributions from employers and employees on time**	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.	**ACCOUNTING & AUDITING**	**SERVICE FUNCTION**	Jennifer Devine	Low	2	2	4	Robust maintenance and update of Altair and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. Officers regularly 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	None	Low	⇢	Roz Vernon	On-going

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
16 July 2020

PENSION FUND – TPR CODE OF PRACTICE 14 REVIEW

Purpose of the Report

1. This report updates the Committee on the findings of an internal review of the Wiltshire Pension Fund's compliance with the Pension Regulator's Code of Practice 14 for the Fund year 2019-20;

Background

2. For the 2018-19 year the review was undertaken in two stages. Firstly, a self-assessment by officers covering the Fund's adequacy against its compliance with the Pension Regulator's Code of Practice 14, in relation to the areas of internal controls, governance, administration & resolving issues based on an independent questionnaire originally provided by Aon Consulting. Secondly, by independent internal audit conducted by SWAP to provide assurance that the self-assessment completed by officers was sufficiently robust and reliable in its execution.

3. The 2018-19 self-assessment an overall improvement in the Fund's compliance with the Code of Practice, identifying a reduction in the number of risks requiring improvement from 2017-18, from 16 to 10. The independent internal audit submitted to the Board in August 2019 recorded a "reasonable assurance", with the caveat that as part of any future self-assessment process random sample testing should be undertaken to ensure that the information provided by the Fund's Management team was correct.

4. Two key changes have been made to the officer's self-assessment for 2019-20. These were;

   a) The period of assessment has been altered from 1st July to 30th June, to 1st July to 31st March each year to bring the self-assessment into line with the scheme year & thus enhance comparability with other Fund reporting; &
   b) The implementation of random sample testing whereby the Governance Manager has scoped the testing selecting 10% of the responses provided & conducting a separate evidence-based review of the responses. Only green responses were selected.

5. As a result of SWAPs recommendation, the "Consideration for the Committee" section below has been split into two parts. Firstly, a summary of the self-assessment for 2019-20 & secondly a summary detailing the sample testing which has been undertaken.

Considerations for the Committee

Self-assessment analysis

6. The questionnaire posed 83 questions covering all areas of the Fund's internal controls & the answers to most of the areas reviewed were that the Fund was found to be adequately controlled and being well managed. Overall an improvement was observed from 10 areas identified as requiring improvement in 2018-19 to 8 areas in 2019-20.

7. Of the 10 areas identified as requiring improvement in 2018-19, 2 had shown improvement moving to a well-managed green risk status, most notably reflected in the understanding of tPR breach reporting & its management. This left 7 risks where no significant progress had been made, plus 1 risk where a marginal improvement had occurred improving from a red to an amber risk rating. All 8 amber risks identified are set out below. Officers will continue to implement their action plan to address the risks failing to reach the adequate standard.

Ongoing Risks identified		
Risk No.	**Description of the risk**	**Remedy date**
B12	Board members completion of the Pension Regulator's toolkit for training	October '20
E7	A review of internal controls is required to ensure all Fund procedures are up to date	December '20
F1	Do member records record the information required as defined in the Regulations and are they accurate	Rolling programme
F2	Ensuring that Employers provide timely & accurate information	July '20
F10	Setting in place procedures to reconcile Fund & Employer records	December '20
H3	Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales	October '20
H7	Are Employers issuing new Scheme members will all the essential basic Scheme information	December '20
H9	Is all information to members provided within the required legal timescales	December '20

Independent Sample Testing

8. Guidelines in connection with samples tested was not part of the recommendation made by SWAP. Officers have therefore sought to independently evidence the responses made, by selecting a cross section of categories with green responses & then detailing the evidence supporting that response.

Sample Risks reviewed			
Risk No.	**Description of risk**	**Response**	**Evidence**
A3	Was the Scheme Return completed on time	2018-19 Scheme Return submitted on 15th November 2019.	A copy of the Return can be found on TPR Exchange
B8	Are Board members investing sufficient time in learning & development	Training records are published as part of the Board's Annual Report	Although content is published, a CIPFA recommendation of duration isn't.
B11	Are training records being actively maintained	A training log is maintained by the Governance Manager	The training log is circulated annually to members to verify its accuracy
C10	Is the Board membership in line with legal requirements	Yes, there are 3 member & 3 employer reps. with an independent non-voting chairman.	An actual number isn't specified, only that the voting membership is even

F11	Are member data process compliant with GDPR	Staff GDPR training is annual. In 2018 data protection procedures were written & in Q1 2020 a system access & security review was completed	Current Fund compliance relies heavily on the Council & 3rd party security processes. During 2020 officers will implement Fund level processes.
H5	Have ABS AVC statements been provided within the required timescales	All AVC statements with the exception of Equitable Life (EQ) were issued on time. EQ were issued late due to the Utmost takeover	Issuance is within 12 months of the end of the relevant Scheme year. The statutory deadline was achieved, just not the Fund's own standards
H12	Does the Fund's Communications strategy ensure delivery of pension provision to its members	A new Communication strategy was approved in December 2019, incorporating the Fund's intention of operating on a more digital platform	Whilst the Communication strategy ensures the vision, the delivery is not currently evidenced. Statistics to evidence delivery are being developed
I7	Are notification requirements in relation to TPAS & the Ombudsman adhered to	Notification of the requirements appear on the Fund's website	Notifications can be found under "Understanding pensions", "Useful links" on the Fund's website.

Conclusions

Self-assessment analysis:

9. As minuted in the Board minutes in February 2020 new members should seek to complete TPR toolkit training within 6 months of taking their seat on the Board (B12).

10. Fulfilling the Fund's standard business & change management commitments in accordance with its business plan continues to place a strain on officer resources to update & maintain the Fund's procedures (E7 & H7).

11. It is envisaged that the implementation of new software, notably i-Connect, should address the Fund's core issues of non-compliance in relation to F1, F2 & F10, which in turn will also have a direct impact on H3 & H9. In short, this means that if the Fund can ensure the receipt of good quality data from its employers on a timely basis the Fund's disclosure of information to its members will be significantly enhanced.

Independent Sample Testing:

12. Whilst the sample testing evidence identified a degree of divergence between the responses provided & the independent evidence acquired, officers are satisfied that the level of divergence is not material & that the process by which sample testing is undertaken is appropriate.

13. In particular, the sample testing noted that only in risks B8, F11 & H12 was sufficient evidence lacking to support the response. Action to remedy the required level of evidence in all cases has been taken.

Environmental Impact

14. There is no environmental impact from this report.

Financial Considerations

15. There are no immediate financial considerations resulting from the reporting of the Fund's compliance with tPR Code of Practice 14.

Risk Assessment

16. Any risks reflected in this report shall be reflected in the Risk Register.

Legal Implications

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

18. There are no implications at this time.

Proposals

19. The Committee is asked to note the internal, self-assessment undertaken.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 24

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