

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Committee Room C - Council Offices, Monkton Park,
Chippenham, SN15 1ER
Date: Thursday 12 March 2015
Time: **10.30 am**

Please direct any enquiries on this Agenda to Libby Beale, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718214 or email elizabeth.beale@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

Briefing arrangements:	Date	Time	Place
	12 March 2015	9:30am	Committee Room C Monkton Park

Membership:

Wiltshire Council Members:

Cllr Tony Deane (Chairman)
Cllr Charles Howard (Vice-Chair)
Cllr Mark Packard
Cllr Sheila Parker
Cllr Roy While

Substitute Members

Cllr Chris Hurst
Cllr Bob Jones MBE
Cllr Gordon King
Cllr Christopher Newbury
Cllr Fleur de Rhé-Philippe
Cllr Ian Thorn
Cllr Philip Whitehead

Swindon Borough Council Members

Cllr Steve Allsopp
Cllr Brian Ford

Substitute Members

Cllr Oliver Donachie

Employer Body Representatives

Mrs Diane Hall
Mrs Linda Stuart

Observers

Mr Tony Gravier
Mr Mike Pankiewicz



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 **Attendance of non-members of the Committee**

To note the attendance of any non-members of the Committee.

3 **Apologies for Absence**

To receive any apologies or substitutions for the meeting.

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

To confirm the minutes of the special meeting held on 3 December 2014 and the last ordinary meeting held on 11 December 2014.

5 **Chairman's Announcements**

To receive any announcements through the Chairman.

6 **Declarations of Interest**

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

7 **Public Participation and Councillors' Questions**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named above (acting on behalf of the Corporate Director), no later than

5pm on **Thursday 5 March 2015**. Please contact the officer named on the first page of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

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

8 **Treasury Management Strategy** *(Pages 17 - 26)*

A report presenting an updated Treasury Management Strategy for 2015-16 for committee approval.

9 **Pension Fund Risk Register** *(Pages 27 - 34)*

An update from the Head of Pensions on the Wiltshire Pension Fund Risk Register is circulated for Members to note.

10 **Local Pension Boards and Governance Update** *(Pages 35 - 46)*

A report from the Head of Pensions on the implementation of the Local Pension Board, changes to the Fund Governance Compliance Statement and appointments process to the Investment Sub-Committee for members consideration.

11 **Members Training Plans** *(Pages 47 - 54)*

A report from the Head of Pensions outlining the new Members Training Plan for the next 3 years for Members approval.

12 **Wiltshire Pension Fund Administration 2014-15 Budget Monitoring** *(Pages 55 - 56)*

An update on the current projected outturn of the Wiltshire Pension Fund budget for Members to note.

13 **Wiltshire Pension Fund Administration Budget 2015-18** *(Pages 57 - 62)*

A report by the Head of Pensions outlining the proposed Administration budget for 2015-16 and planned expenditure in 2016-17 and 2017-18.

14 **Date of Next Meeting**

Members are asked to note that the next regular meeting of this Committee will be held on **Thursday, 25 June 2015**.

15 **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.

16 **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 17 – 18 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 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

17 **Investments Quarterly Progress Report** *(Pages 63 - 122)*

Three confidential reports are circulated updating the Committee on the performance of the Fund's investments as to the end of December 2014.

18 **Investec - Formal Review of the Emerging Market Multi-Asset Fund** *(Pages 123 - 182)*

A confidential Annual Report from Investec is attached and Members are asked to consider this along with the verbal report at the meeting.

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WILTSHIRE PENSION FUND COMMITTEE

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 3 DECEMBER 2014 AT KENNET ROOM, COUNTY HALL, TROWBRIDGE, BA14 8JN.

Present:

Cllr Steve Allsopp, Cllr Brian Ford, Diane Hall, Cllr Charles Howard (Vice-Chair), Cllr Mark Packard, Cllr Sheila Parker, Linda Stuart and Cllr Roy While.

Also Present:

Jim Edney, Tony Gravier, Joanne Holden, Mike Pankiewicz and Cllr Christopher Newbury.

84 **Membership**

There were no changes to the membership of the Committee.

85 **Attendance of Non Members of the Committee**

Cllr Christopher Newbury was present.

86 **Apologies**

Apologies for absence were received from Cllr Tony Deane.

87 **Chairman's Announcements**

There were no Chairman's announcements.

88 **Declarations of Interest**

There were no declarations of interests.

89 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

90 **Date of Next Meeting**

The next ordinary meeting of the Wiltshire Pension Fund would be 11 December 2014.

91 **Urgent Items**

There were no urgent items.

92 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Number 93 because it is likely that if members of the public were present there would be disclosure to them of exempt information defined in paragraph 3 of Part 1 of the Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

93 **Evaluation of Multi Asset Credit and Absolute Return Bond Managers presentations**

A report was circulated by both the Head of Pensions and the Fund's Investment Adviser on potential bond managers.

Members received presentations from three shortlisted investment managers and, following question and answer sessions, evaluated their approach to Multi Asset Credit and Absolute Return Bonds.

Resolved:

To select Loomis as the preferred bond manager.

To delegate to officers the percentage allocation to Multi Asset Credit and Absolute Return Bonds strategies.

(Duration of meeting: 11.05 am - 3.30 pm)

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

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WILTSHIRE PENSION FUND COMMITTEE

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 11 DECEMBER 2014 AT COMMITTEE ROOM C - COUNCIL OFFICES, MONKTON PARK, CHIPPENHAM, SN15 1ER.

Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Cllr Brian Ford, Diane Hall, Cllr Charles Howard (Vice-Chair), Cllr Mark Packard, Mike Pankiewicz, Cllr Sheila Parker, Linda Stuart and Cllr Roy While

Also Present:

Jim Edney, Joanne Holden, and Mike Pankiewicz.

94 **Membership**

There were no changes to the membership of the Committee.

95 **Attendance of Non Members of the Committee**

There were no non-members of Committee present.

96 **Apologies**

Apologies for absence were received from Tony Gravier and Cllr Dick Tonge.

97 **Minutes**

Resolved:

To sign as a true and correct record minutes of the meeting held on 11 September 2014.

98 **Chairman's Announcements**

The Chairman welcomed Diane Hall to the Committee.

99 **Declarations of Interest**

There were no declarations of disclosable interests.

100 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

101 **CIPFA Business Services Update**

For Members' information, a verbal update was given by Robert Summers, CIPFA Business Services, on current activities and the latest developments and issues within the LGPS (Local Government Pension Scheme) sector.

It was explained that CIPFA helped to share best practice within the sector and had produced three best practice publications over the year. Key updates included that responses from the DCLG (Department for Communities and Local Government) following consultation were expected in early 2015 and a future DCLG consultation on investment regulations was expected. Additionally, Local Pension Boards were now required nationally and would need to be established by 1 April 2015. The CIPFA Pension Panel current Work Plans were outlined alongside the future issues facing the funds.

The Chairman thanked Robert Summers for the informative presentation

Resolved:

To note the update.

102 **Update on the Current Governance Consultations**

An update was provided from the Head of Pensions on the latest consultations from the DCLG and the Shadow Scheme Advisory Board of the proposed Governance Regulations.

The DCLG had issued a consultation titled 'Better Governance and Improved Accountability in the Local Government Pension Scheme' and it was noted this had the benefit of allowing local flexibility, which was the basis of the Fund's response.

The draft Shadow Scheme Advisory Board (SAB) guidance was considered thorough and would accompany the new governance regulations, when finalised, in relation to the setting up and operation of a Local Pension Board.

Members discussed key differences between the latest set of draft regulations and the previous versions, in particular whether an independent Chairman for the Local Pension Board would be permitted under the guidance.

The Committee was advised that the Local Pension Board would act as an assurance tool to the Committee by monitoring its work.

Resolved:

To note the update.

103 **Local Pension Boards & Governance Arrangements Review**

The Head of Pensions updated the Committee on the proposed establishment of a Local Pension Board from 1 April 2015 and review of the governance arrangements between the Committee and the Investment Sub-Committee.

It was explained that the Local Pensions Board would assist the scheme manager, ensure compliance with pension scheme regulations and would review the Fund's processes. The Committee noted its satisfaction with the Terms of Reference and key issues arising from them were discussed. It was explained that following the final regulations from the DCLG the Terms of Reference would be finalised in the New Year.

The Committee heard that The Investment Sub-Committee could be expanded to allow the full Committee to further examine the governance and administration of the pension scheme. Strategic investment allocations and strategy would continue at full Committee however the detailed monitoring of investment managers, appointment of new managers and the review of emerging opportunities could be conducted by the Investment Sub-Committee.

The Committee expressed concern over the resourcing of 12 meetings per year in terms of the additional officer and Member time required. The Committee also encouraged officers to proactively seek suitable candidates to sit on the Local Pensions Board.

