

Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 17 DECEMBER 2020 AT ONLINE MEETING.

Present:

Tracy Adams, Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Robert Jandy, Cllr Gordon King, Chris Moore, Cllr Christopher Newbury and Mike Pankiewicz

Also Present:

Andy Brown, Richard Bullen, Joshua Caughey, Andy Cunningham, Jennifer Devine, Anthony Fletcher, Hill Gaston, Kieran Harkin, Rod Lauder and Mark Spilsbury

202 **Membership**

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

203 **Apologies for Absence**

Apologies were received from:

- Cllr Pauline Church
- Cllr George Jeans
- Stuart Dark

204 **Minutes**

The Part 1 (public) minutes of the previous meeting held on 24 September 2020 were considered, and it was:

Resolved

The Committee approved the Part 1 (public) minutes of the previous meeting held on 24 September 2020 as a true and correct record.

205 **Review of Actions Log**

Richard Bullen, Fund Governance and Performance Manager, introduced the item and noted that the AVC review had been carried forward. A review of the Fund's benchmarking arrangements was still ongoing.

Resolved

The Committee noted the actions log.

206 **Declarations of Interest**

There were no declarations of interest.

207 **Chairman's Announcements**

There were no Chairman's announcements.

208 **Public Participation**

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

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

Mark Spilsbury, Chairman of the Local Pension Board, addressed the Committee and commented upon the minutes and recommendations arising, in particular; reforms to public sector exit payments, employer ill-health insurance review, the training update and internal audit updates.

The unanimous approval from the Board for the use of the Hymans-Robertson online training platform was emphasised and the first recommendation in Minute Item 90 was highlighted as requiring no further action. With regard to the internal audit updates it was noted that the Chairman of the Board was content with the action being taken and was keen to hear the further updates as they arose in the meeting.

Following which, it was:

Resolved

The Committee noted the Part 1 (public) minutes of the last meeting of the Local Pension Board held on 15 October 2020.

210 **Training Update**

Richard Bullen, Fund Governance and Performance Manager, gave an update on the Fund's training strategy for Committee and Board members and Committee member self-certification in respect of MiFID II.

Reference was made to the results of the questionnaire circulated in October 2020 and it was noted that of the eight substitute members, none had completed and returned their form. The online training platform by Hymans-Robertson was raised and it was highlighted that as members were all working from home, a virtual framework for maintaining knowledge and understanding was crucial due to the inability to attend physical seminars and conferences.

Officers noted that there had been feedback from one substitute member. Following discussions, it was felt that the expanse of knowledge needed to effectively substitute at a meeting was considerable and that substitutes should only be expected to invest the time in training and building up their understanding in the event that they were appointed as a full member of the Committee. Members agreed with the sentiment and noted that the degree of involvement from the substitutes was so little that they felt it unreasonable to expect them to undertake such an extensive task and considerable commitment on a regular basis. One member of the Committee noted the purpose of MiFID II self-certification and how members needed to demonstrate the maintenance of their own knowledge and understanding, and how it was vital that if a substitute was called upon that they could deliver the same level of competency. Officers confirmed that in that scenario new appointees would follow that standard introductory programme which would enable them to develop their knowledge over a period of time. The Chairman raised that if a substitute was called upon, they could also be directed to the Hymans-Robertson training which would allow them to attain MiFID II compliance and bring them up to date.

