

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

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 2020-21 audits 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 **New Employer Policy**

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 **How did the Board do?**

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

48 **Urgent items**

There were no urgent items.

49 **Date of next meeting and Forward Plan**

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

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

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 **Minutes**

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

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