Resolved:

To:

- a) note the update on the current position in relation to the proposed establishment of Local Pension Boards; and**
- b) agree to expand the role of the Investment Sub-Committee and request that officers finalise the attached draft Terms of Reference and update the Fund's governance compliance statement appropriately.**

104 **Pension Fund Risk Register**

The Committee was updated on the Wiltshire Pension Fund Risk Register. In particular it was noted that due to HMRC changes all member's records would need to be reviewed and the Fund was currently recruiting two Data Quality Analysts to provide additional resource to the Pensions team.

The Committee suggested that the establishment of a Local Pension Board and expansion of the Investment Sub-Committee should be added to the risk

register as 'red' due to concern over insufficient resources to support the additional meetings, the lack of expertise of the Fund to manage governance issues and the risk that suitable candidates could not be recruited to support the additional work. It was noted that a professional, independent Chairman for the Local Pension Board would be desirable.

Resolved:

To note the Risk Register and measures being taken to mitigate risks.

To add the creation of the Local Pension Board and expansion of the Investment Sub-Committee to the Risk Register as 'red'.

105 **Date of Next Meeting**

The next regular meeting of the Committee would be held on Thursday 12 March 2015.

106 **Urgent Items**

There were no urgent items.

107 **Exclusion of the Public**

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 108-111 because it is likely that if members of the public were present there would be disclosure to them of exempt information defined in paragraph 3 of Part 1 of the Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

108 **CIPFA Pension Administration Benchmarking Club Report**

The Committee received a confidential report reviewing the Fund's performance compared to the other members of the CIPFA Pension Administration Benchmarking Club.

Resolved:

To note the report.

109 **Investment Quarterly Progress Covering Report**

The Committee was updated on the performance of the Fund's investments for the quarter.

Resolved:

To note the two investment reports and the update provided by officers and advisers at the meeting.

To agree that, in the event of officers noting concern with Barings between Committee meetings, investment may be transferred from the manager into passive global equity, subject to the agreement of the Chairman and Vice-Chairman of the Committee.

110 **CBRE- Review of 2013-14 & Plans for the Future**

Members considered a confidential Annual Report from CBRE and a verbal update detailing its strategy and performance in managing the Fund's investments.

Resolved:

To note the report and verbal update.

111 **Berenberg - Review of 2013-14 & Plans for the Future**

Members considered a confidential report from Berenberg bank and verbal update on its strategy and performance in managing the Fund's investment.

Resolved:

To note the report and verbal update.

(Duration of meeting: 10.35 am - 2.25 pm)

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

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 March 2015

TREASURY MANAGEMENT STRATEGY

Purpose of the Report

1. The purpose of this report is to seek Members' approval for the Annual Treasury Management Strategy prepared for the Wiltshire Pension Fund.

Background

2. As the Committee is aware, the Fund has its own bank account, entirely separate from Wiltshire Council's bank accounts. This was implemented in April 2009, at the same time as the Fund gained its own accounting entity with the introduction of the SAP system. Separate bank accounts became a requirement of the Local Government Pension Scheme Regulations from 1 April 2011.
3. Following concerns about so-called "co-mingling" of local authority and pension fund cash balances, and the associated risk of cross-subsidy; the same Regulations require that the two sets of cash investments are managed separately. This separation has been in place since 2010/11.

Considerations for the Committee

4. The Fund currently has a neutral cashflow position from its dealings with members, so in any month, the income from contributions and transfers-in approximately equals the pensions, transfers-out and costs paid out. Any surplus cash accumulated (Trowbridge Cash) is sent to one of the Fund's investment managers on a monthly basis, although a float of approximately one month's cash requirement (£3 - £4 million) is held for cashflow purposes. This is necessary to avoid the Fund having to borrow short-term within the month.
5. There has been one minor change made to the Treasury Management Strategy for Wiltshire Pension Fund since last year which increased the cash held locally to £3-£4m from £1.5m-£2m. New freedoms in accessing Defined Contributions pension savings commence April 2015 and may result in the number of transfers out from LGPS Funds increasing. The likely impact of this is currently unknown.
6. When preparing this strategy officers liaise with Wiltshire Council's Treasury Management Team to ensure the strategy is appropriate. There have been no key changes proposed to the Wiltshire Council Treasury Strategy for 2015-16 that would impact currently on the Pension Fund.
7. If there are any changes made to the Wiltshire Council Treasury Strategy during the year the Wiltshire Pension Fund Strategy will be amended accordingly. This would be following a change in the minimum requirements for high credit quality.

The Key points of the Treasury Management Strategy

8. The key points of the Strategy (see attached) are:

- a) The Fund will aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.
- b) The monies will be invested separately from the Council's and the Fund will receive the actual interest earned.
- c) The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:
 - i. A maximum of £6 million with any single counterparty;
 - ii. No investment will be made in the money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
- d) Given the nature of Trowbridge Cash (ie. short-term working capital nature), the investments will only be made either in:
 - i. Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out in the Strategy; or
 - ii. Money Market Funds managed by an approved investment manager.
- e) The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
- f) The Fund will not borrow except by way of temporary loan or overdraft from a bank or otherwise, and then only in exceptional circumstances where it is for the purpose of:
 - i. Paying benefits due under the Scheme; or
 - ii. Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.
- g) The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement.

Environmental Impact of the Proposal

9. There is no known environmental impact of this proposal.

Financial Considerations & Risk Assessment

10. This has been dealt with in this paper. The implementation of this Treasury Management Strategy mitigates the risk PEN016: Treasury Management outlined on the Wiltshire Pension Fund risk register.

Legal Implications

11. There are no known implications at this time.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposals

13. It is best practice, as well as being desirable operationally, to have a separate Treasury Management Strategy for the Wiltshire Pension Fund, so that there is no question of cross-subsidy or co-mingling.

Proposals

14. The Committee is asked to approve the attached Treasury Management Strategy.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pensions Manager

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

WILTSHIRE PENSION FUND
TREASURY MANAGEMENT STRATEGY

Operational Context

1. The Fund currently has a neutral cashflow position from its dealings with its members, so in any month, the income from contributions and transfers-ins approximately equals the pensions, transfers-out and costs paid out.
2. Any surplus cash accumulated (“Trowbridge Cash”) is allocated to one (or more) of the Fund’s investment managers on a monthly basis. It is sent to the Fund’s custodian BNY Mellon, who invest the cash held on behalf of each investment manager in Money Market Funds, under the terms of the Custody Agreement. These investments are not within the scope of this Strategy.
3. However, approximately one month’s cash requirement (£3 - £4 million) is held back as a float for cashflow purposes. This is necessary to avoid the Fund having to borrow from Wiltshire Council or elsewhere for short-term cashflow purposes within the month.

Regulatory Context

4. The Fund will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which were implemented on 1 January 2010, and from 1 April 2010 have not pooled pension fund cash with Wiltshire Council’s own cash balances for investment purposes. Any investments made by the pension fund directly with Wiltshire Council after 1 April 2010 has complied with the requirements of SI 2009 No 393 (ie. will be treated in the same way as any other external investment).
5. The Fund will also have regard to:
 - a) The Department for Communities and Local Government’s (DCLG’s) Guidance on Local Government Investments (“the Guidance”) issued in March 2004 and any revisions to that Guidance;
 - b) The Audit Commission’s report on Icelandic investments;
 - c) The 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”);
 - d) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 more widely.

Investment Policy

6. The general investment policy of the Fund is the prudent investment of any surplus cash balances, the priorities of which are:
 - a) The security of capital; and
 - b) The liquidity of investments.

7. The Fund will also aim to achieve the optimum return on investments commensurate with high levels of security and liquidity.
8. All cash investments will be in sterling.
9. The monies will be invested separately from the Council's and the Fund will receive the actual interest earned. Monies will be paid out of and received back into the Pension Fund bank account.
10. Trowbridge Cash will target a range of £3 - £7 million, with the highest balances held between the 19th of the month (ie. when all contributions have to be paid over by employers) and 25th of the month (pensions payroll). The float held in-month for cashflow purposes will target £3 - £4 million. For the avoidance of doubt, these are indicative amounts, not absolute limits.
11. The Pension Fund will use the same criteria for maximum limits and terms with individual counterparties as approved by Wiltshire Council on an annual basis in its own Treasury Management Strategy, subject to:
 - a) A maximum of £6 million with any single counterparty.
 - b) No investment will be made in the same money market funds / cash vehicles used by the Custodian to invest any cash it holds on behalf of the Fund's investment managers.
 - c) For the avoidance of doubt, the Pension Fund's limits are in addition to Wiltshire Council's own limit in any single counterparty.
12. Given the nature of Trowbridge Cash (ie. short-term working capital nature), the investments will only be made either in:
 - a) Call Accounts provided by an approved deposit-taker that complies with the Counterparty Policy set out below; or
 - b) Money Market Funds managed by an approved investment manager.
13. For the avoidance of doubt, direct investments with counterparties are not permitted (eg. direct deals with banks or other local authorities for fixed time periods).
14. The providers of the Call Accounts, and the Money Market Fund vehicles, must have a "high credit rating" as prescribed in the minimum requirements for "high credit rating" set out in Wiltshire Council's annual Treasury Management Strategy.
15. An extract of the appropriate parts from Wiltshire Council's latest Treasury Management Strategy (2015-16) is given in the Annex for information. The full paper will be available from the Wiltshire Council Cabinet reports dated 10th February and can be found on the following link: [Agenda for Cabinet on Tuesday 10th February, 10.30am| Wiltshire Council](#)

Borrowing Policy

16. The Fund will not borrow except by way of temporary loan or overdraft from a bank or otherwise, and then only in exceptional circumstances where it is for the purpose of (overleaf):

- a) Paying benefits due under the Scheme; or
- b) Meeting investment commitments arising from the implementation of a decision by the Committee to change the balance between the different types of investment.

