

# AGENDA

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Meeting: **Local Pension Board**  
Place: **West Wiltshire Room - County Hall, Trowbridge BA14 8JN**  
Date: **Thursday 16 July 2015**  
Time: **10.30 am**

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**Membership (subject to amendment by Full Council on 14 July 2015).**

David Bowater  
Lynda Croft  
Mike Pankiewicz  
Howard Pearce  
Barry Reed

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Please direct any enquiries on this Agenda to Libby Beale (Senior Democratic Services Officer), of Democratic and Members' Services, County Hall, Trowbridge, direct line 01225 718214 or email [Elizabeth.beale@wiltshire.gov.uk](mailto:Elizabeth.beale@wiltshire.gov.uk)

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

All public reports referred to on this agenda are available on the Council's website at [www.wiltshire.gov.uk](http://www.wiltshire.gov.uk)

## **Part 1**

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

#### **1 Membership**

To note new members appointed to the Local Pension Board by Full Council on 14 July 2015.

#### **2 Appointment of the Chairman and Vice-Chairman of the Board (Pages 5 - 8)**

A brief report outlines the requirement for a Chairman and Vice Chairman on the Local Pension Board.

The Board is requested to ratify the appointment of the Chairman of the Local Pension Board, as agreed by Full Council on 12 May 2015.

The Board is requested to appoint a Vice-Chairman of the Local Pension Board.

#### **3 Attendance of non-members of the Board**

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

#### **4 Apologies**

To receive any apologies for absence.

#### **5 Declarations of Interest**

To receive any declarations of interest.

#### **6 Chairman's Announcements**

To receive any announcements through the Chairman.

#### **7 Public Participation**

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 9<sup>th</sup> July 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 Board members prior to the meeting and made available at the meeting and on the Council's website.

**8 Adoption of the Local Pension Board Terms of Reference (Pages 9 - 24)**

A report outlines the Terms of Reference as approved by Wiltshire Council for adoption by the Local Pension Board.

**9 Introductions of Members of the Local Pension Board**

A verbal introduction will be given along with a brief biography of each member of the Local Pension Board for information.

**10 Overview of the Conflict of Interest Policy (Pages 25 - 38)**

The Local Pension Board is requested to adopt the Conflict of Interest policy and recommendations outlined in the report.

**11 Purpose & Role of a Local Pension Board (Pages 39 - 42)**

A report explains the context of the Board at a national and local level and outlines its status within the Wiltshire Council constitution and how it's expected to operate.

**12 Training Plans (Pages 43 - 50)**

A report outlines the requirements for Local Pension Board Members to be conversant with the LGPS scheme, its regulations and to have a training plan in place to ensure specific training needs are met.

The Board is asked to note the proposed basis for the development of a training policy as outlined in paragraphs 20 to 28 and that a programme be tabled for approval at the October meeting.

**13 Consideration of the Wiltshire Pension Fund Committee Draft Minutes and Key Decisions Taken on 25 June 2015 (Pages 51 - 92)**

A report attaches the draft minutes of the latest Pension Fund Committee meeting and the key documents approved, namely the Business Plan 2015-18 and Internal Audit Report for comment and noting.

**14 Work Plans for 2015/16 (Pages 93 - 96)**

The Board is requested to consider a report outlining the need to set work plans for the Local Pension Board and suggest areas for review over the next 12 months for further discussion.

**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 Date of next meeting**

Members are asked to note that the next regular meeting of this Board will be held on Thursday, 22 October 2015.

**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.

Close

## WILTSHIRE COUNCIL

### WILTSHIRE LOCAL PENSION BOARD

16 July 2015

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#### **Election of Chair and Vice Chair of the Local Pension Board**

##### **Purpose of the Report**

1. The purpose of this report is to outline the process for the appointment of the Independent Chairman and the Vice Chairman of the Local Pension Board (LPB) who need to be elected at this meeting.

##### **Background**

2. To improve the effectiveness of the LPB, Wiltshire Council chose in the Terms of Reference to have a non-voting independent chairman. This position will use their expert advice to lead and assist the Board.
3. The Terms of Reference also refer to the appointment of a vice-chairman.

##### **Considerations for the Board**

###### **Independent Chairman**

4. The duties of the Independent Chairman are outlined in paragraph 47 of the Terms of Reference:

*47. The chair of the Board:*

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,*
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and*
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.*

5. The effectiveness of this role and ultimately the Board will be enhanced by the Chairman having the relevant pension expertise with a thorough understanding of the issues faced by a Local Government Pension Scheme (LGPS).
6. Nominations for the role of independent chairman were sought through adverts on the Fund's website and the Wiltshire Council job vacancy website. Nominations packs included the role profile and person specification were issued with a closing date of 15 April 2015.
7. This person cannot have any current employment, contractual, financial or other material interest in the Council, be a scheme employer or member of the Wiltshire Pension Fund or be an elected member of Wiltshire Council.
8. All applicants were reviewed against the published criteria of relative experience and capacity to undertake the role. A shortlist was then drawn up and invited to interview with

the Associate Director (Finance), Head of Pensions, and a representative from the Fund's actuary.

9. Following this process, a preferred candidate, **Howard Pearce** was identified and recommended to the Associate Director (Legal & Democratic Services) and Associate Director (Finance). This candidate was formally recommended to Council and appointed at its meeting on 12 May 2015.

10. Paragraph 45 of the Terms of Reference then state:

*45. Full council will appoint the chair to the Board. However, the appointment of the chair shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.*

11. This appointment will run for a period of 4 years.

12. Therefore the Board is asked to pass a motion confirming the appointment of Howard Pearce to this position.

### **Vice Chairman**

13. The Terms of Reference also state:

*46. The Board will appoint the vice chair from amongst its remaining voting members, alternating on an annual basis between an employer representative and a member representative.*

14. The purpose of this role is to provide cover should the Independent Chairman not be able to attend a meeting.

15. Therefore, the Board is asked to consider nominations at the meeting, and to appoint a vice chairman for a period of 12 months.

### **Environmental Impact of the Proposal**

16. There is no environmental impact of this proposal.

### **Financial Considerations & Risk Assessment**

17. The role of independent chairman is remunerated for the provision of their services and this cost has been included in the budgets of the Wiltshire Pension Fund. There is no allowance or payment for services associated with the Vice-Chairman role.

18. The appointment to both these roles will mitigate the risk of this Board not fulfilling its duties as outlined in the Terms of Reference elsewhere on this agenda.

### **Legal Implications**

19. There are no material legal implications arising from the proposals.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

20. There are no known implications at this time.

### **Reasons for Proposals**

21. To enable the appointment of an independent chairman and vice chairman to the LPB.

### **Proposals**

22. The LPB is asked to:

- a) approve the appointment of Howard Pearce as independent chairman of the LPB;
- b) request nominations for the role of vice-chairman; and
- c) appoint a vice-chairman for the LPB.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD  
16 July 2015

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### **Adoption of the Terms of Reference**

#### **Purpose of the Report**

1. The purpose of this report is to request the Board adopt the Terms of Reference previously approved by Wiltshire Council.

#### **Background**

2. To establish a Local Pension Board in line with the Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Amendment Governance) Regulations 2015, Wiltshire Council needed to approve Terms of Reference by 1 April 2015.
3. At its meeting on 24 February 2015, the Terms of Reference of the Board were approved by Council. These have been updated under delegation granted by Council at the same meeting to the Associate Director (Finance) or his nominated representative to make further amendments as the result of further consideration of the relevant legislation and government guidance. A copy of the updated Terms of Reference is attached.

#### **Considerations for the Board**

4. This Board is now required to formally adopt these Terms of Reference.

#### **Environmental Impact of the Proposal**

5. There is no environmental impact of this proposal.

#### **Financial Considerations & Risk Assessment**

6. There are no financial implications from adopting these Terms of Reference as all costs of operating a Local Pension Board (LPB) have already been built into the next 3 year budgets of the Wiltshire Pension Fund.
7. The Terms of Reference need to be adopted to ensure the Council fulfils its statutory responsibilities.

#### **Legal Implications**

8. Should these Terms of Reference not be adopted, the Council would not meet its statutory obligations to have an operational LPB by 31 July 2015. This may lead to a number of potential possibilities including intervention by the Regulator, a judicial review, a complaint to the Local Government or Pension Ombudsman for maladministration, or an adverse comment by the Administering Authority auditor or national Scheme Advisory Board.

**Safeguarding Considerations/Public Health Implications/Equalities Impact**

9. There are no known implications at this time.

**Reasons for Proposals**

10. To enable the LPB to operate in line with its agreed Terms of Reference.

**Proposals**

11. The LPB is asked to adopt the attached Terms of Reference

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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



## LOCAL PENSION BOARD OF WILTSHIRE COUNCIL

### TERMS OF REFERENCE

#### Introduction

1. This document sets out the terms of reference of the Local Pension Board of Wiltshire Council (the “Administering Authority”) being a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (the “Board”) is established under Section 5 of that Act and regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

#### Interpretation

5. The following terms have the meanings as outlined below:

<b>‘the Act’</b>	The Public Service Pensions Act 2013.
<b>‘the Code’</b>	means the Pension Regulator’s Code of Practice No 14 governance and administration of public service pension schemes.
<b>‘the Committee’</b>	means the Wiltshire Pension Fund Committee which has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.

<b>'the Fund'</b>	means the Wiltshire Pension Fund managed and administered by the Administering Authority.
<b>'the Guidance'</b>	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
<b>'the Regulations'</b>	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
<b>'Relevant Legislation'</b>	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
<b>'the Scheme'</b>	means the Local Government Pension Scheme in England and Wales.

### **Statement of purpose**

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
  - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
  - (b) to ensure the effective and efficient governance and administration of the Scheme.

### **Duties of the Board**

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

### **Establishment**

8. The Board is established on 1 April 2015 subsequent to approval by full council at its meeting on 24 February 2015 (minute 22).

## **Membership**

9. The Board shall consist of 6 voting members, as follows:
  - 3 Member Representatives; and
  - 3 Employer Representatives.
10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be an independent chairman who is not entitled to vote.
12. The Board will also have access to an independent governance adviser.

### ***Member representatives***

13. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund. At least one member representative should be an active member of the Wiltshire Pension Fund.
14. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
15. Substitutes shall not be appointed.
16. The 3 member representatives shall be appointed following a transparent recruitment process. Of these 2 member representatives will be nominated from a recognised trade union. 1 member representative position should be open to all Fund members and be approved by the Administering Authority (rather than the Committee) based on the process outlined below.

### **For the initial member representatives:**

17. The Administering Authority (rather than the Committee) will administer the appointment process as follows.
18. The Administering Authority shall advertise the member representative role on the Fund website and the Wiltshire Council job vacancy website, including [information on where to access] a nomination pack for each of the three member groups. The Administering Authority shall also notify all employer organisations and registered trade unions in writing of the vacancies, including [information on where to access] a nomination pack for each of the three member groups. The nomination pack will include these Terms of Reference, details of the member representative role, a nomination form and instructions for application. The closing date for receipt of nominations by the Administering Authority will be four weeks from the date of advertisement or notice.

19. The Administering Authority will score all nominations returned by the deadline against [published] criteria relating to each nominee's ability to meet the capacity requirements of the role, in order to produce a shortlist.
20. Shortlisted nominees will be invited to an interview by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives). A recommendation will then be made to full council for the appointment to the Board of three nominees, two of which will represent nominations from a recognised trade union based on [published] criteria relating to ability to meet the capacity requirements of the role.
21. Full council will make three member representative appointments to the Board.

**For subsequent member representatives:**

22. For all appointments after 1 August 2015, nominations will be sought in the same manner as for initial appointments.
23. Should there be more than three successful candidates able to fulfil all the criteria of the role, an election process will take place during which all active members of the Fund will be asked to cast one vote based on a brief biography published for each nominee for the non-trade union nominated member representative position.
24. Full council will appoint the three nominees (and if more than one nominations are received for the non-trade union position, the one nominee with the highest number of votes) as the member representatives of the Board.

***Employer representatives***

25. Employer representatives shall be office holders or senior employees of employers within the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of Wiltshire Council who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.
26. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
27. Substitutes shall not be appointed.
28. The 3 employer representatives shall be appointed following a transparent recruitment process which should be open to all employer organisations and be approved by the Administering Authority (rather than the Committee) based on the process outlined below.

**For the initial employer representatives:**

29. The Administering Authority (rather than the Committee) will administer the appointment process as follows.
30. In order to ensure that the employer representatives are truly representative of the employer organisations within the Fund whilst also being given equal opportunity for nomination, employer organisations within the Fund will be divided into three groups based on organisation size (by number of employees) for nomination purposes:  
  
Group 1: Wiltshire Council;  
Group 2: Swindon Borough Council and Wiltshire Police; and  
Group 3: all other employer organisations within the Fund.
31. The Administering Authority shall publish [information on where to access] a nomination pack for each of the three employer groups. The nomination pack will include these Terms of Reference, details of the employer representative role, a nomination form and instructions for application. Each employer within the group will be invited to put forward one suitable nominee using the prescribed nomination form, which must be returned to the Administering Authority within four weeks of the date of the invitation.
32. The Administering Authority will score all nominations returned by the deadline against [published] criteria relating to each nominee's ability to meet the capacity requirements of the role, in order to produce a shortlist of no more than [two] nominees from each employer group. If any employer group fails to nominate, then the Administering Authority may substitute a nominee from another group according to score received, so that the shortlists contain the highest scoring nominees overall.
33. Shortlisted nominees will be invited to an interview [by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives)]. A recommendation will then be made to full council for the appointment to the Board of three nominees based on [published] criteria relating to ability to meet the capacity requirements of the role.
34. Full council will make three employer representative appointments to the Board.