Resolved

- 1) The Committee approved the Board and Committee member training self-assessment outcomes identified for 2021-22. Officers will implement these outcomes in the form of structured training;**
- 2) The Committee approved the removal of their requirement that substitute members complete the MiFID II self-certification form and in turn participate in member training, except on an opt-in basis;**
- 3) The Committee required any members who have not completed their K&U self-certification of MiFID II compliance to do so;**
- 4) The Committee accepted the recommendation made by the Board that they register and take part in the online training platform to be released by Hymans-Robertson.**

211 Scheme, Legal, Regulatory and Fund Update

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

Reforms to public sector exit payments were raised and it was confirmed that the Fund continued to be in a position of operating under conflicting legislation. It was noted that officers were encouraging employers to delay taking action until further clarity on the situation was achieved, however it was also confirmed that the majority of redundancy cases were falling under the cap. The consultation on the changes to the management of employer risk was raised and it was confirmed that officers had implemented one of the resulting changes and that another was already embedded within the Fund's cessation policy which would be discussed later in the meeting. It was noted that officers were awaiting the final outcome of the cost cap mechanism and McCloud case, with

timeframes uncertain, however officers were undertaking as much preparation work as possible but stated that a high proportion of the work could not begin until the final legislation was in place.

The Chairman raised how the impact of the pandemic could alter Wiltshire Council's working practices far into the future to which officers confirmed that there had not been much discussion on how this would affect the Pension Fund's employees so far, but that the general consensus between the Fund and Council was to continue working from home full-time for the time-being and to review the situation later. It was highlighted that discussions were ongoing, and more information was needed.

One member of the Committee, with regard to McCloud, questioned the progress being made to engage with employers and retrieve the necessary information on part-time members. Officers noted that it was part of the onboarding process onto i-Connect but highlighted that it was, at times, difficult for employers to retrieve the membership data from different sources or employers were in a position where there was no historical data to look back on. Despite this, officers were confident that the new i-Connect process would become easier in the long-term albeit time consuming in the present to set up. In response to a further question as to the risk of not receiving the part-time hours information and how this would affect the benefits calculations, officers stated that it was likely that they would be unable to retrieve the necessary data in certain cases but that it was too early to confirm and the system was a work in progress.

One member of the Committee raised the Goodwin case and asked whether it would have the potential to be as time consuming and complex as McCloud to which officers noted that the scope of people it covered would be much smaller than McCloud and therefore, in theory, should not generate the same impact but noted that this was still uncertain due to the relative infancy of the Goodwin case.

Resolved

The Committee noted the report.

212 Key Performance Indicators (KPIs)

Andy Cunningham, Head of Pension Administration and Relations, introduced a revised report that summarised the latest KPIs for the period of 1 July 2020 to 30 September 2020, in a changed format.

It was noted that The Pensions Regulator (tPR) had allowed benchmarking to take place on a key tPR metric: annual benefit statements. Officers confirmed that LGPS Funds were broadly similar, with the average being 96% and WPF at 96.9% (with a 95% average at the time of the survey), but that they were confident for a higher result next year due to the continued onboarding onto i-Connect. The tPR Common and Conditional Data percentages were shown in Appendix 2 of the report and it was noted that these were updated annually as

the Fund reports to tPR and that both had seen improvements since last year. Officers stated that they were uncertain of how these figures compared to other Funds, but they were in the processing of obtaining that data to bring forward to the next meeting of the Committee if possible.

Councillor Steve Allsopp, a member of Swindon Borough Council (SBC), asked for an update on the progress of SBC onto i-Connect to which officers confirmed that SBC had encountered complications when calculating the historical part-time hours information but that they were in a good position despite this.

One member of the Committee questioned how much information was provided to employers and how clear they were on timeliness. Officers confirmed that they were attempting to onboard as many as possible by the end of the financial year but that this was driven by what each employer needed to do to ensure that they were ready to move onto i-Connect; as such, there was no fixed deadline but they were being encouraged to make the necessary arrangements as quickly as possible but that this was dependant on size and structural complexity. Members asked that an update be provided to members at the end of the financial year that outlined which employers were outstanding and what was left to do. Officers reiterated that they hoped that the majority of employers would be onboarded by March 2021 but that once this informal deadline had passed, they would review the situation from there.

Resolved

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

Officers agreed to bring a further update to the next meeting of the Wiltshire Pension Fund Committee in March 2021.