Management Arrangements

- 17. The management of Wiltshire Pension Fund's cash will be carried out by Wiltshire Council's Treasury Management team under a Service Level Agreement. All treasury management activity related to the Pension Fund will be reported to the Head of Pensions on a monthly basis.
- 18. The Treasury Management Team will inform the Head of Pensions of any change in the criteria for the counterparty list.

EXTRACT FROM WILTSHIRE COUNCIL'S TREASURY MANAGEMENT STRATEGY FOR 2015-16

19. This Council uses Capita Asset Services, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
20. Capita provide a creditworthiness service, which employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
 - a) credit watches and credit outlooks from credit rating agencies;
 - b) CDS spreads to give early warning of likely changes in credit ratings;
 - c) sovereign ratings to select counterparties from only the most creditworthy countries.
21. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
 - a) Yellow – 5 years (this category is for AAA rated Government debt or its equivalent, including an investment instrument – collateralised deposits, where the investment is secured only against local authority debt, namely LOBOs, making them effectively government exposure);
 - b) Dark pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
 - c) Light pink – 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
 - d) Purple – 2 years;
 - e) Blue – 1 year (only applies to nationalised or semi nationalised UK Banks and their subsidiaries):
 - f) Orange – 1 year;
 - g) Red – 6 months;
 - h) Green – 100 days; and
 - i) No Colour – not to be used.
22. The advisor's creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

23. All credit ratings will be monitored at least weekly (daily if there are any updates released by Capita Asset Services). The Council is alerted to changes in ratings of all three agencies through its use of the creditworthiness service.
24. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
25. In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
26. Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.
27. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings.

The Minimum requirements for "high credit quality"

28. In accordance with the DCLG Guidance on Local Government Investments in respect of selection of counterparties with whom investments are placed, Wiltshire Council will comply with the minimum requirements below.
29. Credit ratings will be those issued by Fitch Ratings Ltd in respect of individual financial institutions (as shown below, where F1+ is the highest short term rating and AAA the highest long term rating). An exception is made in respect of money market funds, as shown below, where a different overall AAA rating is the highest.
30. The minimum requirements for high credit quality, by type of institution, are as follows:
 - **Banks incorporated inside the United Kingdom with a short term credit rating of at least F1 or Government backed and their subsidiaries;**
 - **Banks incorporated outside the United Kingdom with a short term credit rating of at least F1+ and a long term rating of A+;**
 - **United Kingdom building societies with a short term credit rating of at least F1 or Government backed;**
 - **All local authorities and public bodies (as defined in S23 of the Local Authorities Act 2003) (ratings are not issued for most of these bodies);**

- **Multilateral development banks (as defined in Statutory Instrument 2004 No. 534) with a short term credit rating of at least F1 and long term credit rating of AAA;**
 - **All banks & building societies must have a bank viability rating of at least bbb – except where the counterparty is UK Government backed (fully and partially) – (aaa being the highest, through aa, a and bbb);**
 - **In addition, all banks and building societies to which the Authority may lend funds must have a support rating of no more than 3 (in the range 1, being the highest support rating to 5, the lowest);**
 - **Money market funds, which have been awarded the highest possible rating (AAA) from at least one of the following credit rating agencies, Standard and Poor's, Moody's Investor Services Ltd or Fitch Ratings Ltd.; and**
 - **Deposits must only be placed in money market funds subject to individual signed management agreements.**
31. In addition to the above criteria, the following limits will be applied to the total cumulative investments placed with an individual institution (or group of institutions where there is common ownership):
- a) Up to £15 million:**
- **UK incorporated banks with a long term credit rating of at least AA;**
 - **Overseas banks that have a long term credit rating of at least AA;**
 - **Multilateral development banks;**
 - **Local authorities and other public bodies; and**
 - **Money market funds.**
- b) Up to £12 million:**
- **Government backed UK banks and UK building societies and their subsidiaries**
- c) Up to £8 million:**
- **Other UK incorporated banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**

- **Other overseas banks (that have a long term credit rating of less than AA but which also satisfy the credit rating conditions within this Strategy);**
- **UK Building societies with long term credit rating of at least A; and**
- **Government backed overseas banks and their subsidiaries**

32. There have been no changes from last year.

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 March 2015

WILTSHIRE PENSION FUND RISK REGISTER

Purpose of the Report

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

Background

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

Key Considerations for the Committee / Risk Assessment / Financial Implications

3. The significance of risks is measured by interaction of the likelihood of occurrence (likelihood) and the potential impact of such an occurrence (impact). This register uses the Council's standard "4x4" approach, which produces a risk status of Red, Amber or Green (RAG).
4. There have been three significant changes since the last report in December 2014.
5. **PEN008 Failure to comply with LGPS and other regulations** and **PEN018 Failure to implement the LGPS 2014 reforms** have now reduced in risk from medium to low. The review of the LGPS2014 implementation has now been completed by the Technical & Compliance Manager and no material risks were identified from the changes made to process, systems and communications.
6. As the Fund approaches its first year end under the new CARE arrangements, the biggest challenge is to ensure employer organisations provide the correct member information. A communication refresh exercise is underway to ensure employers are aware of their responsibilities.
7. **PEN019 Establishment of Local Pension Board & Investment Sub-Committee** is a new risk which has been categorised as high. Although it is the responsibility of Wiltshire Council as administering authority and not the Pension Committee to set-up the Local Pension Board, there will be significant implications on resources in terms of costs and officer time in servicing these as required along with the newly established investment sub-committee. This may potentially impact on 'day to day' service delivery for the Fund and careful consideration of resources will be required once the work of the Boards become clearer.