**For subsequent employer representatives:**

35. For all appointments after 1 August 2015, nominations will be sought in the same manner as for initial appointments.
36. Should there be more than three successful candidates able to fulfil all the criteria of the role, an election process will take place during which all employer organisations within the Fund will be asked to cast one vote based on a brief biography published for each nominee.

37. Full council will appoint the three nominees (and if more than three nominations are received, the three nominees with the highest number of votes) as the employer representatives of the Board.

### ***Other members***

38. 1 other member shall be appointed to the Board to act as independent chair by the agreement of both the Administering Authority and the Board.
39. Other members do not have voting rights on the Board.

### **Appointment of chair**

40. The Administering Authority (rather than the Committee) will administer the appointment process as follows.
41. The independent chair shall be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 38 to 39 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund, and a Wiltshire Councillor.
42. The Administering Authority shall advertise the role of chair on the Fund website, the Wiltshire Council job vacancy website and such other appropriate media as it thinks fit, including [information on where to access] a nomination pack. The nomination pack will include these Terms of Reference, details of the role or chair, a nomination form and instructions for application. The closing date for receipt of nominations by the Administering Authority will be four weeks from the date of advertisement.
43. The Administering Authority will score all nominations returned by the deadline against [published] criteria relating to each nominee's ability to meet the relevant experience and capacity requirements of the role, in order to produce a shortlist of no more than [five] nominees.
44. Shortlisted nominees will be invited to an interview [by the Administering Authority's Associate Director – Legal and Democratic Services and the Administering Authority's Associate Director – Finance (or their nominated representatives)]. A recommendation will then be made to full council for the appointment of the chair to the Board based on [published] criteria relating to ability to meet the experience and capacity requirements of the role.
45. Full council will appoint the chair to the Board. However, the appointment of the chair shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.
46. The Board will appoint the vice chair from amongst its remaining voting members, alternating on an annual basis between an employer representative and a member representative.



## **Duties of chair**

47. The chair of the Board:

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

## **Independent governance adviser**

48. The Administering Authority will procure the services of the independent governance adviser in accordance with Part 11 of the Administering Authority's constitution, having regard to the best interests of the purpose of the Board. The role will be re-tendered every four years.

49. In this respect the term independent means having no current employment, contractual, financial or other material interest in either Wiltshire Council or any scheme employer in the Fund other than for this role; and not being a member of the LGPS in the Fund.

## **Notification of appointments**

50. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

## **Terms of Office**

51. The term of office for Board members is 4 years.

52. All members of the Board will have a fixed term of office of 4 years. After this period the nomination process will be undertaken as outlined above and incumbents may seek re-appointment as part of this process. However, an extension to terms of office may be made by the Administering Authority with the agreement of the Board.

53. Board membership may be terminated prior to the end of the term of office if:

- (a) there exists a conflict of interest in relation to a Board member which cannot be managed within the internal procedures of the Committee
- (b) a Board member becomes incapable of acting
- (c) a Board member becomes responsible for the discharge of any function of the Administering Authority under the Regulations (apart from any

function relating to local pension boards or the Scheme Advisory Board), for instance by being appointed to the Committee or accepting employment in relation to the Fund

- (d) a Board member resigns
- (e) a member representative ceases to be a member of the body or scheme on which their appointment relied
- (f) an employer representative ceases to hold the office, employment or membership of the body on which their appointment relied
- (g) a councillor ceases to represent their constituency
- (h) the Administering Authority (at its sole discretion) determines that a member is no longer able to demonstrate his or her capacity to attend and prepare for meetings or to participate in required training

### **Conflicts of interest**

- 54. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
- 55. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
- 56. On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.

### **Knowledge and understanding (including Training)**

- 57. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
- 58. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
- 59. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

60. Failure to attend training or participate in the processes referred to above may lead to removal from the Board.

### **Meetings**

61. Meetings of the Board will be held at least four times a year.
62. The Board will meet at the Administering Authority's main offices, or another location to be agreed by the chair. Meetings will be held during normal working hours at times to be agreed by the chair.
63. The chair of the Board may call additional meetings with the consent of other members of the Board. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and emails.

### **Quorum**

64. A meeting is only quorate when at least 50% of both member and employer representatives are present.
65. A meeting that becomes inquorate may continue but any decisions will be non-binding.

### **Board administration**

66. The chair shall agree the Administering Authority's Democratic Services team (the 'Board Secretary') an agenda prior to each Board meeting.
67. The agenda and supporting papers will be issued at least 7 working days (where practicable) in advance of the meeting except in the case of matters of urgency.
68. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 10 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
69. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
70. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

71. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
72. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
73. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

### **Public access to Board meetings and information**

74. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public). The Board is subject to the Access to Information Procedure Rules in Part 5 of the Administering Authority's constitution and the publication requirements of the Act.
75. The following will be entitled to attend Board meetings in an observer capacity, and may speak with the permission of the chair:
  - (a) Members of the Committee
  - (b) The Administering Authority's Associate Director – Finance
  - (c) The Administering Authority's Head of Pensions
  - (d) The Administering Authority's Cabinet member for finance
  - (e) Any person requested to attend by the Board
76. In accordance with the Act the Administering Authority shall publish information about the Board to include:
  - (a) The names of Board members and their contact details.
  - (b) The representation of employers and members on the Board.
  - (c) The role of the Board.
  - (d) These Terms of Reference.
77. The Administering Authority shall also publish other information about the Board including:
  - (a) Agendas and minutes
  - (b) Training and attendance logs
  - (c) An annual report on the work of the Board to be included in the Fund's own annual report.
78. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
  - (a) On the Fund's website.
  - (b) As part of the Fund's Annual Report.

(c) As part of the Governance Compliance Statement.

79. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

### **Expenses and allowances**

80. Any Wiltshire Councillor appointed to the Board will be entitled to receive expenses in accordance with Part 14 of the Administering Authority's constitution (Members' Allowance Scheme).

81. The independent governance adviser will be paid in accordance with the contract concluded with the Administering Authority.

82. Allowances and reimbursement of expenses for all other members of the Board will be decided by the Administering Authority.

### **Budget**

83. The expenses of the Board falls as a cost to the Fund. Therefore, the Committee will, via its delegation from full council, allocate an annual budget for the Board which is adequate to fulfil its role as part of its budget setting process. The budget will be managed by and at the discretion of the Board. The budget shall allow for:

- a) accommodation and administrative support to conduct its meetings and other business;
- b) training; and
- c) legal, technical and other professional advice

84. The Board may make requests to the Administering Authority's Associate Director – Finance to approve any additional expenditure required to fulfil its obligations which will then be charged to the Fund budget.

### **Core functions**

85. The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.

- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.
- c) Review the compliance of scheme employers with their duties under the Regulations and Relevant Legislation.
- d) Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- e) Review scheme members and employers communications as required by the Regulations and Relevant Legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Review the Internal Dispute Resolution Process.
- h) Review Pensions Ombudsman cases.
- i) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- j) Review the complete and proper exercise of employer and administering authority discretions.
- k) Review the outcome of internal and external audit reports.
- l) Review draft accounts and Fund annual report.

86. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Monitor performance of administration, governance and investments against key performance targets and indicators.
- b) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- c) Monitor investment costs including custodian and transaction costs.
- d) Monitor internal and external audit reports.
- e) Review the risk register as it relates to the scheme manager function of the Administering Authority.
- f) Review the outcome of actuarial reporting and valuations.
- g) Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.

87. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

88. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

## **Reporting**

89. The Board is accountable solely to the Administering Authority for the effective operation of its functions.
90. The Board shall report to the Committee as often as the Board deems necessary and at least annually:
- a) a summary of the work undertaken since the last report
  - b) the work plan for last year and the programme for the next 12 months
  - c) areas raised to the Board to be investigated since the last report and how they were dealt with
  - d) any risks or other areas of potential concern it wishes to raise
  - e) details of training received since the last report and planned
  - f) details of all expenses and costs incurred over the past 12 months and projected for the next year
  - g) details of any conflicts of interest identified since the last report and how they were dealt with
91. The Board should also report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer.
92. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
93. On receipt of a report under paragraphs 90 and 91 above the Committee should, within a reasonable period, consider and respond to the Board.
94. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
95. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 90 and 91 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
96. The appropriate internal route for escalation is to the Administering Authority's Associate Director – Finance as the Section 151 Officer.
97. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
98. Board members are also subject to the requirements to report breaches of law under the Act and the Code and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy.

**Review of Terms of Reference**

99. These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every 5 years.

100. These Terms of Reference were last reviewed on 7 May 2015.

.....  
**Signed on behalf of the Administering Authority**

.....  
**Signed on behalf of the Board**

**Published**



## WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD  
16 July 2015

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### Code of Conduct and Conflict of Interest Policy

#### Purpose of the Report

1. The purpose of this report is to consider how the Local Pension Board (LPB) will manage conflict of interests and outline the expected code of conduct for Members.

#### Background

2. To ensure sound governance of the LPB, there are certain principles that LPB Members must follow, particularly in relation to code of conduct and conflicts of interest.
3. These regulations place a duty on Wiltshire Council to satisfy itself that LPB Members don't have conflicts of interest on appointment or whilst they are Members of the LPB. LPB Members may be made aware of their duties under a code of conduct.

#### **Code of Conduct and Disclosure of Interest for Wiltshire Councillors**

4. There is a requirement for Wiltshire Councillors to comply with their own code of conduct and to disclose any interests. This code of conduct is attached in Appendix 1

#### **Seven Principles of Public Life**

5. For those LPB Members who aren't Wiltshire Councillors, then as a holder of public office the expectation is that they comply with the 'Seven Principles of Public Life', also known as the 'Nolan Principles' which are:
  - a) **Selflessness** - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
  - b) **Integrity** - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
  - c) **Objectivity** - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
  - d) **Accountability** - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
  - e) **Openness** - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

- f) **Honesty** - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- g) **Leadership** - Holders of public office should promote and support these principles by leadership and example.

### **Register of Interest**

- 6. All LPB Members are required to notify Democratic Services of any potential conflict of interest arising as a result of their position on the Board.
- 7. All meetings of the LPB include a standing item titled Declarations of Interest at the start of the meeting where any declaration of interest in relation to items on the agenda should be made. If in doubt, further advice can be sought from Democratic Services.

### **The Pensions Regulator's Code of Practice on Conflicts of Interest**

- 8. The Pensions Regulator (tPR) also outlines its expectations on conflict of interest management in its **Code of Practice: Governance and administration of public service pension schemes** in paragraphs 61 to 89 (see extract in Appendix 2).
- 9. The Code states conflicts of interest are prohibited within the Public Service Pension Act (PSPA) 2013, but "potential" conflicts can be managed. The Code outlines when a conflict may arise, providing practical examples. The Code expects the LPB to have an agreed and documented conflicts policy and procedure which outlines how they will be identified and managed using a three stage process of identifying potential conflicts, monitoring them and managing them.
- 10. Failure to follow applicable codes of conduct or declare a conflict of interest can impact on good governance in various ways. For example, such failure may result in a LPB actually acting improperly, leading to a perception that the LPB has acted improperly, or may result in a challenge to the work carried out by the LPB.

### **What is a Conflict of Interest?**

- 11. For the purposes of a member of a LPB, a 'conflict of interest' is defined in section 5(5) of the PSPA 2013 as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of a LPB.
- 12. The PSPA 2013 also specifies that a conflict does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS and/or Fund (or any connected scheme). Therefore, a conflict of interest may arise when a member of a LPB must fulfil their legal duty to assist the Wiltshire Pension Fund and at the same time they have a separate personal interest (financial or otherwise); or another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility as a LPB member.

### **Examples of a Conflict of Interest**

- 13. Some examples of potential conflicts in this context would include:
  - a) A finance officer appointed as a member of a LPB may, from time to time, be required to review a decision which may be, or appear to be, in opposition to another interest or responsibility. For example, they may be required as a

member of the LPB to review a decision which involves the use of departmental resources to improve scheme administration, whilst at the same time being tasked, by virtue of their employment, with reducing departmental spending.

- b) A member representative who works in the Administering Authority's internal audit department may be required as part of his work to audit the Fund. For example, the employee may become aware of confidential breaches of law by the Fund which have not yet been brought to the attention of the LPB.
- c) An employer representative from the private sector may also have a conflict of interest as a decision-maker in their own workplace. For example, if an employer representative is drawn from a company to which the Administering Authority has outsourced its pension administration services and the LPB is reviewing the standards of service provided by it.

## **Considerations for the LPB**

### **Code of Conduct for the Local Pension Board**

- 14. As currently only one person on the LPB will be a Wiltshire Councillor, it is appropriate that the LPB approve a code of conduct to be adopted. It would be recommended that this is developed in line with the current code in place for Wiltshire Councillors.
- 15. It is important that all LPB Members are familiar with and understand the importance of these principles to be adopted by the LPB and appropriate training is arranged on this issue.

### **Conflicts of Interest Policy**

- 16. The Terms of Reference elsewhere on this agenda outline the LPB approach to conflicts of interest in paragraph 54 to 56 which states:
  - a) *All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.*
  - b) *A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.*
  - c) *On each appointment to the Board and following any subsequent declaration of potential conflict, the Administering Authority shall ensure that any potential conflict is effectively managed in line with the internal procedures of the Administering Authority, the requirements of the Act, the requirements of the Code and the requirements of Relevant Legislation on conflict of interest for Board members.*
- 17. Therefore a conflicts of interest policy needs to be developed, that clearly outlines the process and procedure for identifying, monitoring and managing these conflicts for approval which covers both elected and non-elected LPB Members.
- 18. Further training should be provided for officers and Members of the LPB on conduct and conflicts.