213 **Budget Monitoring**

Jennifer Devine, Head of Pension Fund Investments, and Andy Cunningham, Head of Pension Administration and Relations, spoke to the report outlining the budget monitoring for the period 1 July 2020 to 30 September 2020.

It was noted that the next ordinary meeting of the Committee in March 2021 would be when the budget for the next year would be approved but that the backlog issues and longer-term improvements needed to be addressed earlier. It was clarified that the amount requested would aid in the funding of three additional staff to cover the outstanding administrative resource requirements. The Chairman of the Local Pension Board stated his recommendation that the Committee approved the proposals within the report. Anthony Fletcher, MJ Hudson, noted a general observation that Wiltshire Council's resources, in comparison to other local government pension schemes, were considered to be thinly stretched and highlighted the necessity for the backlog issues and increased workload in the future to be mitigated. Members echoed this observation.

Resolved

- 1) The Committee noted the projected outturn for 2020-21.
- 2) The Committee approved the additional staff/resource spending of £105,000 to help fund temporary support to deal with the following areas:
 - a. The additional work created by the McCloud ruling, mostly immediately, collecting and processing the retrospective data needed back to April 2014 (as discussed in the Scheme update paper).
 - b. Dedicated resource in relation to tackle administrative backlogs (as shown in Appendix 5 of the KPI paper)
 - c. Reconciliation and rectification work (as later explained in Agenda Item 22)

Note: Most of the additional spending requested is likely to occur within the 2021-22 financial year but it is requested now so the recruitment can start shortly.

214 Internal Audit Report

Richard Bullen, Fund Governance and Performance Manager, introduced a report updating members on the Internal Audit recommendations for 2020-21 from SWAP.

It was noted that the audit was undertaken during September 2020 and covered three areas: key financial controls, the Data Protection Act 2018/GDPR and MiFID II. It was confirmed that all three areas gave an opinion of “reasonable assurance”, with five recommendations for improvements, included within the report.

The Chairman stressed that some of the items on the report had been carried over from the report undertaken last year but noted that these would be addressed with increased resources as discussed further in the agenda.

Resolved

The Committee noted the findings of the SWAP audit report (Appendix A) and the management of the recommendations made outlined in Appendix B.

215 Fund Audit Strategy for 2021-22

Richard Bullen, Fund Governance and Performance Manager, introduced a report that outlined the range of Pension Fund audits that could be commissioned and included within the Fund’s audit strategy for 2021-22.

It was noted that the initial report had been reviewed at the last meeting of the Local Pension Board in October 2020, and the recommendations being made to the Committee were based on the Board's guidance. Officers highlighted that there would be a focus on new and developing areas of administration alongside the more traditional areas to ensure consistency and compliance with expectations.

It was noted that the Audit Committee had signed off the 2018-19 accounts and the 2019-20 accounts were expected to be signed off at their next meeting in February 2021. It was highlighted that officers were awaiting a new Single Code of Practice from The Pensions Regulator (tPR) and as such an audit in connection with the existing Code of Practice 14 should be delayed until the new Single Code was introduced. Additionally, it was noted that due to the good governance arrangements observed by SWAP in relation to the Fund's implementation of its MiFID II compliance in 2020-21, no requirement for an audit was felt necessary for 2021-22.

Resolved

The Committee approved the commissioning of the external and internal audits outlined within the report and for officers to notify to the Audit Committee & CLT, as required, in respect of the recommendations agreed.

216 **Employer Cessation Policy**

Andy Cunningham, Head of Pension Administration and Relations, introduced the report that outlined the amendments made to the Fund's current policy following further legislation released in September 2020 and subsequent guidance on the legislation.

It was explained that further regulatory changes to the cessation policy were made on 23 September 2020 which allowed the Fund greater flexibility on how they approached the collection of employer cessation deficit payments. The key change was the introduction of a "deferred employer status" whereby the employer can enter into a Deferred Debt Agreement with the Fund. Officers noted the positivity of the changes as it provided more options for both the employers and the Fund, but it was highlighted that additional controls and processes were being put in place to minimise any risks to the Fund.