Financial Implications

8. There are no known implications from the proposals.

Legal Implications

9. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

11. There are no known implications at this time.

Proposals

12. The Committee is asked to note the attached Risk Register and measures being taken to mitigate risks.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Pension Fund Risk Register							20-Feb-15							Current Risk Rating			Target Risk Rating		
Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Impact	Likelihood	x	Level of risk	Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Impact	Likelihood	x	Level of risk	Date of Review	Direction of Travel
PEN001	Failure to process pension payments and lump sums on time	Service Delivery	Non-availability of ALTAIR pensions system, SAP payroll system, key staff, or error, omission, etc.	Retiring staff will be paid late, which may have implications for their own finances. It also has reputational risk for the Fund and a financial cost to the employers if interest has to be paid to the members.	David Anthony	Maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work.	2	2	4	Low	Regular review of ALTAIR calculations are more thoroughly tested, especially to ensure regulations changes are correctly processed. Review of processes as part of the LGPS 2014 implementation review.	David Anthony		2	2	4	Low	20 Feb 2015	→
PEN002	Failure to collect and account for contributions from employers and employees on time	Finance	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.	David Anthony	Robust maintenance and update of ALTAIR and SAP systems, sufficient staff cover arrangements, sufficient staff training and QA checking of work. We constantly work with employers to ensure they understand their responsibilities to pay by 19th of the month.	2	1	2	Low	Electronic forms rolled out to all employers to allow collation of membership and contributions detail by member to facilitate monthly reconciliations ahead of year end. Chase letters sent as required.	Catherine Dix		2	2	4	Low	20 Feb 2015	→
PEN003	Insufficient funds to meet liabilities as they fall due	Service Delivery	Contributions from employees / employers too low, failure of investment strategy to deliver adequate returns, significant increases in longevity, etc.	Immediate cash injections would be required from the scheme employers. This shouldn't be an issue for the Fund but it looks likely that investment income might need to be used within the next 12 months.	David Anthony	Funding Strategy Statement, Investment Strategy, Triennial Valuations, membership of Club Vita, modelling of future cashflows.	2	2	4	Low	The "maturity" profile of cashflows is changing as a result of employers outsourcings and redundancy programmes. The cashflow profile is now being carefully monitored as benefits paid slightly exceeded receipts (excluding investment income) during the last financial year. Current forecast is that the Fund will remain cash neutral for next 12 months.	David Anthony		4	1	4	Low	20 Feb 2015	→
PEN004	Inability to keep service going due to loss of main office, computer system or staff	Service Delivery	Fire, bomb, flood, etc.	Temporary loss of ability to provide service	David Anthony	Business Continuity Plan in place. The team have the ability to work from home or remotely if required. The pension system is also hosted by its supplier, which reduces the risk should Wiltshire Council's IT servers fail. The Fund also operates a paperless office.	4	1	4	Low	Business Continuity Plan to be reviewed and approved by the CFO by Oct 2015. All the team now have laptops that would mean they can access ALTAIR remotely if required and all paperwork is scanned.	Andy Cunningham	Oct 2015	4	1	4	Low	20 Feb 2015	→
PEN005	Loss of funds through fraud or misappropriation	Fraud / Integrity	Fraud or misappropriation of funds by an employer, agent or contractor	Financial loss to the Fund	David Anthony	Internal and External Audit regularly test that appropriate controls are in place and working. Regulatory control reports from investment managers, custodian, etc. are also reviewed by audit. Due Diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Services Authority registration.	4	1	4	Low	None	Catherine Dix		4	1	4	Low	20 Feb 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN006a	Significant rises in employer contributions for secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current increase in Quantative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring in liabilities movements is undertaken providing advance warning to employers.	2	1	2	Low	The Stabilisation Policy has limited increases for secure employer. Monitor cashflow profiles to review Fund's maturity. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation. As bond yields are at historical low levels and the Stabilisation Policy takes a long term view, rates will not increase significantly over the long term.	David Anthony / Andy Cunningham		2	2	4	Low	20 Feb 2015	→
PEN006b	Significant rises in employer contributions for non-secure employers due to increases in liabilities	Economic	Scheme liabilities increase disproportionately as a result of increased longevity, falling bond yields, slack employer policies, etc. The current increase in Quantative Easing by the Government is forcing up the price of gilts leading to a worsening Funding Position.	Employer contribution rates become unacceptable, causing upward pressure on Council Tax and employers' costs.	David Anthony	Longevity and bond yields are really beyond the control of the Fund although some Funds have considered buying longevity insurance through the use of SWAPS. However, the Fund and each employer must have a Discretions Policy in place to help control discretionary costs (e.g.. early retirements, augmented service, etc). Quarterly monitoring as described above. The 2013 Valuation has set rates for the next 3 years.	2	2	4	Low	The rates for the 2013 Valuation were agreed and through the use of stepping in of contribution rate increases where requested the need for large increases was avoided for certain employers. This "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Monitor cashflow profiles to review Fund's maturity.	David Anthony / Andy Cunningham		2	2	4	Low	20 Feb 2015	→
PEN007a	Significant rises in employer contributions for secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	1	2	Low	The implementation of the Stabilisation Policy limits increases for secure employer. This policy was reviewed at the July 2013 Committee meeting and is to be maintained for the 2013 Valuation. The Fund is currently discussing with its advisers the benefits of a flight path strategy to take risk of the table as funding levels improve.	Catherine Dix	Mar-15	2	2	4	Low	20 Feb 2015	→
PEN007b	Significant rises in employer contributions for non-secure employers due to poor/negative investment returns	Economic	Poor economic conditions, wrong investment strategy, poor selection of investment managers	Poor/negative investment returns, leading to increased employer contribution rates	David Anthony	Use of expert consultants in the selection of investment strategy and selection of investment managers, regular monitoring of investment managers (1/4ly), regular reviews of investment strategy (annually). There is a monthly review of the % of the Fund held in each mandate and strategy.	2	2	4	Low	The review of employers long term financial stability and the policy for stepping in of contribution rates assists in affordability issues and this "contribution relief" policy was reviewed and maintained at the July 2013 Committee meeting for the 2013 Valuation process. Valuation rates have now been agreed for the next 3 years. The benefits of a 'flight path' strategy as outlined is being considered	Catherine Dix	Mar-15	2	2	4	Low	20 Feb 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk	
PEN008	Failure to comply with LGPS and other regulations	Legal / Statutory	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	David Anthony	Sufficient staffing, training and regulatory updates. Competent software provider and external consultants.	2	2	4	Low	The Technical & Compliance Manager oversees training plan for the team. The new LGPS 2014 scheme has been implemented and the changes reviewed and guidance on transfer has now been issued by the Government.	Tim O'Connor		2	2	4	Low	20 Feb 2015
PEN009	Failure to hold personal data securely	Legal / Statutory	Poor procedures for data transfer to partner organisations, poor security of system, poor data retention, disposal, backup and recovery policies and procedures.	Poor data, lost or compromised	David Anthony	Compliance with Wiltshire Council's Data Protection & IT Policies.	2	2	4	Low	It is intended to do a full data protection audit for the Fund. An imaging system has now been implemented which will improve retention of documents and ultimately will lead to a paperless working environment.	Tim O'Connor	Mar-15	2	1	2	Low	20 Feb 2015
PEN010	Failure to keep pension records up-to-date and accurate	Knowledge / Data / Info	Poor or non-existent notification to us by employers and members of new starters, changes, leavers, etc	Incorrect records held, leading to incorrect estimates being issues to members and incorrect pensions potentially being paid.	David Anthony	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.	2	3	6	Medium	From 1 April 2014, the Pension Regulator will require additional checks on data. Data cleansing is taking place to address this. Also, with the end of "contracting-out" in April 2016, HMRC will no longer take responsibility for GMP data. A project is being scoped to ensure records match prior to this.	Martin Downes	Mar-15	2	1	2	Low	20 Feb 2015
PEN011	Lack of expertise of Pension Fund Officers and Service Director, Finance	Professional judgement & activities	Lack of training, continuous professional development and continuous self assessment of skills gap to ensure knowledge levels are adequate to carry out roles to the best of their ability	Bad decisions made may be made in relation to any of the areas on this register, but particularly in relation to investments.	David Anthony	Officers ensure that they are trained and up-to-date in the key areas through attendance at relevant courses and seminars, reading, discussions with consultants and peers, etc. The Technical & Compliance Manager has formulated annual Training Plans and Relevant officers are also reviewed against the CIPFA Knowledge & Skills Framework to ensure adequate expertise exists.	2	2	4	Low	The team restructure now provides better technical knowledge at the right levels. All key posts are now filled.	David Anthony		2	1	2	Low	20 Feb 2015

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN012	Over-reliance on key officers	Organisation Management / HR	The specialist nature of the work means that there are inevitably relatively experts in investments and the local authority pension regulations	If someone leaves or becomes ill, a big knowledge gap if less behind.	David Anthony	Key people in the team are seeking to transfer specialist knowledge to colleagues. In the event of a knowledge gap, however, we can call on our external consultants and independent advisors for help in the short-term.	2	2	4	Low		David Anthony		2	1	2	Low	20 Feb 2015	→
PEN013	Failure to communicate properly with stakeholders	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.	David Anthony	The Fund has a Communications Manager and Employer Relationship Manager dedicated to these areas full-time, including keeping the website up-to-date, which is a key communications resource. The Fund also has a Communications Policy.	2	2	4	Low	A comprehensive communication strategy was implemented for the LGPS 2014 scheme. Employers have also been reminded of their responsibilities for Autoenrolment. A number of pension clinics have been set up for members in 2015.	Zoe Stannard & Andy Cunningham		1	1	1	Low	20 Feb 2015	→
PEN014	Failure to provide the service in accordance with sound equality principles	Corporate / Leadership / Organisation (Reputation)	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.	David Anthony	The Fund has done an Equality Risk Assessment and has an Equality Implementation Plan in place	2	1	2	Low	None	David Anthony		2	1	2	Low	20 Feb 2015	→
PEN015	Failure to collect payments from ceasing employers	Finance	When an employer no longer has any active members a cessation valuation is triggered and a payment is required if a funding deficit exists to meet future liabilities	Failure to collect cessation payments means the cost of funding future liabilities will fall against the Wiltshire Pension Fund	David Anthony	The Pension Fund Committee approved a Cessation Policy in February 2010 to provide an agreed framework for recovery of payments. All new admitted bodies now require a guarantor to join the Fund.	2	2	4	Low	Work is on-going to develop monitoring of admitted bodies who are close to cessation to enable the Fund to have an early dialogue with them to ensure costs are met.	Andrew Cunningham	Mar-15	2	1	2	Low	20 Feb 2015	→
PEN016	Treasury Management	Finance	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	David Anthony	The Pension Fund has an updated Treasury Management Strategy on this agenda which follows the same criteria adopted by Wiltshire Council but limits individual investments with a single counterparty to £6m.	3	1	3	Low	The Council uses Sector's credit worthiness service using ratings from three rating agencies to provide a score. Surplus cash is transferred to the Custodian at month end ensuring cash balances are minimal.	Catherine Dix		3	1	3	Low	20 Feb 2015	→