19. LPB Members should also ensure they notified Democratic Services of any potential conflict of interest arising as a result of their position on the Board and be aware of their responsibilities to declare any further interest at the start of each meeting.

### **Environmental Impact of the Proposal**

20. Not applicable.

### **Financial Considerations & Risk Assessment**

21. There are no significant financial implications from this report.

22. The implementation of a Code of Conduct and Conflicts of Interest Policy will assist in mitigating the reputational risk should an issue arise which hasn't been identified or managed.

### **Legal Implications**

23. There are no material legal implications from this report. Legal Services have been consulted regarding the legislation referred to in this report.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

24. There are no known implications at this time.

### **Reasons for Proposals**

25. To ensure the LPB has a policy to address Code of Conduct and Conflict of Interests and that LPB Members are aware of the issues surrounding the legislation.

### **Proposals**

26. The LPB is asked to:

- a) request Wiltshire Council develop a Code of Conduct and Conflicts of Interest Policy for approval;
- b) request officers provide further training to LPB Members on Code of Conduct and Conflicts of Interest; and
- c) note the requirement for Members to declare any potential conflict of interest arising from their position on the LPB.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

## Part 13

# Wiltshire Council Code of Conduct

You are a member or co-opted member of Wiltshire Council and hence you shall have regard to the following principles - selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the following requirements, by leadership and example.

Accordingly, when acting in your capacity as a member or co-opted member:

1. You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.
2. You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
3. When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit.
4. You are accountable for your decisions to the public and you must co-operate fully with whatever scrutiny is appropriate to your office.
5. You must be as open as possible about your decisions and actions and the decisions and actions of your authority, and should be prepared to give reasons for those decisions and actions.
6. You must declare any private interests, both pecuniary and non-pecuniary, that relate to your public duties, and must take steps to resolve any conflicts arising in a way that protects the public interest, including registering and declaring interests in a manner conforming with the procedures set out below.
7. You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

Members of Wiltshire Council will have regard to the Roles and Responsibilities of Wiltshire Councillors according to Appendix 1 and Wiltshire Council Behaviours Framework at Appendix 2.

#### Registering and declaring pecuniary and non-pecuniary interests

8. You must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living as a husband or wife, or as if you were civil partners.
9. In addition, you must, within 28 days of taking office as a member or co-opted member, notify your authority's monitoring officer of any disclosable pecuniary or non-pecuniary interests which your authority has decided should be included in the register.
10. If an interest has not been entered onto the authority's register you must disclose the interest to any meeting of authority at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a sensitive interest.
11. Following any disclosure of an interest which is not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.
12. Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions your authority places on your involvement in matters where you have a pecuniary or non-pecuniary interest as defined by your authority.

58. Learning programmes should be flexible, allowing pension board members to update particular areas of learning where required and to acquire new areas of knowledge in the event of any change. For example, pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.
59. The regulator will provide an e-learning programme to help meet the needs of pension board members, whether or not they have access to other learning. If schemes choose alternative learning programmes they should be confident that those programmes:
- cover the type and degree of knowledge and understanding required
  - reflect the legal requirements, and
  - are delivered within an appropriate timescale.

## Demonstrating knowledge and understanding

60. Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.

## Conflicts of interest and representation

### Legal requirements

61. A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established<sup>32</sup>.
62. In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied:
- that a person to be appointed as a member of the pension board does not have a conflict of interest and
  - from time to time, that none of the members of the pension board has a conflict of interest<sup>33</sup>.

32  
Section 5(5) of the 2013 Act defines a conflict of interest in relation to pension board members and s7(5) of that Act in relation to scheme advisory board members.

33  
Section 5(4)(a), *ibid*.

63. Scheme regulations must require each member or proposed member of a pension board to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of meeting the requirements referred to above<sup>34</sup>.
64. Scheme regulations must include provision requiring the pension board to include employer representatives and member representatives in equal numbers<sup>35</sup>.
65. In relation to the scheme advisory board, the regulations must also include provision requiring the responsible authority to be satisfied:
  - that a person to be appointed as a member of the scheme advisory board does not have a conflict of interest and
  - from time to time, that none of the members of the scheme advisory board has a conflict of interest<sup>36</sup>.
66. Scheme regulations must require each member of a scheme advisory board to provide the responsible authority with such information as the responsible authority reasonably requires for the purposes of meeting the requirements referred to above<sup>37</sup>.

## Practical guidance

67. This guidance is to help scheme managers to meet the legal requirement to be satisfied that pension board members do not have any conflicts of interest. The same requirements apply to responsible authorities in relation to scheme advisory boards, (apart from the requirement regarding employer and member representatives), but the regulator does not have specific responsibility for oversight of scheme advisory boards.
68. Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed.
69. A conflict of interest may arise when pension board members:
  - must fulfil their statutory role<sup>38</sup> of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst
  - having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

34  
Section 5(4)(b) of the  
2013 Act.

35  
Section 5(4)(c), *ibid.*

36  
Section 7(4)(a), *ibid.*

37  
Section 7(4)(b), *ibid.*

38  
Section 5(2), *ibid.*



70. Some, if not all, of the 'Seven principles of public life' (formerly known as the 'Nolan principles')<sup>39</sup> will already apply to people carrying out roles in public service pension schemes, for example through the Ministerial code, Civil Service code or other codes of conduct. These principles should be applied to all pension board members in the exercise of their functions as they require the highest standards of conduct. Schemes should incorporate the principles into any codes of conduct (and across their policies and processes) and other internal standards for pension boards.
71. Other legal requirements relating to conflicts of interest may apply to pension board members and/or scheme advisory board members<sup>40</sup>. The regulator may not have specific responsibility for enforcing all such legal requirements, but it does have a particular role in relation to pension board members and conflicts of interest. While pension board members may be subject to other legal requirements, when exercising functions as a member of a pension board they must meet the specific requirements of the 2013 Act and are expected to satisfy the standards of conduct and practice set out in this code.
72. It is likely that some pension board members will have dual interests, which may include other responsibilities. Scheme managers and pension board members will need to consider all other interests, financial or otherwise, when considering interests which may give rise to a potential or actual conflict. For example, a finance officer appointed as a pension board member can offer their knowledge and make substantial contributions to the operational effectiveness of the scheme, but from time to time they may be involved in a decision or matter which may be, or appear to be, in opposition to another interest. For instance, the pension board may be required to take or scrutinise a decision which involves the use of departmental resources to improve scheme administration, while the finance officer is at the same time tasked, by virtue of their employment, with reducing departmental spending. A finance officer might not be prevented from being a member of a pension board, but the scheme manager must be satisfied that their dual interests are not likely to prejudice the pension board member in the exercise of any particular function.

39  
The Committee on Standards in Public Life has set out seven principles of public life which apply to anyone who works as a public office holder or in other sectors delivering public services:  
[www.gov.uk/government/publications/the-7-principles-of-public-life](http://www.gov.uk/government/publications/the-7-principles-of-public-life).

40  
For example, local government legislation applicable to English local authorities contains legal requirements relating to certain people about standards of conduct, conflicts of interest and disclosure of certain interests.

73. Scheme regulations will set out matters for which the pension board is responsible<sup>41</sup>. Schemes<sup>42</sup> should set out clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards in scheme documentation. This should cover, for example, whether they have responsibility for administering or monitoring the administration of the scheme; developing, delivering or overseeing compliance with requirements for governance and/or administration policies; and taking or scrutinising decisions relating to governance and/or administration. Regardless of their remit, potential conflicts of interest affecting pension board members need to be identified, monitored and managed effectively.
74. Schemes should consider potential conflicts of interest in relation to the full scope of roles, responsibilities and duties of pension board members. It is recommended that all those involved in the management or administration of public service pension schemes take professional legal advice when considering issues to do with conflicts of interest.

### **A three-stage approach to managing potential conflicts of interest**

75. Conflicts of interest can inhibit open discussions and result in decisions, actions or inactions which could lead to ineffective governance and administration of the scheme. They may result in pension boards acting improperly, or lead to a perception that they have acted improperly. It is therefore essential that any interests, which have the potential to become conflicts of interest or be perceived as conflicts of interest, are identified and that potential conflicts of interest (including perceived conflicts) are monitored and managed effectively.
76. Schemes should ensure that there is an agreed and documented conflicts policy and procedure, which includes identifying, monitoring and managing potential conflicts of interest. They should keep this under regular review. Policies and procedures should include examples of scenarios giving rise to conflicts of interest, how a conflict might arise specifically in relation to a pension board member and the process that pension board members and scheme managers should follow to address a situation where board members are subject to a potential or actual conflict of interest.

41  
Section 5(2) of the 2013 Act.

42  
See paragraph 25 for the definition of 'schemes'.

77. Broadly, schemes should consider potential conflicts of interest in three stages:
- identifying
  - monitoring, and
  - managing.

## Identifying potential conflicts

78. Schemes should cultivate a culture of openness and transparency. They should recognise the need for continual consideration of potential conflicts. Disclosure of interests which have the potential to become conflicts of interest should not be ignored. Pension board members should have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest. They should know how to manage potential conflicts.
79. Pension board members, and people who are proposed to be appointed to a pension board, must provide scheme managers with information that they reasonably require to be satisfied that pension board members and proposed members do not have a conflict of interest<sup>43</sup>.
80. Schemes should ensure that pension board members are appointed under procedures that require them to disclose any interests, including other responsibilities, which could become conflicts of interest and which may adversely affect their suitability for the role, before they are appointed.
81. All terms of engagement, for example appointment letters, should include a clause requiring disclosure of all interests, including any other responsibilities, which have the potential to become conflicts of interest, as soon as they arise. All interests disclosed should be recorded. See the section of this code on 'Monitoring potential conflicts'.
82. Schemes should take time to consider what important matters or decisions are likely to be considered during, for example, the year ahead and identify and consider any potential or actual conflicts of interest that may arise in the future. Pension board members should be notified as soon as practically possible and mitigations should be put in place to prevent these conflicts from materialising.

43  
Section 5(4)(b) of the  
2013 Act and scheme  
regulations.

## Monitoring potential conflicts

83. As part of their risk assessment process, schemes should identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. Schemes should evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.
84. A register of interests should provide a simple and effective means of recording and monitoring dual interests and responsibilities. Schemes should also capture decisions about how to manage potential conflicts of interest in their risk registers or elsewhere. The register of interests and other relevant documents should be circulated to the pension board for ongoing review and published, for example on a scheme's website.
85. Conflicts of interest should be included as an opening agenda item at board meetings and revisited during the meeting, where necessary. This provides an opportunity for those present to declare any interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising.

## Managing potential conflicts

86. Schemes should establish and operate procedures which ensure that pension boards are not compromised by potentially conflicted members. They should consider and determine the roles and responsibilities of pension boards and individual board members carefully to ensure that conflicts of interest do not arise, nor are perceived to have arisen.
87. A perceived conflict of interest can be as damaging to the reputation of a scheme as an actual conflict of interest. It could result in scheme members and interested parties losing confidence in the way a scheme is governed and administered. Schemes should be open and transparent about the way they manage potential conflicts of interest.
88. When seeking to prevent a potential conflict of interest becoming detrimental to the conduct or decisions of the pension board, schemes should consider obtaining professional legal advice when assessing any option.

## Examples of conflicts of interest

89. Below are some examples of potential or actual conflicts of interest which could arise, or be perceived to arise, in relation to public service pension schemes. These will depend on the precise role, responsibilities and duties of a pension board. The examples provided are for illustrative purposes only and are not exhaustive. They should not be relied upon as a substitute for the exercise of judgement based on the principles set out in this code and any legal advice considered appropriate, on a case-by-case basis.

### **a. Investing to improve scheme administration versus saving money**

An employer representative, who may be a Permanent Secretary, finance officer or local councillor, is aware that system X would help to improve standards of record-keeping in the scheme, but it would be costly to implement. The scheme manager, for instance a central government department or local administering authority, would need to meet the costs of the new system at a time when there is internal and external pressure to keep costs down. In order to meet the costs of the new system, the scheme manager would need to find money, perhaps by using a budget that was intended for another purpose. This decision could prove unpopular with taxpayers. A conflict of interest could arise where the employer representative was likely to be prejudiced in the exercise of their functions by virtue of their dual interests.

### **b. Outsourcing an activity versus keeping an activity in-house**

In an extension of the previous example, a member representative, who is also an employee of a participating employer, is aware that system X would help to improve standards of record-keeping in the scheme, but it would mean outsourcing an activity that is currently being undertaken in-house by their employer. The member representative could be conflicted if they were likely to be prejudiced in the exercise of their functions by virtue of their employment.

### **c. Representing the breadth of employers or membership versus representing narrow interests**

An employer representative who happens to be employed by the administering authority and is appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if they only act in the interests of their union and union membership, rather than all scheme members.

#### **d. Assisting the scheme manager versus furthering personal interests**

- i. A pension board member, who is also a scheme adviser, may recommend the services or products of a related party, for which they might derive some form of benefit, resulting in them not providing, or not being seen to provide, independent advice or services
- ii. A pension board member who is involved in procuring or tendering for services for a scheme administrator, and who can influence the award of a contract, may be conflicted where they have an interest in a particular supplier, for example, a family member works there.

#### **e) Sharing information with the pension board versus a duty of confidentiality to an employer**

An employer representative has access to information by virtue of their employment, which could influence or inform the considerations or decisions of the pension board. They have to consider whether to share this information with the pension board in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the pension board.