One member of the Committee raised the ongoing exit payments consultations and questioned if this would be interlinked to the cessation policy regulatory changes with regard to increased flexibility. Officers noted that they were uncertain as to the intentionality of such connections by the Government but agreed that they would interlink.

Resolved

The Committee approved the policy subject to a consultation with employers being undertaken shortly after the meeting and no material issues being raised as part of the consultation process.

217 **Pension Fund Risk Register**

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

PEN012 and PEN024 were highlighted and discussed in consideration of the ongoing recruitment for an Accounting and Investment Officer and the pending changes from 1 January 2021 as a result of Brexit. Members questioned PEN012 and requested an update. It was confirmed by officers that the role was still vacant and that they were planning for a final recruitment drive before considering other options such as splitting the role into two.

Resolved

The Committee approved the attached Risk Register and accepted the recommendations for changes/actions made submitted by the Board in points 5 to 8.

218 **Data Protection Policy**

Richard Bullen, Fund Governance and Performance Manager, presented a report on the updates to the Fund's Data Protection Policy.

It was explained that the new regulations were introduced in May 2018 and that a range of different policies had been brought in since then, however it was confirmed that a more pension specific approach to the management of the Fund's data was now completed, replacing prior reliance on the standard Wiltshire Council Data Protection Policy.

It was confirmed that Data Protection breaches could result in substantial fines, but officers reassured members that fines were a last resort with the Information Commissioner's Officer (ICO) preferring to work with organisations in the first instance.

The Chairman questioned how the change would affect the training of staff. Officers confirmed that Fund officers would continue to undertake mandatory training provided by Wiltshire Council on an annual basis but that there was also a focus on embedding the data principles as part of their ongoing daily tasks. It was noted that data breaches were typically as a result of human error but that these were of a minor nature, with nine data breaches recorded in the Annual Report for the previous year.

Committee members asked if the new Policy would cover older data. Officers confirmed that a separate Data Retention Policy approved by Committee and Board members in February 2020 outlined the management of older data and that there was a system in place to begin deleting or minimising the information that the Fund no longer required.

Resolved

The Committee approved the Fund's Data Protection Policy prepared by officers.

219 **Look Forward Plan Review**

Richard Bullen, Fund Governance and Performance Manager, presented the Look Forward Plan for the remainder of 2020-21.

An update was given on Club Vita where it was noted that a report would be submitted to Hymans-Robertson, and that suppliers contract management reviews would be revisited in due course. It was highlighted that the reviews had been postponed due to organisations experiencing exceptional circumstances as a result of COVID-19 and therefore it had been felt that fair assessments could not have been made.

Resolved

The Committee noted the plan for the remainder of 2020-21.

220 **Date of Next Meeting**

The next ordinary meeting of the Wiltshire Pension Fund Committee would be held on 25 March 2021.

The next extraordinary meeting of the Wiltshire Pension Fund Committee would be held on 14 January 2021.

221 **Urgent Items**

There were no urgent items.

222 **Exclusion of the Public**

One member of the Committee questioned why Agenda Item 26 was under Part 2 of the agenda to which officers confirmed that the topic in question would be made public at a later date as the item contained materials from the investment consultants, which was proprietary, and the issues were still very much in progress. Said Committee member requested a formal vote via roll call take place to decide the resolution of the exclusion of the public. After which, it was:

Resolved

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 22 – 31 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 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.

Councillor Christopher Newbury requested that his vote against the motion be recorded.

223 **Pensioner Payroll Database Reconciliation**

Members took a comfort break from 12.10pm to 12.40pm.