Ref.	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in place to manage the risk	Current Risk Rating				Further Actions necessary to manage the risk	Risk Action Owner	Date for completion of action	Target Risk Rating				Date of Review	Direction of Travel
							Impact	Likelihood	x	Level of risk				Impact	Likelihood	x	Level of risk		
PEN017	Lack of expertise on Pension Fund Committee	Professional judgement & activities	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 Fund's to 'Comply or Explain' within their Annual Report on the skills knowledge of members of the Committee	David Anthony	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	2	4	Low	The CIPFA Local Government Pension Fund Knowledge & Skills Framework require members of the committee to be regularly assessed to identify knowledge gaps and ensure training is provided to address these. Approval for a new members training plan for 2015-17 is elsewhere on this agenda.	David Anthony		2	1	2	Low	20 Feb 2015	→→→
PEN018	Failure to implement the LGPS 2014 Reforms	Service Delivery	Failure to implement the LGPS 2014 in time for April 2014 in terms of systems changes, data requirements, communications and training.	Unable to meet the new legislative requirements of the scheme and to administer the Fund correctly.	David Anthony	A communication policy implemented to inform all members of the changes. Implementation Plan is on-going. Systems team in close contact with Software are providers to ensure developments will be actioned. Review of process has been undertaken by Technical & Compliance Manager to ensure changes are compliant.	2	2	4	Low	The transitional regulations and GAD guidance were only issued in March 2014, a month ahead of "go-live" which meant a number of manual calculations were still required. The latest Altair release was implemented in September which rectified this. All changes and output have been reviewed for compliance.	David Anthony		2	2	4	Low	20 Feb 2015	↓
PEN019	Establishment of Local Pension Board & Investment Sub-Committee	Service Delivery	Failure for Wiltshire Council to establish a Local Pension Board, from finding suitable representatives and the officer time required to support this Board and the newly formed pension sub-committee.	Reputational risk from a national perspective and failure to adhere to legislation resulting in action by the Government or the Pension Regulator. Ineffective operation of the Investment sub-Committee leading to bad decision making.	David Anthony	Plan in place for the implementation of a Local Pension Board, to be approved by Wiltshire Council on 24 February. Following this recruitment will commence and additional resources required for the operation of this Board included in the Fund's budget. Although the responsibility of Wiltshire Council to establish, these Boards will place additional demands on the pension officers time in the support and provision of information.	4	3	12	High	As the Government only issued the required Regulations on 28 January 2015 for Local Pension Boards, the timescale to establish and ensure the Board is populated with relevant members will be challenging. A review of resources and officer time will be required to ensure no negative impact on the Pension Fund service delivery from the support required to this Board and the newly formed Investment sub-Committee.	David Anthony	Jul-15	1	3	3	Low		↑

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 March 2015

LOCAL PENSION BOARDS AND GOVERNANCE ARRANGEMENTS UPDATE

Purpose of the Report

1. To update this Committee on the implementation of the Local Pension Board (LPB) and Investment Sub-Committee (ISC).

Background

2. At this meeting on 11 December 2014, the committee were provided with details of the proposed Terms of Reference (ToR), process and timeline for the proposed establishment of the LPB. Under the Public Service Pensions Act (PSPA) 2013 a LPB must be established by the Administering Authority (Wiltshire Council) by 1 April 2014.
3. It was also agreed to expand the role of the ISC to deal with the on-going monitoring of investments managers to increase capacity on the agenda at this Committee to deal with more governance, strategic, and administration issues.
4. Following on from the two items above an updated Governance Compliance Statement needs to be amended and approved by the Committee.

Considerations for the Committee

Local Pension Boards

5. Wiltshire Council approved the establishment of the LPB at its meeting of Full Council on 24 February 2015.
6. Further to the last update to this Committee in December, the Government published its final guidance on 28 January 2015. This included a number of changes from the original draft consultation document, requiring the ToR to be amended from the version presented previously.
7. The main change was to no longer allow any 'other' member apart from the employer and member representatives to have a vote on the LPB, including any independent chairman. The purpose of this is not to dilute the influence of the employer and members representatives aligned to the spirit of the PSPA 2013.
8. The "relevant experience" requirement for LPB members has also been dropped. LPB members will still be required to have the "capacity" to carry out their duties and to demonstrate a high level of knowledge and understanding of the Scheme and of their role once in post. The concession was made by the Government to overcome a perceived substantial barrier to encouraging nominations.
9. Elected members from Wiltshire Council can still sit on the LPB but only as an employer representative. Members and officers who currently discharge the functions of the Local Government Pension Scheme for the Wiltshire Pension Fund are precluded from sitting on the LPB (e.g. voting Members of this Committee and relevant officers).

10. There was also a model ToR issued alongside the Shadow Scheme Advisory Board's application guidance. This was reviewed alongside the Council's draft proposals following consultation with the Unions.

11. The structure of the LPB will now be as follows:

Employee Reps	Members Reps	Independent Chair (non-voting)	Total Voting members
3	3	1	6

12. LPB Members allowances and expenses still need to be considered by the Independent Remuneration Panel and approved at the next meeting of Full Council on 12 May 2015. It's anticipated the employer and member representatives will be paid expenses only while more critically the remuneration for the role of the independent chair needs to be finalised. This may delay the recruitment of the Chairman until May 2015.

13. Now the Council has agreed the establishment of the LPB it has until 31 July 2015 to become operational. The recruitment process for the employer and member representatives will now commence with nominations being put forward to the May meeting of Full Council.

14. Apart from the voting rights, no further material changes were made to the proposed ToR and the paper agreed at Full Council can be viewed at the link below:

[Establishment of the Local Pension Board for Wiltshire Council](#)

<http://cms.wiltshire.gov.uk/documents/s86317/Establishment%20of%20the%20Local%20Pension%20Board%20for%20Wiltshire%20Council.pdf>

[Establishment of the Local Pension Board for Wiltshire Council - Terms of Reference](#)

<http://cms.wiltshire.gov.uk/documents/s86318/Establishment%20of%20the%20Local%20Pension%20Board%20for%20Wiltshire%20Council%20-%20Terms%20of%20Reference.pdf>

Investment Sub-Committee Implementation

15. At the December meeting it was agreed that the ISC should be expanded to allow this Committee more agenda time to further examine the governance and administration of the pension scheme. It was confirmed that the Strategic investment allocations and strategy would continue at this Committee while the detailed monitoring of investment managers, appointment of new managers and the review of emerging investment opportunities would be conducted by the ISC.

16. There was concern over the ability to resource the proposed additional 4 ISC meetings per annum. Therefore it was agreed in consultation with the Fund's advisers that a minimum 2 meetings per year of the ISC would be held to incorporate all the investment managers annual presentations and a further 2 meetings would only take place if required. The ISC ToR was changed to reflect this.

17. The membership of the ISC will consist of the following voting Members:

- a) Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)

- b) Vice-Chairman of the Wiltshire Pension Fund Committee (or in their absence another Wiltshire Council member of the Wiltshire Pension Fund Committee appointed by the Head of Democratic Services)
 - c) An elected Wiltshire Council Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The appointment of Wiltshire Councillor to the ISC is subject to the rules of political proportionality of the Council (and in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman).
 - d) A Member of the Wiltshire Pension Fund Committee as co-opted by the Wiltshire Pension Fund Committee. The intention is this will be the same person for each meeting (or in their absence another member of the Wiltshire Pension Fund Committee appointed by the Chairman and Vice Chairman). The member will be appointed for 1 year.
18. When setting up the ISC originally there was a view that the second largest employer should initially be offered representation and in September 2013 the Committee agreed to offer this to Swindon Borough Council (SBC). Therefore, if a SBC member was willing, it would seem pertinent to offer the position outlined in d) above to them for the forthcoming year.
19. The position outlined in c) above then remains vacant and this Committee will need to agree the appointment of the third elected member from Wiltshire Council.
20. As a reminder any Member from the Wiltshire Pension Fund Committee is invited to attend in a non-voting capacity the ISC meetings.

Proposed dates for Local Pension Board, Pension Committee and Investment Sub-Committee

21. Due to the implementation of the new committees, officers have been looking to schedule meeting dates in-line with the new arrangements. It's proposed that the July pension committee meeting is dropped, to revert from the 5 down to 4 meetings per year, namely March, June, September and December.
22. The ISC will hold its two regular meetings with managers in June and November with September and February pencilled in as potential dates if needed. These meetings will be at least two weeks ahead of the main committee.
23. Tentative dates for the LPB have also been pencilled in, although subject to finalisation. These meetings will take place at least 3 weeks after the main pension committee.
24. Where possible the current scheduled pension committee dates have been retained or used for the ISC. Appendix A shows the current proposed dates. Revised dates for the June and September meeting of this Committee will be finalised shortly. The dates for December 2015 and March 2016 remain the same. All Members will be updated once agreed with Democratic Services.