## **Representation on pension boards**

90. While scheme regulations must require pension boards to have an equal number of employer and member representatives<sup>44</sup>, there is flexibility to design arrangements which best suit each scheme.
91. Arrangements should be designed with regard to the principles of proportionality, fairness and transparency, and with the aim of ensuring that a pension board has the right balance of skills, experience and representation (for example, of membership categories and categories of employers participating in the scheme). Those responsible for appointing members to a pension board should also consider the mix of skills and experience needed on the pension board in order for the board to operate effectively in light of its particular role, responsibilities and duties.

44  
Section 5(4)(c) of the  
2013 Act.

## WILTSHIRE COUNCIL

WILTSHIRE LPB  
16 July 2015

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### Role and Purpose of the LPB

#### Purpose of the Report

1. The purpose of this report is to outline the role and purpose of the LPB.

#### Background

2. Following Lord Hutton's review of public service pensions published in March 2011 legislation was introduced to "make public service pension schemes more transparent". The Public Sector Pension Act (2013) along with the Local Government Pension Scheme (Governance) Regulations 2015 requires each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a LPB (LPB) to assist the Council (Administering Authority) in running the Wiltshire Pension Fund.
3. A key aim of the reform is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process.
4. Therefore, this Board is a committee of Wiltshire Council, but separate to the Wiltshire Pension Fund Committee (section 101 committee) to which as administering authority (the Council) it has delegated its functions in relation to the administration of the LGPS.
5. This Board will have no general duties or responsibilities or powers other than those outlined in the draft Terms of Reference (shown elsewhere on this agenda).

#### Considerations for the Board

6. Recommendation 17 of Lord Hutton's report stated:

*"Every public service pension scheme (and individual LGPS Fund) should have a **properly constituted, trained and competent Pension Board, with member nominees, responsible for meeting good standards of governance including effective and efficient administration.** There should also be a pension policy group for each scheme at national level for considering major changes to scheme rules."*

7. This led the case for more independent oversight and that the government, taxpayers and scheme members should be kept better informed about the financial health of these schemes. This included calls for minimum standards set for scheme administration along with a proper and legitimate role for representatives of the workforce to be formally involved in governance arrangements.

#### **National Framework**

8. The above lead to the implementation of the Public Service Pension Act (PSPA) 2013, which referred to each public service scheme having a "Responsible Authority" (Secretary of State – DCLG), Scheme Manager (administering authority) and for these scheme to fall under the responsibility of the Pension Regulator (tPR).

9. The requirements of the PSPA 2013 was in turn incorporated into the LGPS Regulations 2013 (as amended), which due to the nature of the LGPS with 89 different Administering Authorities, led to the establishment of a National Scheme Advisory Board (SAB) overseeing the LPBs.

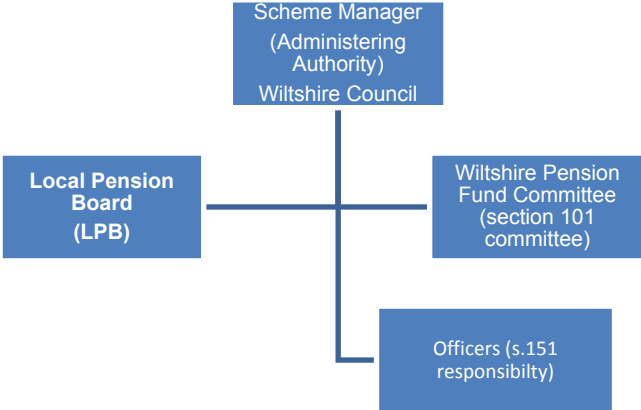
**Role & Purpose of LPB**

10. The PSPA 2013, set out the requirement for the establishment of a Board with the responsibility for assisting the scheme manager in relation to the following matters:

- (a) securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
- (b) to ensure the effective and efficient governance and administration of the Scheme.

11. The LPB will assist the ‘Scheme Manager’ (Wiltshire Council) by ensuring compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the Scheme.

12. This Board sits alongside the Wiltshire Pension Fund Committee (Section 101 Committee) to scrutinise its decision making process and ensure the Fund’s compliance with its legislative requirements. It’s not to be a decision making body.



13. The key difference between the Pension Committee and the LPB are outlined in the table below. Although both are committee’s of Wiltshire Council they fall under different legislation.



<b>Wiltshire Pension Committee</b>	<b>Wiltshire LPB</b>
<ul style="list-style-type: none"> <li>Local Government Act 1972 – Section 101</li> </ul>	<ul style="list-style-type: none"> <li>Public Service Pensions Act 2013 – Regulation 5</li> </ul>
<ul style="list-style-type: none"> <li>Local delegated function under council constitution</li> </ul>	<ul style="list-style-type: none"> <li>LGPS Regulations 2013 (amended 2015)</li> </ul>
<ul style="list-style-type: none"> <li>Delegated <b>decision</b> making</li> </ul>	<ul style="list-style-type: none"> <li><b>Assisting</b> with securing compliance</li> </ul>

14. The focus of the LPB will be “assisting “ the scheme manager to secure compliance with the “scheme” regulations, legislation relating to governance and administration of the Scheme and the requirements under the Pensioner’s Regulators Code of Practice.

15. The legislation also sets out a number of other requirements the LPB must adhere to, the most significant ones listed below:

- a) **Voting Rights** – only employer and scheme member representatives may have voting rights
- b) **Appointment process** – an open and transparent appointment process must be undertaken
- c) **Equal Representation** – there must be a minimum of 2 employer and 2 scheme member representatives (the Wiltshire LPB has 3 of each)
- d) **Capacity** – all representatives must have “capacity” to represent their stakeholders. This includes both the time to train, prepare, and attend the LPB, but also be in a position to provide feedback to the relevant employers and scheme members.
- e) **Conflict of interest** – there must be a policy in place to address and manage any potential conflicts of interest. Members of the LPB cannot be responsible for a fund function, for example senior officers of the Pension Fund, or Members of the main Pension Fund Committee. Wiltshire Councillors are only able to sit on the LPB as an employer representative.

### **What is the actual remit of the LPB?**

16. Although the legal definitions are outlined in the Regulations what does this actually mean in practice? A good analogy of the role of the LPB is as a “critical friend” of the Scheme Manager by assisting it to ensure compliance is achieved.

17. This can be done by ensuring due process has been followed in terms of both the administration of the Fund and the decisions made at the Pension Fund Committee.

18. The LPB may also get involved in reviewing administration standards and reviewing published policies to ensure they are compliant along with key documents.

19. The outcome of this work will then be feed back to the Pension Fund Committee for comment and review.

20. The LPB input into national consultations may also be sought to gain the view of its stakeholders while the Pension Fund Committee may ask the LPB to review specific areas.

21. Each year the LPB will set a work plan for the forthcoming year, and will produce a year end report on progress over that periods, and plans for the forthcoming 12 months. An outline of this work and findings will be feedback to scheme members and employers through an annual report.

## **The Pension Regulator Code of Practice no.14**

22. From 1 April 2015, the Pension Regulator (tPR) has responsibility for the LGPS. Therefore a focus for the LPB is ensuring compliance with tPR's code of practice. This is split into a number of areas which covers Governance, Risk Management, Administration, and Resolving issues.
23. The LPB, as part of their work plan will need to consider these areas, to ensure the Fund is compliant and if not make recommendations to the Pension Fund Committee on ways to address these requirements.
24. The LPB would then need to consider how it would deal with any breaches of the regulations, should recommendations not be acted upon to address concerns to a satisfactory level through the establishment of a Breaches Policy.

### **Environmental Impact of the Proposal**

25. Not applicable.

### **Financial Considerations & Risk Assessment**

26. There are no financial implications from this report.
27. An understanding of the role and remit of the LPB helps when considering its statutory responsibilities, work plans and to mitigate the risk of the Board being ineffective.

### **Legal Implications**

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

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

29. There are no known implications at this time.

### **Reasons for Proposals**

30. To enable the LPB to understand its purpose and remit on both a national and local level.

### **Proposals**

31. The LPB is asked to note this report.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD  
16 July 2015

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### **Training Plans for the Local Pension Board**

#### **Purpose of the Report**

1. The purpose of this report is to outline the training requirements for Members the Local Pension Board (LPB).

#### **Background**

2. In accordance with The Pension Regulator (tPR) Code of Practice no.14: 'Governance and administration of public service and pensions schemes' (page 12 paragraphs 44 to 60) every individual who is a member of a LPB must:
  - a) be conversant with:
    - i. the rules of the Local Government Pension Scheme (LGPS), in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
    - ii. any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and
  - b) have knowledge and understanding of:
    - i. the law relating to pensions; and
    - ii. such other matters as may be prescribed.
3. These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements applies to every individual member of a LPB rather than as a collective group
4. The Wiltshire Pension Fund is committed to making the appropriate training available to LPB Members to assist them in undertaking their role and where possible will provide support in undertaking that training.
5. Where a LPB member does not demonstrate their capacity to attend and complete training then the Regulations require Wiltshire Council to consider whether that member has the capacity to undertake their role on the Board.

#### **Considerations for the Board**

##### **Degree of Knowledge and Understanding**

6. The legal requirement is that Members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the Fund. This is implied as a working knowledge (i.e. a sufficient level of familiarity) so that Members are aware of which legislation / polices to refer to when carrying out their role.
7. It is implicit that LPB Members understand the duties and obligations that apply to the Wiltshire Pension Fund as well as to themselves. LPB Members should be clear on the

roles, responsibilities and duties of the Board and its Members as set out in the Terms of Reference. LPB Members need to be able to identify and challenge failure to comply with the scheme rules. The rules of the LGPS would include:

- a) the Regulations;
- b) the Investment Regulations;
- c) the Transitional Regulations; and
- d) any statutory guidance referred to in these regulations.

### **Areas of Knowledge and Understanding**

8. LPB Members should be conversant with, but not limited to the following areas:
  - a) Scheme approved policies (conflicts / reporting / record keeping)
  - b) Risk assessment / management
  - c) Scheme booklets / members communications
  - d) The role of LPB Members and the scheme manager (Wiltshire Pension Fund)
  - e) Policies in relation to discretions
  - f) Communications with scheme members and employers
  - g) Key policy documents on administration, funding, and investment (e.g. Administration strategy, Funding statement Strategy, Statement of Investment Principles)
9. LPB Members should have a breadth of knowledge and understanding that is sufficient to allow them to understand fully any professional advice the LPB is given. Members should be able to challenge any information or advice they are given and understand how that information or advice impacts on any decision relating to the LPB's duty to assist the Wiltshire Pension Fund.

### **Acquiring, Reviewing and Updating Knowledge and Understanding**

10. This Board needs to produce a knowledge and understanding policy and framework for the acquisition and retention of knowledge and understanding for its Members. This framework will need to be a continuous cycle of identifying training requirements, leading into training design and training delivery and then the evaluation of this training to identify further requirements. This will lead to the continuous development of LPB Members.
11. Members of this Board will need to commit sufficient time in their learning and development alongside their other duties as training is an important part of the individual's role and will help to ensure that they have the necessary knowledge and understanding to effectively meet their legal obligations.
12. As Members knowledge and understanding responsibilities technically begin from the date they take up their post, training needs to start as soon as possible to start to familiarise themselves with the Regulations, key Fund documents and relevant pensions law.
13. However, there is a practical recognition that it will take a newly appointed member a reasonable period to attain the required full level of knowledge and understanding, while consideration needs to be given to the differing levels of existing knowledge that LPB Members may have already have attained.

### **Knowledge and Understanding for Pension Committee Members**

14. The legal requirement for knowledge and understanding for Members of a LPB does not apply to Members of a Pension Committee. However, the requirement serves as a useful benchmark for the knowledge and understanding that a member of a decision-making Pension Committee should have. Therefore, a good starting point is the Pensions Committee's existing knowledge and understanding policy already in place, which could be incorporated to cover both the Pensions Committee and the LPB to avoid unnecessary duplication. However the requirements of the LPB may at time differ.
15. The Pension Committee programme is based on an self-assessment exercise, to identify individuals knowledge gaps which is then used to formulate a Members Training Programme.

### **Next steps – agree a training strategy**

16. The delivery of training is key to the successful implementation on the training strategy. There are a number of different formats that can be used to deliver training including LPB Members handbook, briefing notes, short seminars at or before meetings, internal training events, external training events, conferences, E-learning, webcasts, reading of trade magazines and one to one briefings.
17. It is also a requirement that assessments are made of individual training needs and records kept to measure the implementation of the strategy.
18. The induction day held on 30 June 2015 provided an overview to Members of the role and context of the LPB along with details of the LGPS and specifically the background to the Wiltshire Pension Fund and its key documents and policies.
19. The next step would be for all Members to complete a self-assessment to help identify key areas to build upon and assist in shaping a bespoke training programme for both individuals and the Board. These programmes will be annually reviewed to ensure the correct level of skills and competencies are maintained.

### **Training Plans**

20. Therefore, following the induction day, it is proposed a self-assessment form is completed by all Members of the Board in attempt to identify any areas which require immediate further training on.
21. Using the results from the self-assessment, a LPB training programme will be developed, incorporating the Pension Fund Committee Members Training Plan (see Appendix).
22. It is recommended that LPB Members attend the LGE 3 day Pensions Fundamental Course as an introduction to the LGPS. This is a 3 day course spread over several months (September to December) covering all the key areas of the LGPS and provides a thorough understanding of the scheme, its legislation and an appreciation of the different areas of work. Those Members with current experience may wish to attend only those days which they feel need further training on.
23. It is also recommended that all LPB Members complete the on-line tPR e-learning trustee toolkit. This is split into modules which can be done at one's own learning pace and is completed by undertaking a set of multiple choice questions for each section. They should effectively assist in meeting the knowledge and understanding issues dealt with in the Regulator's Code of Practice.