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

Resolved

- 1) The Committee noted the current progress of the project and the approximate timelines as stated in the report. The Committee resolved to wait until March 2021 before agreeing on further actions, by which time the information should be somewhat clearer (although still likely to be uncertain to a degree) with regard to Stage 4 of the project.**
- 2) The Committee approved the additional budget costs of £45,000 for an additional full-time, temporary member of staff in relation to the project (to include on costs).**
- 3) The Committee approved a budget extension in the 2020-21 year of £12,000 to cover the one-off cost of migrating historical images from an archive system to Altair.**

224 **Employer Ill-Health Insurance Proposal**

Andy Cunningham, Head of Pension Administration and Relations, introduced the report that summarised the protection arrangements and options available to the Fund's Scheme Employer and proposed a revised approach.

Resolved

The Committee approved the switch to the new ill-health insurance model from 1 April 2021 subject to no material and wide-spread concerns being raised by employers in the consultation period following conditional approval.

225 **Brunel Pension Partnership Update**

Jennifer Devine, Head of Pension Fund Investments, updated the Committee on the Brunel Pension Partnership governance arrangements.

Resolved

The Committee noted the update and agreed to continue to monitor and progress the situation.

226 **Key Financial Controls**

Jennifer Devine, Head of Pension Fund Investments, introduced the report that outlined the operational accounting arrangements being undertaken by officers.

Resolved

The Committee noted the issues identified within the report, and the progress made to rectify problems and develop improvements.

227 **Responsible Investment Update**

Jennifer Devine, Head of Pension Fund Investments, introduced the report which highlighted the recent work done to develop the approach in tackling responsible investment issues; in particular, climate change risk and opportunities.

Resolved

- 1) The Committee agreed to amend the Investment Strategy Statement in line with Mercer's recommendations. A revised Investment Strategy Statement will be drafted and brought back to the Committee for approval at the meeting in March 2021.**
- 2) The Committee agreed that the Fund should adopt the recommendations of the TCFD.**
- 3) The Committee agreed that the Fund should aim to sign up to the 2020 Stewardship Code during 2021.**
- 4) The Committee agreed that officers will further explore commissioning Mercer to advise on a road map for the Fund to achieve net zero by 2050.**
- 5) The Committee instructed officers to prepare a paper on the Brunel sustainable equities portfolio, for consideration at the next Investment Sub-Committee and main Pension Fund Committee meeting in March 2021.**
- 6) The Committee noted the remainder of the report.**

Councillor Christopher Newbury requested that his vote against the motion be recorded.

228 **Minutes and Key Decisions of the Investment Sub-Committee and Local Pension Board**

The Part 2 (private) minutes, and recommendations arising, from the last meetings of the Investment Sub-Committee and Local Pension Board were considered, and it was:

Resolved

The Committee noted the Part 2 (private) minutes of the last meetings of the Investment Sub-Committee and Local Pension Board held on 2 December 2020 and 15 October 2020 respectively.

229 **Investment Quarterly Progress Report**

Jennifer Devine, Head of Pension Fund Investments, updated the Committee on the Fund's investment performance to 30 September 2020.

Resolved

The Committee noted the investment reports and the update provided by officers and advisers at the meeting.

230 **COVID-19 Impact Report**

Jennifer Devine, Head of Pension Fund Investments, introduced a report that summarised the impact of the pandemic on the investment portfolios.

Resolved

The Committee noted the report.

231 **Fund Data Security, Cyber Resilience & Business Continuity Planning**

Richard Carter, Infrastructure Manager, and Jenny Hearn, ICT Security Officer, presented a verbal update outlining the arrangements Wiltshire Council's ICT department make on behalf of the Fund in connection with the Fund's compliance with the Pension Regulator's guidance on cyber security resilience.

Resolved

For officers to bring back an update report to the Committee at a later (undetermined) date.

232 **Minutes**

The Part 2 (private) minutes of the previous meeting held on 24 September 2020 were considered, and it was:

Resolved

The Committee approved the Part 2 (private) minutes of the previous meeting held on 24 September 2020 as a true and correct record.

(Duration of meeting: 10.30 am - 2.55 pm)

The Officer who has produced these minutes is Ellen Ghey of Democratic Services,
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