Revised Governance Compliance Statement

25. As a result of the implementation of the LPB and ISC, the Governance Compliance Statement has been amended. This is shown in Appendix B.
26. Committee is asked to approve this revised statement.

Conclusions

27. The establishment of the LPB is ultimately a legal requirement of Wiltshire Council and implementation remains on schedule to make this operational by 31 July 2015.
28. Confirmation of the appointments to the ISC and approval of the revised Governance Compliance Statement will ensure the revised governance arrangements previously discussed can be fully implemented.

Risks Assessment

29. *PEN0019 The establishment of the Local Pension Board and Investment Sub-Committee* is a 'high' risk in terms of ensuring adequate representatives populate the new bodies and officers retain the capacity to run these committees. The resources required will be kept under review and should become clearer when the workloads of these committees is better understood. The implementation of both these bodies will provide both additional assurances and assist in the effective operation of the Wiltshire Pension Fund.

Environmental Impact of the Proposal

30. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

31. There are no known implications at this time.

Financial and Legal Implications

32. There are no financial and legal implications as a result of the outlined proposals.

Reason for Proposals

33. These proposals are necessary for the Wiltshire Pension Fund to implement its revised governance arrangements.

Proposals

34. Members are recommended to:
 - a) note the update on the current position in relation to the establishment of Local Pension Boards;
 - b) approve the appointment of an additional elected Member and co-opted Member to the Investment Sub-Committee as outlined in paragraph 17, and
 - c) to approve the revised Governance Compliance Statement outlined in Appendix B

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report:

APPENDIX A

Wiltshire Pension Fund - Sub Committee and Committee dates 2015/2016

Date	Investment Sub Committee	Main Committee	Local Pension Board
March 2015		12th March 2015	
June 2015	4th June 2015 <i>Investec Baillie Gifford Loomis Barings</i>	25th June 2015	16th July 2015
September 2015	10th September 2015	29th September 2015	22nd October 2015
December 2015	26th November 2015 <i>Partners CBRE Berenberg M&G or L&G</i>	10th December 2015	14th January 2016
March 2016	25th February 2016	10th March 2016	7th April 2016

Key:

Current Committee date highlighted in Red

Provisional Investment Sub-Committee Date

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Wiltshire Pension Fund Governance Compliance Statement

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
A) Structure	a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	FULL – The Council’s constitution (Part 3, para 2.5) says that the Committee will “exercise the functions of the Council as Administering Authority under the Local Government Superannuation Act and Regulations and deal with all matters relating thereto”. The Wiltshire Pension Fund Committee has the power to “...make decisions on matters of significant policy...” (Part 3B, para 4).	N/A
	b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	FULL – There are two voting representatives from Swindon Borough Council, two voting representatives from Admitted Bodies and 2 UNISON Observers (representing active, deferred and pensioner members), all of whom are members of the main committee. There is an Investment Sub-Committee (ISC) to deal with the on-going monitoring of investment managers, appointment of new managers, review any emerging investment opportunities and to consider and determine opportunistic investments to the value of 5% of the Fund’s total assets. This consists of 4 voting members, namely the Chairman, Vice-Chairman, one Wiltshire Council elected member from the main committee and one co-opted member of the main committee. All	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		members of the main committee may be an observer.	
	c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	FULL – All minutes of meetings and decisions taken by the ISC are reported back to the next main committee meeting.	N/A
	d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	FULL – At least 4 members of the ISC sit on the main committee.	N/A
B) Representation	<p>a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:</p> <ul style="list-style-type: none"> i. employing authorities (including non-scheme employers, eg, admitted bodies); ii. scheme members (including deferred and pensioner scheme members); iii. independent professional observers; and 	<p>FULL – four representatives in total, two from Swindon Borough and two from Admitted Bodies. The non-elected members will hold their office for a maximum of 4 years before a re-election process needs to take place.</p> <p>FULL – two representatives from UNISON, who represent active, deferred and pensioner members</p> <p>FULL – Our Independent Pension Adviser, who attends all meetings, fulfils this role and feeds back any observations to the Chief Finance Officer and/or Head of Pensions</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
	<p>iv. expert advisors (on an ad-hoc basis).</p> <p>b) That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	<p>FULL – Mercers (the Fund’s Investment Consultant) and Hymans Robertson (the Fund’s Actuary) attends all meetings where expert advice is required</p> <p>FULL – All members of the Committee are given equal access to papers, meetings and training and are able to fully participate in debates.</p>	N/A
C) Selection and Role of Lay Members	<p>a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p> <p>b) That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	<p>FULL – Full Induction Training and Governance is given and each member is given a Members’ Handbook outlining their responsibilities amongst other information.</p> <p>FULL – this is a standard part of committee procedure.</p>	N/A
D) Voting	<p>a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	<p>FULL – The Committee has afforded each of its members voting rights, except the UNISON Observers who represent members. Being a statutory pension scheme, the local committee has very little influence over benefits and the members are fully protected by statute. Therefore, there is very little that scheme members (or their representatives) can influence on the committee that has any direct impact upon them.</p>	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		Further, giving voting rights to the observers would mean increasing the size of the Committee, because the Administering Authority must legally be able to maintain a majority.	
E) Training/Facility Time/Expenses	a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	FULL – There is a Members’ Training Plan which is updated regularly and fully implemented. All members (including observers) have full access to all training opportunities and are allowed to claim all reasonable expenses.	N/A
	b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	FULL – see Members Training Plan	N/A
F) Meetings - Frequency	a) That an administering authority’s main committee or committees meet at least quarterly.	FULL – The Committee meets four times per year, plus ad-hoc for special issues (eg. valuation, tenders)	N/A
	b) That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	FULL – The ISC meets two times per year, with a potential two further meetings scheduled should they be required.	N/A
	c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	FULL – From 1 April 2015, Wiltshire Council in its role of Administering Authority will establish a Local Pension Board. This will consist of 6 voting members (3 employer and 3 member representatives) along with a non-voting independent chair. The purpose of this Board is to review and ensure the Wiltshire Pension Fund	N/A

AREA	PRINCIPLE	LEVEL OF COMPLIANCE	REASON FOR NON-COMPLIANCE
		secures compliance with the Scheme regulations and all other relevant legislations.	
G) Access	a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	FULL – All members of the Committee (including non voting and substitute members) receive all the papers for every meeting, including the confidential ones	N/A
H) Scope	a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	FULL – All matters in relation to the Fund, whether Benefits, Governance, Investments, Communications, Employers, Financial, etc, are covered by the governance arrangements.	N/A
I) Publicity	a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	FULL – the Governance Compliance Statement is available on the Wiltshire Pension Fund Website and in the Wiltshire Pension Fund Annual Report. This statement is approved by the main committee which is held as a meeting open to public participation	N/A

Draft: 12 March 2015

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 March 2015

MEMBERS' TRAINING PLAN

Purpose of the Report

1. The purpose of this report is to present a new Members' Training Plan for approval.

Background

2. Ensuring Members are aware of the Pension Fund's activities and that they have the skills and knowledge to, with the assistance of the advisers, make informed decisions is not only good governance but is underpinned by the Myners Principles as outlined in the Fund's Statement of Investment Principles.
3. The CIPFA Knowledge & Skills Framework (KSF) provides a framework for a formal and structured approach to Members training. One of its primary objectives is to encourage training plans for Members that take a medium term view aligned with the major events of a Fund, namely the triennial valuation, investment strategy reviews and local election cycles. The training plan needs to show how skill gaps are being addressed.
4. Funds are expected to adhere with the KSF and compliance is disclosed in their Annual Report on a "comply or explain" basis. The KSF is currently voluntary and represents 'best practice' to ensure good governance.
5. In July 2014 this Committee were requested to undertake a 'Self Assessment' to assist in identifying areas for further development. This has informed the new training plan from 2015 onwards.
6. A draft Member Training Plan is now attached at the end of this report for Members' perusal and approval.

Main Consideration for Committee

Self Assessment Returns

7. Nine Self-Assessment forms were returned from all seventeen Committee representatives including substitutes and observers. However, an 86% return rate was achieved from the main committee members. More returns would have enhanced the outcome but sufficient were received to identify at a high-level the areas where knowledge needs developing for Members as a group.
8. The Self Assessment returns also highlight specific areas for individual Members where knowledge gaps exist. Hopefully, the training plan addresses these but where it doesn't specific training can be targeted on an individual basis.
9. They also allowed Members to feed back additional comments which have also informed the training plan.