24. The Wiltshire Pension Fund will also keep Members of updated of relevant conference that may be useful to attend and can make the bookings.
25. The intention is to develop and keep up-dated a LPB Members' Handbook to complement all training undertaking. This will be a live document updated for all new areas of training as they are delivered, being a single reference source for Members.
26. LPB Members will be required to ensure they record all further continued development once they have attained a requisite level, including conferences and courses attended.
27. The LPB needs to also designate a person to take responsibility for ensuring that the knowledge and understanding framework is developed and implemented. This can be either a member of the LPB or an external person, for example an officer of Wiltshire Council. As all training development will need to be recorded and potentially published as part of the annual reporting process it is felt that officers of Wiltshire Council would be best placed to collate this information.

### **Environmental Impact of the Proposal**

28. Not applicable.

### **Financial Considerations & Risk Assessment**

29. There are no significant financial implications from this report. The costs of providing training to the LPB has already been included in the 3 years budget projections.
30. The development and implementation of a training policy will ensure LPB Members have sufficient knowledge and understanding to carry out their duties effectively.

### **Legal Implications**

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

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

32. There are no known implications at this time.

### **Reasons for Proposals**

33. To ensure the LPB is able to develop a training policy to meet the statutory requirements of ensuring all its Board Members have capacity to fulfil their obligations associated with their role.

### **Proposals**

34. The Board is asked to note the proposed basis for the development of a training policy as outlined in paragraphs 20 to 28 and for a programme to be tabled for approval at the October meeting.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

## 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	
<b>GENERAL TRAINING</b>								
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
<b>SPECIFIC ISSUES IDENTIFIED FROM MEMBERS SELF ASSESSMENTS</b>								
<b>General Pension Framework</b>								
<ul style="list-style-type: none"> <li>• Terms of Reference for Pension Committee, Investment Sub-Committee &amp; Local Pension Board</li> </ul>	✓		✓					July 2015
<ul style="list-style-type: none"> <li>• LGPS discretions policies</li> </ul>			✓					July 2015
<ul style="list-style-type: none"> <li>• Update following Government’s response to consultation on the review of the LGPS</li> </ul>		✓		✓	✓			September 2015
<ul style="list-style-type: none"> <li>• Review of the Fund’s communication policy &amp; tools</li> </ul>	✓			✓				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	
<b>Pensions Legislation &amp; Governance:</b> <ul style="list-style-type: none"> <li>• Role of the Pension Regulator, National Scheme Advisory Board &amp; Local Pension Board</li> <li>• Review of the importance on data quality and implications of the end of contracting out in 2016</li> <li>• Overview of all the relevant sources of legislation that impact on the Fund</li> </ul>	✓			✓				May 2015
	✓			✓				May 2015
	✓							May 2016
<b>Pension Accounting &amp; Auditing standards:</b> <ul style="list-style-type: none"> <li>• Update on the new reporting requirements for the Fund's Annual Report</li> </ul>			✓					September 2015
<b>Financial Services procurement:</b> <ul style="list-style-type: none"> <li>• Current public procurement policy &amp; procedures</li> <li>• Brief overview of UK &amp; EU procurement legislation</li> <li>• Awareness of support services suppliers and contract monitoring</li> </ul>	✓							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	
<b>Investment Performance &amp; Risk Management:</b> <ul style="list-style-type: none"> <li>Monitoring asset returns relative to liabilities and monitoring funding level risk</li> <li>Understanding the purpose of "flight paths" &amp; asset liability matching</li> <li>Implications of setting different investment strategies for employers</li> </ul>	✓	✓		✓	✓			September 2015
		✓		✓	✓			September 2015
				✓				April 2016
<b>Financial markets &amp; products knowledge:</b> <ul style="list-style-type: none"> <li>Review of asset allocation and investment strategy</li> <li>Limits placed by regulation on investment activities in the LGPS</li> <li>Environmental, Social and Governance considerations for investing</li> <li>Specific investment opportunities</li> </ul>		✓		✓				June 2015 / 2016 / 2017
	✓			✓				September 2016
				✓				September 2017
		✓		✓	✓			As required
<b>Actuarial methods, standards and practices:</b> <ul style="list-style-type: none"> <li>Review purpose of the Funding Strategy Statement</li> <li>Triennial Valuation refresher</li> <li>Considerations in relation to outsourcings and bulk transfers</li> </ul>	✓			✓				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	
<b>CHAIRMAN / VICE CHAIRMAN TRAINING</b>								
<ul style="list-style-type: none"> <li>• Strategic forward planning</li> <li>• Stakeholder feedback</li> <li>• Appreciation of changes to scheme rules</li> </ul>					✓		✓ ✓	on-going on-going Invite to be circulated to relevant ones

## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD

16 July 2015

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### **Wiltshire Pension Fund Committee Minutes and Key Decisions – 25 June 2015**

#### **Purpose of the Report**

1. The purpose of this report is to consider the draft minutes from the Wiltshire Pension Fund Committee and the key decisions taken.

#### **Background**

2. In order to fulfil its role the Local Pension Board (LPB) needs to review the minutes and key decisions of the Wiltshire Pension Fund to assist it in securing compliance in line with the Regulations by ensuring it has undertaken due process in formulating decisions and its policies and key documents meet the required standards.

#### **Considerations for the Board**

3. Attached to this report are the draft minutes from the meeting of the Wiltshire Pension Fund on 25 June 2015.
4. Also attached are the Business Plan 2015-18 and Internal Audit Report for comments and noting.

#### **Environmental Impact of the Proposal**

5. Not applicable.

#### **Financial Considerations & Risk Assessment**

6. There are no significant financial implications from this report.
7. The review of the draft minutes and key documents assist the Fund in ensuring compliance and due process is being undertaken in the administration of the scheme which should mitigate overall risks.

#### **Legal Implications**

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

#### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

9. There are no known implications at this time.

#### **Reasons for Proposals**

10. To ensure the LPB is assisting the Wiltshire Pension Fund in securing compliance in line with the Regulations and undertaking efficient and effective governance of the LGPS scheme.

## **Proposals**

11. The LPB is asked to note:

- a) the draft minutes;
- b) the Business Plan 2015-18; and
- c) the Internal Audit Report.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

## WILTSHIRE PENSION FUND COMMITTEE

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### MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 25 JUNE 2015 AT COUNTY HALL, TROWBRIDGE.

#### Present:

Cllr Steve Allsopp, Cllr Tony Deane (Chairman), Diane Hall, Cllr Charles Howard (Vice Chairman), Cllr Mark Packard, Cllr Sheila Parker, Linda Stuart and Cllr Steve Weisinger

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#### 28 Membership

Following the latest appointments by each Local Authority contributing Members to the Committee, Cllr Brian Ford was no longer a member of the Committee.

Councillor Steve Weisinger was appointed as a Member of the Committee and Investment Sub-Committee.

#### 29 Attendance of non-members of the Committee

There were no non-members present.

#### 30 Apologies for Absence

An apology for absence was received from the Cabinet Member for Finance, Councillor Richard Tonge.

#### 31 Minutes

The minutes of the meetings held on 12 March and 21 May 2015 were presented for consideration, along with the minutes of the Investment Sub-Committee for 4 June 2015.

#### Resolved:

**That subject to a correction to Minute 27 - Urgent Items - of the 21 May 2015 minutes to add 'recently reported historical' in place of 'recent', and a correction to Minute 1 of the 4 June 2015 to delete the word 'not' in the last paragraph and Minute 14 of the 4 June 2015 minutes to replace 'Marion' with 'Marino', to approve and sign as a correct record the minutes of the meetings held on 12 March, 21 May and 4 June 2015.**

32 **Declarations of Interest**

Mr Jim Edney, Independent Adviser to the Pension Fund, declared an interest in Item 11 - Business Plan 2015-18 - owing to his contract being an item up for a regularly scheduled review as part of the Business Plan.

33 **Chairman's Announcements**

The Chairman encouraged as many members as possible attend the Investment Review Away Day on 13 July 2015 at the St John's Conference Centre in Trowbridge.

34 **Public Participation and Councillors' Questions**

There were no questions or statements submitted.

35 **SWAP Internal Audit Report**

The Head of Pensions presented a report from the council's internal auditors, the South West Audit Partnership (SWAP). It was reported SWAP had declared a 'reasonable assurance' opinion of the controls and procedures in relation for the Fund, with no significant findings to report. Three mediums risks in relation to procedures, inaccurate service recording and lack of prompt payments were identified

The Committee discussed the report, and noted the level of assurance from the auditors remained satisfactory and approved of the measures detailed to address the medium risks identified further, which it was stated would therefore be mitigated by the end of September 2015. There was some discussion as to whether reductions in resources at with Wilshire Council or SWAP had impacted on the risks identified, and requested further updates as the risks were addressed.

**Resolved:**

**To note the Internal Audit Report and Agreed Action Plan.**

36 **Pension Fund Administration Outturn Statement 2014-15**

The Strategic Pensions Manager presented the Pension Fund Administration Outturn statement for consideration. It was stated no unexpected issues had arisen.

**Resolved:**

**To note the update**

37 **Draft Statement of Accounts**

The Head of Pensions presented the draft Statement of Accounts for 2014-15, prepared in accordance with the Code of Practice on Local Authority Accounting. It was stated the complete Annual Report would be presented to the Committee in September 2015.

The Committee discussed the draft, noting that the external auditors KPMG were currently considering the Statement, and some small changes might arise from that work, and that asset value for the Fund was higher due to better performance.

In response to a query regarding the recovery of a long debt which was accrued through the covering the liabilities for magistrate pensions, it was confirmed this was to take place over 10 years of payments, and was progressing as expected. Members also discussed future increases in cost pressures and the possibility the cash flow from the Fund would turn negative as the maturity of the Fund profile increased.

**Resolved:**

**To approve the draft Wiltshire Pension Fund Financial Statements 2014-15 for publication, subject to the completion of the audit.**

38 **Business Plan 2015-18**

The Head of Pensions presented the draft Business Plan 2015-18 for the Pension Fund, which had last been reviewed in 2011. It was stated 8 of 33 actions from that plan remained on-going or to be completed, and had been incorporated into the updated Plan.

The Committee discussed the proposed plan and the difficulty in developing in the face of longer term uncertainties, in particular noting the continued delay the government's response to the recent consultation on the future of the scheme. It was also supported that the Committee monitor the progression of the plan annually.

**Resolved:**

**To approve the draft Wiltshire Pension Fund Business Plan 2015-18, and to receive annual updates on progress.**

39 **Communications Policy**

The Head of Pensions presented a revised Communications policy to the Committee, last approved in 2011 and a requirement under Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. It was reported that this was a statement of existing good practice, but drew attention to implementation of an Annual General Meeting, updating the Fund website

and literature, and seeking contributing employers' comments if the policy were approved.

The Committee welcomed commitments to further increase electronic communication and access, including ability for Fund members to upload changes to databases, which also came with significant cost benefits.

**Resolved:**

**To approve the Communications Policy.**

40 **Statement of Investment Principles**

The Strategic Pensions Manager presented a report providing an annual update to the Statement of Investment Principles for the Pension Fund. It was stated there were no main changes in terms of asset allocation since the previous Statement was approved.

The Committee discussed the report and updated statement, in particular the requirement to produce a compliance statement with a Stewardship Code which was introduced in 2010 to outline how investors disclose and discharge their stewardship responsibilities.

**Resolved:**

**To approve the 2015 Statement of Investment Principles.**

41 **Pension Fund Risk Register**

The Head of Pensions presented the Pension Fund Risk Register, highlighting three changes since the last report in March 2015. These were increased risks for 'Lack of Expertise of Pension Fund Officers' and 'Over-reliance on Key Officers' as a result of two resignations from the team as detailed in the report, and a reduction in risk from 'Establishment of the Local Pension Board and Investment Sub-Committee' as these Committees were now established.

The Committee discussed the changes, and debated whether the salary level of Pension Fund officers was suitably competitive to attract and retain key staff, and the status of the Fund as a semi-autonomous separate entity from Wiltshire Council were raised. It was agreed discussions would take place led by the Chairman and Vice-Chairman to consider further what options could mitigate such risks as identified above from developing or continuing.

**Resolved:**

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

42 **Date of Next Meeting**



The Committee was informed that as a result of the date of a Wiltshire Full Council meeting being moved to 29 September, the date of the next Pension Fund Committee would need to be moved. A date would be circulated to all Committee Members as soon as possible.

43 **Urgent Items**

There were no urgent items, but questions were raised about whether there would be an increase of Parish Councils into the Fund following rulings following responsibilities to those with certain numbers of employees.

44 **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 45 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.**

45 **Investment Quarterly Progress Report Update**

The Strategic Pension Manager presented the quarterly progress report on the performance of the Fund Investment Managers, as previously considered by the Investment Sub-Committee.

Following consideration by the Committee, it was,

**Resolved:**

**To note the investment reports and the actions taken by the Investment Sub-Committee at its meeting on 4 June 2015.**

(Duration of meeting: 10.30 am - 12.00 pm)

The Officer who has produced these minutes is Kieran Elliott, of Democratic Services, direct line 01225 718214504, e-mail [elizabeth.beale@wiltshire.gov.uk](mailto:elizabeth.beale@wiltshire.gov.uk)

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

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## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
25 June 2015

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### **INTERNAL AUDIT REPORT**

#### **Purpose of the Report**

1. This report informs Members of the findings of the internal auditors report from South West Audit Partnership (SWAP) on the Wiltshire Pension Fund from their 2014-15 audit.

#### **Background**

2. The internal audit of Pensions has been completed by SWAP in accordance with the Internal Audit plan for 2014-15. The scope of this audit was to assess the adequacy of key controls and procedures in place for Pensions.
3. This supports the annual audit undertaken by KPMG (the external auditors). The key controls identified for this audit are set out within the Audit Report attached.

#### **Key Considerations for the Committee**

4. Internal Audit has reported a "Reasonable Assurance" opinion. This means that most areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
5. There were no significant findings to report from this audit, although three medium risks were identified which are being addressed by the management in their area of responsibility.
6. The attached report provides a summary of the audit findings and assurances provided along with the recommendation if appropriate for the expected key controls. The Agreed Action Plan can be found at the end of the document.
7. Of the three medium risks identified all have either been addressed or will by 30 September 2015.

#### **Risks Assessment**

8. The risks reflected in this Internal Audit report are included in the Risk Register which is updated quarterly and presented to this Committee.

#### **Financial Implications**

9. The fee for this audit is based on an annual recharge.

#### **Legal Implications**

10. None have been identified as arising directly from 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 Internal Audit Report and Agreed Action Plan.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

## Wiltshire Council

### ► Administration of Pensions

**Issued to:** David Anthony  
*Head of Pensions*

Catherine Dix  
*Strategic Pension Manager*

Michael Hudson  
*Associate Director Finance*

Carolyn Godfrey  
*Corporate Director*

Gerry Cox  
*SWAP Chief Executive*

*Working in partnership with*

**Wiltshire Council**  
*Where everybody matters*

**Date of Report:** 31 March 2015

**Issued by:** Suella Coman  
*Audit Manager*

## Administration of Pensions

### Management Summary

Under the Local Government Pension Scheme (LGPS) Wiltshire Council administers pensions for eligible authorities across the county. Wiltshire Council administers the Wiltshire Pension Fund (WPF) and is one of the 148 Employer organisations which are members of the Fund. Swindon Council and Wiltshire Council are the two largest employers organisations of the Fund. The Fund has seen a further increase in Member bodies during 2013-14 predominantly from the ongoing formation of Academy Schools which have the right of automatic membership.

The Fund has around 21,600 employees currently contributing to it while the number of retired employees receiving regular payments is 13,700. The Wiltshire Pensions Funds assets were valued at £1,645 million as at 31st March 2014.

Pension records are maintained on the council's Altair system by the pensions administration team and payments are made through the SAP payroll system by the pensions payroll team. A Guaranteed Minimum Pension (GMP) Review is currently being undertaken by a pensions project team to address issues that have been identified with GMP administration.

### Summary of Significant Corporate Risks

The following table records the inherent risk (the risk of exposure with no controls in place) and the manager's initial assessment of the risk (the risk exposure on the assumption that the current controls are operating effectively) captured at the outset of the audit. The final column of the table is the Auditors summary assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Areas identified as significant corporate risks, i.e. those being assessed as 'high' or 'very high' risk areas in line with the definitions attached should be addressed as a matter of urgency.

Risks	Inherent Risk Assessment	Managers Initial Assessment	Auditors Assessment
R1: Poor procedures lead to poor administration of the County pension scheme.	Medium	Medium	Low
R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.	Medium	Medium	Medium
R3: Payments are not made promptly and customer service is poor.	Medium	Medium	Medium

## Summary of Significant Findings

There were no significant findings identified during this review.

Further details of audits' findings can be viewed in the full audit report, which follows this Management Summary.

## Conclusion and Audit Opinion

▲★★★ **Reasonable**

I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Whilst the service is actively reviewing procedure and guidance notes, further updating is still required to ensure all processes and procedures are fully documented. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

According to policy, the Pensions Team administration staff should have read-only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

Although pensions system and payroll reconciliations are being carried out, these were not always performed monthly. Action plans from pensions administration and payroll liaison meetings and service complaints identified need to be managed more pro-actively. Performance measures required updating and better monitoring.

The above assurance opinion reflects the fact that the Pensions team have implemented a number of improvements to processes. The recommendations and ensuing actions will further strengthen the controls of the overall system and support the development of the GMP project.

### Objectives & Risks

The key objective of the service and risks that could impact on the achievement of this objective were discussed and are identified below.

**Objective:** To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

**Risks:**

- R1: Poor procedures lead to poor administration of the County pension scheme.
- R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.
- R3: Payments are not made promptly and customer service is poor.

### Method & Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

To ensure that Pension Records and Payments are administered by the Wiltshire Pension Fund in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.

### Findings

The following paragraphs detail all findings that warrant the attention of management.



The findings are all grouped under the objective and risk that they relate.

**1. Risk: R1: Poor procedures lead to poor administration of the County pension scheme.**

**1.1 Membership of Professional Bodies**

The key managers and senior staff in the Wiltshire Pensions Fund (WPF) Team are all required to be members of a relevant professional body or are studying to gain a relevant qualification. Membership is a requirement of the posts, however, the individuals maintain their CPD in line with their organisation's requirements and it is not a requirement to demonstrate this to the Local Authority. The individuals pay their own subscription fees and these are not reimbursed by the Local Authority.

Pensions administration is a complex process and there is a requirement for high technical competence and accuracy to comply with HMRC regulations and therefore senior and key staff are encouraged to achieve and maintain an appropriate professional qualification.

**1.2 LGPS Rules and Regulations**

For LGPS rules and regulations the Wiltshire Pensions Service uses a detailed spreadsheet covering the main procedures for the pensions benefits team. The Pensions Benefits Manager updates the procedures and there are numerous regulations which the Compliance & Technical Manager checks that these are reflected in the pensions Procedures spreadsheet.

The council is advised of changes in LGPS rules and regulations through GAD guidance being issued, updates from DCLG, The Pension Regulator, HMRC updates, LGE updates, and consultants briefing papers. There are many sources of legislation for which the Compliance & Technical Manager acts as gatekeeper and consolidates all these sources and directs managers to where actions need to be taken.

**1.3 Pension Transfers**

The process for recording and reconciling transfer values into and out of individual pension schemes was reviewed by audit. The Pensions Benefits Team are notified from previous pension providers and enter the details in a spreadsheet to advise the Accounting Technician who checks this income on the Wilts Pension Fund bank statement and records receipt on the spreadsheet and reconciles the records input in Altair (pensions database) to the amount in SAP.

The Benefits Team calculate what the income amount is worth in the WPF. There can be delays between receiving notification and income and the Benefits Team will have to chase the previous provider and calculate additional charges e.g. lost interest. The income received in the WPF bank account has to be transferred to the current account in SAP and the detail input in Altair. This is subject to regular reconciliation and reconciliations appear in Sharepoint. Whilst the reconciliation process is documented for transfers out, there is no procedure documentation to describe the reconciliation for transfers into the WPF (Transfers In).

The 'Transfer and AVC Notifications' spreadsheet identifies information input by Benefits Team and the Accounting Team. The spreadsheet is in Sharepoint under Transfers and Income Pending. The latest 'Transfer and AVC Notifications' spreadsheet was reviewed and this showed that the monthly reconciliations for 2014-15 have been carried out regularly and checked and authorised

by the Fund Investment & Accounting Manager.

**1.3a I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.**

1.4 Payment Protocols

Guidance notes for Pensions Benefits Team Officers to use for pension payment transfers require further updating. This is acknowledged in the summary of procedures available on Sharepoint. There are work flow diagrams for the Benefits Team Officers to use as a guide in the Altair system. However, the original guidance notes provide more detail. To be effective they need to be further updated and aligned to the current, work flow processes.

**1.4a I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.**

1.5 Scheme Administration Costs

The cost of administering WUC Pensions is identified in the authorities' accounting structure. The salary of staff on-costs along with some internal recharges and external income are within SAP company 1000 cost centre 98000. This is required as the WPF administers the Fire Uniform scheme which is not part of the LGPS so costs need to be kept separate.

In SAP company 2000, there are cost centres 98001 and 98002 for investment related costs and administration. These codes also include the recharges from 98000 in company 1000. The Final Accounts on Sharepoint show that WPF Admin and processing costs total £1,165k for 2013-14. The costs for each of the pension funds are apportioned and allocated according to size although some costs have to be specifically charged to employers that generate additional expenditure.

1.6 Benchmarking

The Wiltshire Pension Fund (WPF) joined the CIPFA benchmarking club in 2010 with the intention to gain a better understanding of how WPF's service compares to those of its peers. The club compares the Fund against the other 52 LGPS authorities within the club.

The latest CIPFA Pensions Administration Benchmarking Club 2013 report was presented to the WPF Committee as an appendix to the Pension Fund Benchmarking Update report in December 2013. This update highlighted that there are differences between how pension administration is set up among the authorities, the WPF is a single team covering administration, accounting and investment activities whereas most authorities still include administration within their payroll section with the accounting and investments functions separate within their finance teams. Also the allocation of overheads can be treated differently between authorities.

The benchmarking survey confirmed that the WPF was broadly in line with other LGPS schemes in terms of work being processed. The areas where WPF costs were higher were stated to be a reflection of the proactive approach being taken in respect of communicating with members, improving its ICT capabilities and monitoring and managing its liability risks through its work with the actuary.

## 1.7 Workflow Processes and Procedures

Audit reviewed processes followed by WPF Benefits Team Officers in relation to GMP tasks and processes carried out by Payroll Officers following instructions from the WPF Benefits Team. The review of GMP tasks revealed that procedure notes need to be further updated.

Audit Note: Evidence of the procedures being reviewed was subsequently provided to audit. The updating is ongoing and is reflected in the recommendation made. See also 2.1 below.

The communications between WPF Benefits Team and Payroll allow actions to be carried out in a timely manner and provide a good audit trail. Changes have been implemented to allow working from home and WPF management note that this has brought with it some required benefits such as:

- documents are easily available
- documents do not go missing
- documents are held confidentially (driven by a clear desk policy).

Other than this, Audit is unable to assess the effects of these improvements because it is not known what processes were in place before. Also, Audit is unable to measure the effects because WPF is not able to provide base line data against which to measure.

**1.7a I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.**

**2. Risk: R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.**

## 2.1 GMP Processes

There is a defined process for determining the GMP by which the Pension Benefits Team officers follow the work flow processes that are set up in Altair. They carry out the prescribed tasks and check them off against the work-flow charts. These are then checked by a second officer. There are procedure notes for some of the GMP tasks that were created prior to work flow processes and these now require updating. There are some tasks for which there are not procedure notes and this is being looked at by the GMP Project Team. Again, as in 1.7 above, these are currently being reviewed and updated but the process is ongoing.

**2.1a I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application.**

## 2.2 GMP Advice

There is a process where applications made for GMP advice from DWP are monitored through to receipt. The Pensions Team requires advice from DWP about GMP in some cases. The Altair work flow processes require input by the user where the advice is required. There is a GMP Project underway to address the issue of ensuring all advice on GMP is obtained from the DWP in a timely fashion and to ensure accurate payments are set up.

Reports run from Altair at the request of Audit showed that pensioners with pre 1997 service and CA1629 indicator was not ticked listed 6421 members. The CA1629 indicator relates to Statement of Pension Liability. Where WPF are waiting to receive a CA1629 notification from HMRC they use the GMP value held on Altair although outstanding requests are not monitored.

HMRC are starting an exercise whereby pension funds will have the opportunity to go on line and check values. From April 2016 the HMRC will not cover the differences i.e. what is on the pension fund's records will stand and the pension fund will have to cover the cost. Although this is relatively small it is difficult to assess the impact without making all the corrections (the scale of which is unknown) and it could be positive or negative for the WPF. There is a note in the Final Accounts that refers to the GMP.

### 2.3 Reconciliations (Altair - SAP)

Audit verified that reconciliations should be performed by WPF for every month to affirm the value paid by Payroll matches the value expected to be paid from records held in Altair. However, although it is evident that reconciliations are taking place, these reconciliations have not always been carried out on a monthly basis and can sometimes result in two months being reconciled at the same time. Additionally, there were no procedure notes to explain how the reconciliation is done.

**2.3a I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes.**

### 2.4 Reconciliation Review

Pensions system reconciliations are carried out by the Team's Accounting Technician and later checked by the Accounting Manager. However, examination of the SharePoint records for the current financial year found that the separation of duties and actual reconciliation dates could not be clearly demonstrated. Audit asked if a checklist of all reconciliations is used to ensure they are performed at scheduled times and on a timely basis. A list of reconciliations was presented but not a checklist designed for monitoring timely completion.

**2.4a I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis.**

### 2.5 Mortality Screening

The WPF Team have been notified about a pensioners continued right to receive payment in three ways:

- life certificate exercise
- by using an external company (Target) for mortality screening
- notification of annual NFI data matches which are then investigated.

2.6 There are approximately 60 WPF pension members living abroad. The use of Target allows the life certificate exercise to be more targeted, i.e. looking at those who Target believe are deceased but WPF also continues with life certificates for overseas clients.

## 2.7 Second Person Checking

The procedure for calculating and establishment of pension payment is subject to second person checking. When the Notifications go to Payroll they are printed showing the name of the WPF officer who set up the record and who checked it with dates. These are emailed to Payroll by WPF Manager. The 'set up' name and date is generated on the Notification Form by Altair and the 'checked by' name and date is typed in by the WPF officer. Examination of an audit sample of five Pensions Notification forms confirmed that these all showed the names and dates of the two persons who set up and checked the records.