Proposed Members Training Plan for 2015-2017

10. The proposed Training Plan for Wiltshire Pension Fund Committee Members is shown in the Appendix. This Plan incorporate the ideas, themes and preferences identified in the Self Assessment of Training Needs along with upcoming areas where the Committee will require additional knowledge.
11. The Plan aims to give an indication of the delivery method and target completion date for each area. On approval, officers will start to implement this programme, consulting with Members as appropriate concerning their availability for the in-house sessions.
12. The KSF recommends a Members Training Plan should take a medium term view. Therefore, the new plan has been extended to cover the period from 2015-2017 to take Members past the 2016 Triennial Valuation and up to the next local elections for Wiltshire Council.
13. The intention is to hold at least two 'in-house' training days per year, one in the spring (April – May) and the autumn (September - October) focussing on specific areas. The intention is, as in the past, to also hold an 'investment away day' in the summer (June – July) to allow an informal review of the Fund's current investment strategy and consider areas for further consideration at future committee meetings.
14. This will be complemented by 'short seminars' before or during committee meetings on subjects pertinent to the agenda.
15. Where applicable, external conferences will be recommended to Members by the officers. Specific training sessions can also be set up with investment managers either at County Hall or at their offices when required which are usually provided at no cost to the authority.
16. From time to time, relevant briefing notes will be emailed to Members (with copies held on the Members secure area of the Pension Fund website) by officers. Occasionally, webcasts and videos will be highlighted by officers to Members that may be of interest.
17. One concern that was raised from the self-assessment was that for areas that require only Member awareness, that the most appropriate format to enable the retention of information would be in a summary booklet. Therefore these specific areas identified will be included as part of an updated Members Handbook.
18. For Members who wish to further their knowledge, there are specific courses that can be attended. The Local Government Pension Committee Annual LGPS Fundamentals 3 day course has been attended and well received by Members of this committee and details will be provided by officers when the next dates become available.
19. For new Members that join the scheme between the Wiltshire Council election cycles, the Head of Pensions is available to provide an individual tailored induction.

Training Logs

20. Although there is currently no compulsion to publish training logs these are maintained by the Fund as reference of Members attendances at all conferences and training sessions. This will allow officers to review attendance and potentially tailor future specific training needs.

Local Pension Boards

21. With the establishments of the Local Pension Board from the 1 April 2015, there will be an on-going requirement to ensure these Members have the requisite level of knowledge to undertake its duties. Therefore, these Members will have their own Training Plans but it is anticipated there will be areas of overlap and shared training resource where appropriate.

Financial Implications

22. An allowance is made in the Pension Fund Administration Budget each year for Members training. It is anticipated to maintain this for the next three years to ensure this important area of governance is resourced when looking at the budget for 2015-16 onwards.

Risk Assessment

23. This report addresses the risk *PEN017: Lack of Expertise on the Pension Fund Committee* identified elsewhere on this agenda. The whole purpose of implementing a formal training plan is to reduce the risk of Members making decisions on issues on which they do not have the necessary level of knowledge. This in turn reduces the risk of weak governance and of bad investment decisions.

Legal Implications

24. None have been identified as arising directly from this report.

Environmental Impact of the Proposals

25. This is no environmental impact of these proposals.

Safeguarding Considerations / Public Health Implications / Equalities Impact

26. None have been identified as arising directly from this report.

Proposals

27. The Committee is asked to approve the attached Members' Training Plan.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

Unpublished documents relied upon in the production of this report:

NONE

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APPENDIX

WILTSHIRE PENSION FUND COMMITTEE – MEMBERS’ TRAINING PLAN 2015-2017

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member’s Handbook	Members’ Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer	
GENERAL TRAINING								
General overview of LGPS	✓							Review June 2016
Members’ individual needs on specific areas arising during the year		✓			✓	✓	✓	As required - notify Head of Pensions
New Members induction session				✓			✓	May 2015 June 2017
Specific items on committee agendas		✓	✓					As required
SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS								
General Pension Framework								
<ul style="list-style-type: none"> Terms of Reference for Pension Committee, Investment Sub-Committee & Local Pension Board 	✓		✓					July 2015
<ul style="list-style-type: none"> LGPS discretions policies 			✓					July 2015
<ul style="list-style-type: none"> Update following Government’s response to consultation on the review of the LGPS 		✓		✓	✓			September 2015
<ul style="list-style-type: none"> Review of the Fund’s communication policy & tools 	✓			✓				May 2016

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer	
Pensions Legislation & Governance: <ul style="list-style-type: none"> • Role of the Pension Regulator, National Scheme Advisory Board & Local Pension Board • Review of the importance on data quality and implications of the end of contracting out in 2016 • Overview of all the relevant sources of legislation that impact on the Fund 	✓			✓				May 2015
	✓			✓				May 2015
	✓							May 2016
Pension Accounting & Auditing standards: <ul style="list-style-type: none"> • Update on the new reporting requirements for the Fund's Annual Report 			✓					September 2015
Financial Services procurement: <ul style="list-style-type: none"> • Current public procurement policy & procedures • Brief overview of UK & EU procurement legislation • Awareness of support services suppliers and contract monitoring 	✓							May 2017
	✓							May 2017
	✓			✓				May 2017

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer	
Investment Performance & Risk Management: <ul style="list-style-type: none"> Monitoring asset returns relative to liabilities and monitoring funding level risk Understanding the purpose of "flight paths" & asset liability matching Implications of setting different investment strategies for employers 	✓	✓		✓	✓			September 2015
		✓		✓	✓			September 2015
				✓				April 2016
Financial markets & products knowledge: <ul style="list-style-type: none"> Review of asset allocation and investment strategy Limits placed by regulation on investment activities in the LGPS Environmental, Social and Governance considerations for investing Specific investment opportunities 	✓	✓		✓				June 2015 / 2016 / 2017
				✓				September 2016
				✓				September 2017
		✓		✓	✓			As required
Actuarial methods, standards and practices: <ul style="list-style-type: none"> Review purpose of the Funding Strategy Statement Triennial Valuation refresher Considerations in relation to outsourcings and bulk transfers 	✓			✓				April 2016
			✓	✓				April 2016
	✓			✓				April 2017

TRAINING NEED	PROPOSED DELIVERY METHODS							COMPLETION TARGET DATE
	Member's Handbook	Members' Briefing Notes (Electronic)	Short Seminars (before Committee meeting)	Internal Training Events (Internal & External Speakers)	External Conferences & Training Seminars	E-Learning (e.g.. Webcasts, Videos)	One-to-One Briefing with an officer	
CHAIRMAN / VICE CHAIRMAN TRAINING								
<ul style="list-style-type: none"> • Strategic forward planning • Stakeholder feedback • Appreciation of changes to scheme rules 					✓		✓	on-going on-going Invite to be circulated to relevant ones

PENSION FUND ADMINISTRATION BUDGET 2014-15 - BUDGET MONITORING

	2014/15			Explanations
	Budget £000	Projected Outturn £000	Variance £000	
<u>Fund Investment</u>				
Investment Management Fees				
Segregated Funds	5,009	4,869	-140	Lower EMMA fees due to phased investment offset against higher performance fee for Baillie Gifford
Pooled Funds *	1,730	1,674	-56	Lower Permal fees due different redemption profile than originally planned
	6,739	6,543	-195	<i>These projected fee estimates are based on current market conditions and are subject to change prior to year end.</i>
<u>Fund Investment Costs</u>				
1 Investment Administration	106	106	0	
2 Investment Custodial & Related Services	75	60	-15	The move to more "pooled fund" mandates has reduced the custodian fees
3 Investment Consultancy	136	142	6	
4 Corporate Governance Services	38	38	0	
5 Performance Measurement	47	43	-4	
	402	389	-13	
<u>Fund Scheme Administration</u>				
6 Pension Scheme Administration	1,436	1,292	-144	Difficulties in recruiting 2 data analyst post and in year vacancies. Lower than predicated development costs for LGPS 2014 software.
7 Actuarial Services	106	105	-1	
8 Audit	57	57	0	
9 Legal Advice	20	23	3	
10 Committee & Governance	49	49	0	
	1,669	1,527	-142	
Fund Administration Costs				
	2,071	1,916	-155	
TOTAL FUND EXPENDITURE (Costs & Fees)	8,810	8,459	-351	

* Invisible costs paid through investments

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
12 March 2015

WILTSHIRE PENSION FUND ADMINISTRATION BUDGET 2015-16

Purpose of the Report

1. This report seeks Members' approval of the 2015-16 Administration Budget for the Wiltshire Pension Fund, as shown in the Appendix. Actual costs for 2013-14 are also shown, together with the original budget for 2014-15, and the 2014-15 forecast outturn is on the same agenda as this report.
2. As last year, the Appendix also shows indicative budgets for the following two years 2016-17 and 2017-18. These budgets once approved will be incorporated into the forthcoming Wiltshire Pension Fund Business Plan.