## 2.8 Annual Life Certificate Process

The WPF Team carried out a life certificate process around two years ago but this was found to be time consuming. An external company (Target) has now been engaged to trace the whereabouts of pension members and their next of kin to establish their mortality.

## 2.9 Dependent's Pensions

Pensions check that short term and long term pensions are implemented by Payroll. This is carried out by the Accounting Technician (Pensions) who does a monthly reconciliation to make sure the widow(er)s dependent pensions are reduced down to 50% following the death of the pension member. Reconciliation involves taking new members from Altair where the status has become 'dependent' and checking the amount they are paid in SAP has been reduced down to the amount stated in Altair.

## 3. **Risk: R3: Payments are not made promptly and customer service is poor.**

### 3.1 Systems Access

The Pensions Team administration staff are supposed to have read only access to the payroll system in SAP. Following Audit enquiries it was found they also had the ability to make an alteration, however this has now been revoked by the SAP Administration Team.

### 3.2 Payroll and Accounting Controls

It was confirmed that Pensions Payroll run to run controls are reviewed and signed off by a senior officer for each run. Review of the pensions pay run for August 2014 confirmed that the process was completed correctly.

3.3 The SAP GL is posted as a result of the pensions payroll pay run according to the standard controls applied to all payroll processing. Controls over payroll postings is subjected to reconciliation of the payroll accounts, in this case the pension payroll account by the Corporate Finance Team.

3.4 Audit reviewed how WPF checks on the income that is received from all the contributing bodies / employers and how this reflects what is expected and is posted to the appropriate account in SAP.

### 3.5 Payroll and Pensions Meetings

Quarterly strategic and operational meetings between WPF and Payroll representatives have been held follow a break during the second half of 2013 whilst a new Pensions Manager was appointed. Audit reviewed the minutes from these meetings that took place during 2014. The notes from the operational meetings identified some issues regarding service provision and references to customer complaints that required further investigation. However, the action points did not appear specific enough to provide assurance that improvements were being instigated as a result.

**3.5a I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation.**

**3.5b I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.**

### 3.6 Performance Monitoring

The WPF Administration Strategy is published on the WPF Pensions Made Simple website. This states the standards set for employers and for the WPF Team. It also states that the measurements against the standards would be published. However, the Strategy is overdue a review and the Employer Relationship & Fund Development Manager has stated that WPF have not published their own performance results.

**3.6a I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis.**

The Agreed Action Plan provides a formal record of points arising from this audit and, where appropriate, the action management has agreed to take and the timescale in which the action will be completed. All findings have been given a priority rating between 1 and 5, where 1 is low and 5 is high.

It is these findings that have formed the opinion of the service's control environment that has been reported in the Management Summary.

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p><b>Objective:</b> To ensure that Pension Records and Payments are administered by WUC in compliance with Regulations and best practice and internal controls minimise the risk of losses through fraud or errors.</p>					
<p><b>1. R1: Poor procedures lead to poor administration of the County pension scheme.</b></p>					
<p>1.3a Reconciliation of transfer monies – procedures are not fully documented.</p>	<p>I recommend that the procedures for the reconciliation of pension fund transfer monies into the WPF (Transfers In) are documented.</p> <p style="text-align: right;"><small>SWAP Ref: 27413</small></p>	<p>3</p>	<p>A procedure is now documented for reconciling Transfers In (account code 729110-111).</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>Completed</p>
<p>1.4a Payment transfer procedures – guidance notes require further updating.</p>	<p>I recommend that the guidance notes for Pensions Benefits Team Officers to use for pension payment transfers should be further updated and aligned to the current work flow processes.</p> <p style="text-align: right;"><small>SWAP Ref: 27414</small></p>	<p>3</p>	<p>Procedures and workflow have now been updated for both Transfers In and Transfer Out. The workflows are accessible via the procedures matrix and the procedures will be added shortly (when the matrix is available for Managers to update.)</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 June 2015</p>
<p>1.7a Workflow Procedures – procedure notes need further updating.</p>	<p>I recommend that the procedure notes for the Altair pensions system and work-flow processes should be further reviewed and updated.</p>	<p>3</p>	<p>The procedures continue to be reviewed as part of the development of our GMP project</p>	<p>Catherine Dix, Strategic Pension Manager</p>	<p>30 September 2015</p>

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27417</i>		which is reviewing all related issues within the team.		
There are no significant findings to report					
<b>2. R2: Inaccurate service records cause incorrect payments of benefits resulting in financial loss.</b>					
2.1a GMP Procedures – processes are not fully covered by procedure notes.	I recommend that the workflow processes should be further supported by procedure notes to explain the processes for GMP to officers and ensure consistent application.  <i>SWAP Ref: 27418</i>	3	The procedures continue to be reviewed as part of the development of our GMP project which is reviewing all related issues within the team.	Catherine Dix, Strategic Pension Manager	30 September 2015
2.3a Reconciliations (Altair - SAP) – monthly reconciliations were not always performed on a timely basis.	I recommend that monthly reconciliations should be performed by WPF on a timely basis to affirm the value paid by SAP Payroll matches the value expected to be paid from pension records held in Altair. The reconciliation process should be supported by adequately documented procedure notes.  <i>SWAP Ref: 27500</i>	3	Reconciliations are always completed for new pensioner/new dependents although two months are sometimes completed together. All issues arising are reviewed by the Strategic Pension Manager and Benefits Manager to take any necessary action. In terms of the other accounting reconciliations the Pension Fund Accountant reviews these and are re-saves the file as authorised.	Catherine Dix, Strategic Pension Manager	Completed



Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
2.4a Reconciliation Checklist – regular completion needs to be monitored.	I recommend that a checklist of all Pensions reconciliations should be designed and used to ensure they are performed at scheduled times and reviewed on a timely basis.  <i>SWAP Ref: 27501</i>	3	Managers acknowledge this recommendation and are currently working on putting a checklist in place.	Catherine Dix, Strategic Pension Manager	30 June 2015
There are no significant findings to report					
<b>3. R3: Payments are not made promptly and customer service is poor.</b>					
3.5a Payroll and Pensions Meetings – action plans require improvement.	I recommend that Payroll and Pensions operational meeting notes are made more detailed, better define the actions to be taken and specify the person(s) responsible for taking action and record the timescale for implementation.  <i>SWAP Ref: 27514</i>	3	The quarterly payroll/pension meetings have only recently been recommenced due to changes in staff. They provide an opportunity to build relationships and have a face to face meeting to discuss any issues. There are currently no major issues but notes of the meetings are kept.	Catherine Dix, Strategic Pension Manager	Completed
3.5b Service Complaints – recording and investigation needs improvement.	I recommend that Payroll and Pensions capture complaints in more detail about service provision issues so that these can be investigated and acted upon if necessary to improve the service to customers.	3	All specific complaints are investigated so corrective action can be taken immediately to address any issues. The complaints referred to at the Payroll/Pensions meeting couldn't be specifically identified	Catherine Dix, Strategic Pension Manager	30 June 2015

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<i>SWAP Ref: 27515</i>		to allow further investigation. Moving forward it's agreed that any complaints made either to payroll or pensions will be captured in sufficient detail to feed back to the relevant team.		
3.6a Performance Measurement – WPF does not publish results.	I recommend that the WPF develops an updated set of performance measures and publishes the results on a regular basis.  <i>SWAP Ref: 27516</i>	3	KPIs are currently being developed within the Pension section. The intention is that we have KPIs that will assist management performance reporting but also provide a basis for reporting to the Wiltshire Pension Fund Committee and to be disclosed in the Annual Report.  This is also being developed alongside an update of the Fund's Administration Strategy.	David Anthony, Head of Pensions	30 September 2015
There are no significant findings to report					

## Audit Framework Definitions

### Control Assurance Definitions

<b>Substantial</b>	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ▲	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ▲ ▲	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲ ▲ ▲ ▲	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

### Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

### Definitions of Corporate Risk

Risk	Reporting Implications
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

## **WILTSHIRE COUNCIL**

### **WILTSHIRE PENSION FUND COMMITTEE**

25 June 2015

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## **WILTSHIRE PENSION FUND BUSINESS PLAN 2015-18**

### **Purpose of the Report**

1. The purpose of this report is to bring Members the draft Wiltshire Pension Fund Business Plan 2015-18 for comment and approval.

### **Background**

2. The Myners Review of Institutional Investment in the UK (published in 2001 and revised in 2008) resulted in the publication of 6 investment principles. Principle 1 (Effective Decision Making) recommended that Pension Funds produce a Business Plan.
3. The last Business Plan was approved by this Committee on 22 July 2011 which set out a Forward Plan for the next three years (2011-14). From this plan only 8 of the 33 actions remain as on-going / to be completed. These has been incorporated into the 2015-18 action plan.
4. The purpose of the Business Plan is to set out the key developments and major tasks for the plan period. The plan attempts to outline the the actions the Wiltshire Pension Fund will need to implement to meet its key objectives over the next three years.

### **Considerations for the Committee**

5. The draft Wiltshire Pension Fund Business Plan 2015-18 is attached as the Appendix. Due to the current uncertainty surrounding the future administration of the LGPS, this plan has been restricted to three financial years and may need to be reviewed by officers' annually and amended to account for any changes imposed by the Government.
6. Members are invited to review, suggest amendments and approve it.

### **Environmental Impact of the Proposal**

7. There is no environmental impact of this proposal.

### **Financial Considerations & Risk Assessment**

8. Adoption of the Business Plan does not in itself commit any expenditure or increase risk. The financial implications of the proposed actions have either been or will be brought forward to the Committee in the usual way when the Fund Administration Budget is agreed. The risks of each development will be analysed in detail at the time, with the Committee approval sought if appropriate.

### **Legal Implications**

9. There are no material legal implications arising from the proposals.

### **Safeguarding Considerations/Public Health Implications/Equalities Impact**

10. There are no known implications at this time.

### **Reasons for Proposals**

11. It's best practice to develop a Business Plan for Local Government Pension Funds.

### **Proposals**

12. The Committee is asked to approve the draft Wiltshire Pension Fund Business Plan 2015-18.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

# **WILTSHIRE PENSION FUND BUSINESS PLAN 2015-18**



## **INTRODUCTION**

The purpose of this Wiltshire Pension Fund Business Plan 2015-18 is to outline the Wiltshire Pension Fund's (WPF) strategic direction, goals and objectives, as well as providing an Action Plan of the key priorities over the next three years in order to further these objectives.

The Local Government Pension Scheme (LGPS) has been and remains in a period of uncertainty over further potential nationally imposed changes. A new scheme was implemented in 2015, but concerns remain over the long term cost and sustainability of the LGPS while the Government remain focussed on addressing pension fund deficits and reducing the costs of running the scheme.

The Fund continues to face increasing complexities in both the governance and administration of the scheme, which will increase pressure on resources and workloads. These include the implementation of Local Pension Boards, responsibility to the national Scheme Advisory Board, the Pension Regulator new jurisdiction, changes to the requirements for Record Keeping and data cleansing, changes to the tax relief allowances, provision of data from HMRC, increasing numbers of employer organisation (from out-sourcing and academies conversions) and associated risks, maturing Cashflow profile, continued low bond yields putting further pressure on contribution rates, and increasing expectations from stakeholders (e.g. scheme member access to information).

All this means the Fund continues to face challenging times and will need to be flexible and responsive enough to adapt to all these changes.

## **PURPOSE & SCOPE OF THE FUND**

The WPF is one of 81 funds administering the LGPS nationally. Wiltshire Council is the statutorily appointed Administering Authority for the WPF. The LGPS is a final salary / Career Average Revaluated Earnings (CARE) scheme, funded principally by its constituent employers and members, with assistance from investment returns. Unlike other public sector pension schemes, the LGPS is fully invested in financial markets / instruments and aimed to be fully funded over the long-term.

The Wiltshire Pension Fund has 59,500 members from 157 constituent employer bodies. The value of the investment assets currently under management at 31 March 2015 was £1.852bn. The cost of administering the Wiltshire Pension Fund in 2014-15 was £1.471m (0.08% of total assets), with costs of fund investment adding a further £5.518m (0.29%).

Contribution inflows into the Fund were £85.529m in 2014-15 and benefits outflows were £74.067m.

## **GOVERNANCE & MANAGEMENT OF THE FUND**

The Wiltshire Pension Fund consists of:

- Wiltshire Pension Fund Committee
- Investment Sub-Committee
- Wiltshire Local Pension Board

### **Wiltshire Pension Fund Committee**

The Wiltshire Pension Fund Committee is responsible for the proper administration of the Fund in all its aspects. The Committee has its delegation direct from the full Council, rather than the Cabinet (ie. the Executive), to avoid potential conflicts of interest. Under the Council's constitution, the Committee has the power to "...*make decisions on matters of significant policy...*".

The Committee is made up of 5 Wiltshire Council members, 2 members from Swindon Borough Council, 2 representatives from admitted bodies, as well as 2 non-voting scheme member representatives which are provided by UNISON. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

### **Investment Sub-Committee**

The investment sub-committee (ISC) key focus is the detailed monitoring of investments within the agreed investment strategy, in particularly asset allocation and the monitoring of investment managers. The ISC also has responsibility to invest up to 5% of the Fund's assets on an "opportunistic" basis to take advantage of market opportunities that may present themselves at relatively short notice.

The Committee is made up of the Chairman, Vice Chairman, 1 other Wiltshire Councillor and 1 member from the Fund's employer bodies co-opted from the main committee. The Fund's Investment Adviser and the Independent Pension Fund Advisor also attend most meetings.