Background

3. To ensure good governance budgets are required to monitor the stewardship of the Fund's expenditure and financial plans assist in mitigating risks by allocating necessary resources to develop the service. The setting of a budget for the forthcoming financial year along with spending proposals for the following two years sets out how we will achieve this.
4. A number of services are required to ensure delivery of the Local Government Pension Scheme (LGPS) administering authority function. The Committee has ultimate responsibility for the procurement and monitoring of these services. It should be noted, however, that Wiltshire Council, which is one of the employer bodies whose interests the Committee is responsible for, is at present also the provider of a number of these services.

Key features of the proposed 2015-16 budget

5. Overall the 2015-16 budget of £9.510m shows an increase of £700k (7.9%) from 2014-15 (see Appendix). The largest proportion of the budget (£7.378m) is investment managers' fees that largely depend on the value of assets being managed, and the investment return performance.
6. The Fund's "controllable" budget (i.e. excluding investment management fees) is £2.132m, which is a £61k (2.9%) increase. However, this includes one main "growth" item for the administration of the Local Pension Board and revised governance arrangements totalling £33k, therefore, the overall 'real' base budget represents an increase of £28K (1.3%).

Fund Investment – Management Fees

7. Investment management fees show an increase in estimated fees of £639k for 2015-16. Estimating investment fees is difficult as it is tied into predicting market values of investments (which drive fee levels) into the future. As a proxy, these projections are based on asset growth of 10% per annum which accounts for all the increase. In previous years, the market has been at somewhat of a downward trend and fees at

outturn have been less than originally budgeted. The fees are paid for from the Fund and not from employers direct, as such where the actual is less than budgeted the fees simply do not call on the fund; where the fees are higher, if it were to happen, it would be due to better than forecast returns on investment which bolster the Fund's asset base. Over the last three years Officers have sought to restructure payment terms with Investment Managers to both better predict fees and to tie payments into good performance.

8. The implementation of the new Multi Asset Credit and Absolute Return Bond mandates with Loomis are anticipated to be transitioned in March 2015. The Budget reflects the new fee structure for these mandates.
9. This budget is a prudent position and if higher fees are paid it's a reflection of good performance by the investment managers. For 2014-15, manager fees are currently projected to be under spent by £200k against the estimate this time last year and these savings will be carried forward in the Fund.

Fund Investment – Administration

10. This budget has broadly stayed the same overall. Investment Advisory fees have increased by £24K, largely as a result of a planned asset allocation review due to take place in the summer and analysis to further developing the 'flight path' and risk control investment strategies.
11. This has been offset by a reduction in custodian fees resulting from the Fund's move to more "pooled" investments.

Scheme Administration

12. This budget has increased by £61k (3.7%) to £1.730m. However, this does include £33k of a "growth" item, resulting in a real increase of 28K (1.7%) from 2014-15. The major budget changes are explained below:

Pension Administration Recharge

13. The budget has increased by £22K reflecting, in the main the increase in staff costs due to pay award and increment progression.

Pension Administration Software

14. There has been a reduction in of £49k from following the additional implementation costs of LGPS2014. However, this has been offset by anticipated one-off procurement and tender costs as the Altair pension database needs to be retendered during 2015-16.

Actuarial Services

15. This budget has increased by £5k reflecting the procurement of additional online services. These on-line services allow us to have up to date funding levels available for both the Fund and employers bodies. Savings will be generated however in terms of officer time as reports can be run directly, and therefore more efficiently, by the pension team without the need to refer to the actuary.

Committee & Governance Services

16. This budget has increased by £33k and contains the major growth area of the Fund. Following the Public Services Pension Act a Local Pension Board will be in operation

from April 2015 onwards. Additional budget is required to cover the training and serving of this board (18K). The Investment Sub Committee has also had its role expanded and will be meeting more frequently. This was agreed at the December 2014 committee meeting.

17. The LGPS national Scheme Advisory Board also comes into operation from April 2015 (from its previous Shadow form). A levy will be applied across all LGPS Funds based on their active membership. Although details of the levy have yet to be issued it's estimated that this will be approximately £7K for the Wiltshire Pension Fund.

Future years

18. The appendix forecast for future years is that the budget will remain broadly in line with the proposed 2015-16 budget. Efficiencies in the Administration of the Fund are predicted from improved software and operations. The 2016-17 budget includes an increase for the Tri-annual Revaluation which is reversed in 2017-18. Fees are assumed as above, but are subject to the same variations as noted above. We will continue to monitor the sector and local and national changes to model the impact on those years. We will also continue to benchmark the service to assess costs and efficiencies.

Summary

19. The budget attempts to maintain service standards while developing areas in response to the scheme changes. Comparability of data is difficult between funds nationally due to different methodology of reporting costs; however the Government's own data can provide a guide.
20. The Wiltshire Pension Fund administration costs were £26.19 per member in 2013-14 compared to the average of £26.90. The proposed budget attempts to keep these costs within an envelope (between £27-£30 p.m.) as costs will inevitably increase across all schemes resulting from the implementation of LGPS 2014 and Local Pension Boards.
21. In terms of investment costs, the Fund spent 30p per £1,000 (0.30% of market value) on managing its assets in 2013-14, including all pooled mandate costs. The national data for a scheme between £1-£1.5bn shows investment costs of 0.36% although this may not account for pooled costs which are usually netted off the units held. The CEM Benchmarking report commissioned by Hymans Robertson indicated that the total investment cost for an LGPS fund was on average 0.65% and the budget being proposed ensures the Fund remains well below this figure (circ. 0.39%).

Environmental Impact of the Proposal

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no known implications at this time.

Risk Assessment

24. 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.

25. The approval of this budget is essential to continue the good governance of the Fund. When viewed in relation to the overall value of assets, these 'controllable' costs represent less than 0.1% of the total Fund value.
26. In line with good governance practice, officers are bringing budget monitoring reports back to Committee twice a year. In the interim, variations against budget will be monitored and if they become very significant, the Associate Director, Finance will approve variations to the budget and report these to the Committee retrospectively for ratification.

Reasons for Proposals

27. The submission of the proposed budget to this Committee is in line with best practice and assists in mitigating a number of the risks outlined in the Risk Register elsewhere on this agenda.

Proposals

28. The Committee is asked to:

- a) Approve the Pension Fund Administration Budget for 2015-16 shown in the Appendix totalling £9.510m.
- b) Note the indicative budget allocations for 2016-17 and 2017-18.

MICHAEL HUDSON
Associate Director, Finance & Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

Wiltshire Pension Fund Administration Budget 2015-16

2013-14		2014-15	Changes	2015-16	2016-17	2017-18	
Actual		Budget	£	Budget	Annual Change	Annual Change	
£		£	£	£	£	£	
	Fund Investment						
<u>4,860,752</u>	INVESTMENT MANAGEMENT FEES	<u>6,739,000</u>	<u>639,000</u>	9.5% <u>7,378,000</u>	<u>682,000</u>	<u>854,000</u>	
94,671	Investment Administration Recharge	105,700	1,800	107,500	4,400	1,300	Increased investment support & salary growth in 2015/16
38,505	Investment Custodial & Related Services	75,000	-19,000	56,000	4,000	5,000	Reduced custodian fees more pooled funds
110,768	Investment Professional Fees	136,400	16,400	152,800	-40,400	-28,150	Strategic review planned in 2015/16 & Custody review support
51,750	Corporate Governance Services	38,300	1,000	39,300	1,000	1,000	
40,810	Performance Measurement	47,000	-800	46,200	0	0	
<u>336,504</u>	INVESTMENT ADMINISTRATION COSTS	<u>402,400</u>	<u>-600</u>	-0.1% <u>401,800</u>	<u>-31,000</u>	<u>-20,850</u>	
	Scheme Administration						
1,158,249	Pension Scheme Administration Recharge	1,436,300	21,950	1,458,250	37,850	-36,900	Mainly increased staff costs from pay awards and increments
239,225	Actuarial Services	106,000	5,000	111,000	64,000	-79,000	
40,353	Audit	57,400	900	58,300	0	0	
26,991	Legal Fees	20,000	0	20,000	0	0	
32,284	Committee and Governance Recharge	49,000	33,400	82,400	-700	600	Increased costs from implementation of the Local Pension Boards from April 2015 and proposed national Scheme Advisory Board levy.
<u>1,497,102</u>	SCHEME ADMINISTRATION COSTS	<u>1,668,700</u>	<u>61,250</u>	3.7% <u>1,729,950</u>	<u>101,150</u>	<u>-115,300</u>	
<u>1,833,606</u>	GRAND TOTAL (EXC INVEST MAN FEES)	<u>2,071,100</u>	<u>60,650</u>	2.9% <u>2,131,750</u>	<u>70,150</u>	<u>-136,150</u>	
<u>6,694,358</u>	GRAND TOTAL (INC INVEST MAN FEES)	<u>8,810,100</u>	<u>699,650</u>	7.9% <u>9,509,750</u>	<u>752,150</u>	<u>717,850</u>	

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