### **Local Pension Board**

The Local Pension Board (LPB) was established on 1 April 2015, and its role is to provide an oversight of the Committee to ensure compliance with all the regulations pertinent to the WPF and to provide assistance to the Fund in the efficient and effective administration of the scheme. This is not a decision making body and will instead make recommendations to Committee.

The LPB is made up of a non-voting Independent Chairman, 3 voting employer representatives and 3 voting scheme member representatives, two of which are provided by UNISON.

The Treasurer to the Pension Fund has "...*express authority to take all necessary actions to implement ... Committee decisions...*" and is "... *empowered to take operational decisions, within agreed policies...*". This responsibility is achieved with the assistance of the Head of Pensions, who has a team of 23 people solely dedicated to working on the Fund. This includes investments management and associated services, governance, accounting, benefits administration, systems, Fund development, communications, and employer relations.



## **CUSTOMERS OF THE FUND**

The Fund's main customers fall into three categories.

a) Scheme Members (ie. our "Purpose of Existence"):

- Contributors/Actives (c21,600)
- Deferred Pensioners (c23,800)
- Pensioners (c14,100)

b) Employers of the Scheme Members (c157):

- At present the employee contributions are fixed according to salary level, so the effect of variations in costs and investment returns are felt by the employers. Coupled with this, the Fund is also very dependant on information from the employers in order to provide an effective service to members, so they are also a very important customer group.

c) Regulatory Bodies & Stakeholders, principally:

- The (Department for) Communities and Local Government – the regulatory body responsible for the LGPS
- HM Revenues & Customs
- The Department for Work & Pensions
- The Pension Regulator
- National Scheme Advisory Board
- Partners including Investment Managers & Advisers
- Council Tax payers

## **THE GOALS AND VISION OF THE FUND**

The WPF is very conscious that it acts as the "custodian" of the scheme for future generations and the long term aspiration is to ensure it's in the best shape as possible.

The WPF recognise the importance of the LGPS to its Scheme Members as an excellent scheme providing significant benefits to members and its contribution to the wider economy by potentially keeping people out of means tested support in their retirement. It's also a valuable recruitment tool for employers which assists in attracting and retaining staff but with the appreciation of the significant liabilities it can generate for them.

### **Mission Statement**

The mission statement below outlines the approach the WPF takes to the administration of the Fund:

***"Custodian of the Wiltshire Pension Fund keeping accurate data to pay and invest wisely, ensuring a low cost, sustainable funded and attractive Pension Fund for current and future members."***

## Goals

The Fund has two over arching specific goals as set out in its Funding Strategy Statement:

- 1) To achieve a funding level of 100%, both at the whole fund level and for the share attributable to individual employers, within a timescale that is prudent and affordable;
- 2) To ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment.

The WPF is also committed to:

- 3) To provide a high quality, low cost customer focused service
- 4) To be open and honest in all our decision making.

The most important long term aim is to reduce the pension deficit and maintain stabilised employer contribution rates. The WPF have put in place strategies and frameworks to achieve this which will be carefully monitored and reviewed.

However, the WPF will also continue to develop its administration service. The Fund aims to continue to work on its strengths and look for opportunities to develop the service while responding to the challenges imposed on it within the resources available. The aim is to achieve as a minimum 'best practice' and to strive to be viewed as an example of excellence.

The bringing together of the pension administration and pension finance functions into a separate team in 2007, was innovative at the time but now deemed 'best practice'. The recent restructuring of the team has ensured it's set up to deal with the increasing communication, technical complexity, employer liaison and fund developments now required by an administration authority.

The WPF was also the first and only (until last year) LGPS fund to be "unitised" in terms of its assets tracking for employers which increased the transparency for employers. It was also one of the first administration teams to move to Altair's hosted pension system and imaging system which enabled the implementation of a paperless environment and more flexible working practices for staff.

Since the last Business Plan was set, the WPF has also implemented task management practices to enable the tracking of customer cases, has been recognised for its excellent communications strategy and successfully implemented the new 2014 LGPS scheme, as well as more recently the Fire Officers 2015 scheme. Considerable time has also been invested in reviewing the investment strategy leading to significant improvements in performance.

The strategy is built around the team's key strengths which includes its flexibility, openness to share ideas and improve, positive attitude, governance and accounting arrangements and the key focus of excellent customer service. Communications, stakeholder engagement, and improving the customer experience will become more and more important moving forward with the better use of new technology to further develop the website and on-line members self-service, while providing better access for members through more presentations, pension clinics, employer training, and AGMs. Improving data quality in line with the Pension Regulator requirements will also be another key driver.

There will be the normal routine pieces of work such as the actuarial triennial valuations, investment strategy reviews, committee member and officers training, key policies refresh

and contract reviews along with greater emphasis in performance targets for both the Fund and employers to adhere to. The WPF will continually review processes to remove unnecessary costs and refocus resources on more technical and complex issues facing the Fund.

The Fund will also continue to seek more feedback from its stakeholders to assist this development of services focussing on those that add the greatest value to the customer.

To exceed customer expectations, it's vital that the WPF operates as a single, motivated and empowered team, recognised for its professionalism, high performance and "can do" approach. Therefore, investment will continue in the team as they remain a vital cog in the provision of an efficient pension service.

## **BUSINESS OBJECTIVES OF THE FUND**

The WPF intends to achieve its vision and goals by focussing on the following key areas:

### **Governance & Staffing**

1. To ensure the ***effective management and governance of the Fund*** in a way that strives for continuous improvement through improved value for money, the promotion of excellent customer service and compliance with all regulatory and best practice requirements.
2. To ***recruit, train, nurture and retain highly motivated staff with the necessary professional, managerial and customer focus skills***. This includes ensuring the team have the correct skills and competences to deliver the ever increasing complexities of LGPS and Fire Schemes.
3. To ***continually review the effectiveness of the committees and advisers*** and the decision making process.

### **Funding & Actuarial Matters**

4. To ***achieve a relatively stable "real" investment return above the rate of inflation*** over the long term, in such a way as to minimise and stabilise the level of contributions required to be paid into the Fund by employer bodies in respect of both past and future service liabilities and ***to achieve a 100% funding level over a suitable timescale***. This include setting of appropriate investment strategies; the appointment of capable investment managers; and the monitoring and reporting of investment managers' performance, with appropriate action being taken in the event of underperformance.

### **Investments and Accounting**

5. To ***ensure the proper administration, accounting and reporting of all the Fund's financial affairs***.

### **Communications / Customer & Employer Relations**

6. The ***communication of the key benefits of the LGPS and ensuring increased awareness amongst the eligible membership of their benefits***. This includes effective communication, to both the Fund's scheme members and employer bodies.

7. To have in ***place effective documented business relationships with all the Fund's employer bodies***, and to ensure regular reviews are carried out to assess the risk and strength of covenant to the WPF.

### **Pensions Administration**

8. To ***provide a lean, effective, customer friendly benefits administration service***, through the calculation and payment of scheme benefits accurately and promptly in line with the published pension administration strategy.
9. The ***accurate maintenance of the records of all members of the Fund***; and to continually review and cleanse this data ensuring it meets the Pension Regulators requirements, and supporting employers to ensure they provide the correct information on submission
10. To ***optimise the use of technology to make processes more efficient and effective***, and continually looking at developing services in the most cost effective manner following careful consideration of business cases.
11. To ***become a role model of best practice amongst LGPS Funds*** and to be recognised by our customers as providing an excellent service.
12. To work ***collaboratively and in partnership with both internal and external organisations*** to provide higher quality services at a lower cost.

### **KEY POLICY DOCUMENTS**

Key policy documents which the reader may wish to refer to are available on the Wiltshire Pension Fund website ([www.wiltshirepensionfund.org.uk](http://www.wiltshirepensionfund.org.uk)):

- Funding Strategy Statement
- Statement of Investment Principles
- Communications Strategy
- Governance Compliance Statement
- Administration Strategy
- Cessation Policy
- Administration Authority Discretions

### **ACTION PLAN FOR THE FUND 2015-18**

The Action Plan for the period 2015-18, which seeks to drive forward on the business objectives laid out above is given in the following pages.

## WILTSHIRE PENSION FUND ACTION PLAN 2015-18

These objectives are reflected in the following key principles that are planned for the next three years:

Activity	Deadline	Links to Objective No.	Purpose	
<b><u>GOVERNANCE / STAFFING</u></b>				
1	Refresh key policy documents: -Statement of Investment Pripls. - Communication Strategy - Administration Strategy - Admin Authority Directions Policy - Cessation Policy - Funding Strategy Statement - Governance Comp. Statement	Annually 2015 June 2015 Sept 2015 Dec 2015 Dec 2016 Jan 2017 Mar 2017	1	To seek Member approval and formally publish.
2	Establish, train & agree work plan for the Local Pension Board	On-going from June 2015	3	To ensure the Local Pension Board becomes operational from 31 July 2015 in line with legislation.
3	Rolling annual schedule of Pension Clinics	June 2015 onwards	6	To ensure a regular schedule of pension clinics take place every year.
4	Review contract for Independent Governance Adviser	July 2015	3	In line with good governance contracts should be reviewed on a periodic basis and this contract has been in place for 5 years.

	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
5	Members' training: a) Specific issues b) Implement Plan c) Refresh Training Plan	As required, July 2015 Nov 2017	1 & 3	To provide training on specific issues ahead of relevant decisions by the Committee. To provide training for all Members of the Committee in line with the CIPFA Knowledge & Skills Framework as outlined in the current training plans.
6	Gather external customers feedback on pension services & effectiveness	July 2015 onwards	8 & 6	To measure the quality and experience of the pension services being provided to see what developments are needed.
7	Consider the Government's response to future of the LGPS consultation	Autumn 2015 onwards	10	To ensure the Fund is involved in trying to shape the future of the scheme and its implementation.
8	Procurement & Implementation of new investment mandates resulting from Investment Review	Sept 2015 onwards	4	A number of new mandates could be required from the annual asset allocation review.
9	Undertake overseas members existence exercise	Sept 2015	1 & 8	An audit requirement is that existence testing is carried out periodically on the membership to avoid overpayments. Separate exercise required for overseas pensioners.
10	Run Annual Employer / Pensioner Meetings and other more regular road shows/seminars	Sept 2015 onwards	8 & 6	To improve communications with the Fund's members and employers organisations in line with best practice.

	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
11	Implementation of regular covenant & risk review of employer bodies, including regular monitoring against the performance requirements within the Pension Administration Strategy	Sept 2015 onwards	7	To ensure regular engagement takes place with all employers and that risks to the Fund are periodically assessed.
12	Set up a formal process for monitoring the performance of the Fund's advisors	Oct 2015	3	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
13	Review Pension Fund Website	Dec 2015	1, 6, 8	To ensure that the Fund's website provision has been reviewed, up-to-date, in line with best practice and serving the needs of our customers as well as possible.
14	Implement Bi-annual Performance Reporting	Dec 2015	1 & 8	To improve management information to assist with performance monitoring and increase transparency.
15	Review / Retender Custody Contract	Dec 2015	1 & 5	To ensure that the Fund achieves best value for money in relation to its investment custody arrangements.
16	Develop use of social media in development of communications strategy	March 2016	6	To consider all forms of digital communications / social media that may assist in communicating with the membership.

	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
17	Set up a formal process for monitoring the performance of the Committee	March 2016	12	To ensure the Fund meets best practice and complies with the Myners Principle for Performance monitoring.
18	Retender print contract	March 2016	8 & 6	To ensure most cost-effective contract in place.
19	Consider implementation of "flight path" liability monitoring framework	March 2016	4	To have a framework / plan in place should funding levels (i.e. gilt yields revert) improve that could reduce the future funding risk.
20	Review potential to implement differing investment strategies for employers	March 2016	4 & 11	In light of the differing set of risks different employers in the Fund now face there is a potential need for different investment strategies when looking at ways for employers to address deficits.
21	Monitor the Fund's performance against the Pension Regulator's Record Keeping requirements and ensure plan in place to meet targets	March 2016	1 & 8	To ensure the Fund has liaised with its employers, checked and cleansed its own data and have processes in place to ensure compliance, while developing the Fund's own data cleansing practices using mortality screening against governmental databases.
22	Implement changes to tax liability information for members	April 2016	1 & 8	To provide the correct information to members for the changes in the tax relief allowances and ensure the systems are able to accommodate any additional procedures from a administration perspective.



	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
23	Full Actuarial Valuation (Actuary)	May - Oct 2016	1 & 8	To identify the Funding Level at a whole Fund and Employer level and the associated Employer Contribution Rates.
24	Members' Handbook	May 2016	1 & 12	To refresh the Members' Handbook for the benefit of newly elected Members of the Committee.
25	Review effectiveness and work plan of Investment Sub-Committee	June 2016	4	To consider the effectiveness of the recently established ISC and its contribution to overall governance.
26	Discuss & agree Actuarial Valuation results with Committee & employers	Oct - Dec 2016	1 & 8	To have the Actuarial Valuation formally signed off by 31 December 2016 (three months ahead of statutory deadline).
27	Draft separate Financial Standards for the Pension Fund	Oct 2016	1 & 5	The Pension Fund currently uses the Wiltshire Council standards which are not always applicable.
28	Implement scheme members self-service	Dec 2016	5, 6, 10	To improve the level of access for members for their benefits.
29	Complete GMP reconciliations project	Dec 2016	1 & 8	To reconcile all the GMP members data on the pension database to ensure it matches with HMRC as HMRC are removing this support facility in 2016.
30	Refresh Funding Strategy Statement	Jan 2017	1	To have an up-to-date Funding Strategy Statement, which is a statutory document required to set-out the longer-term view of how liabilities will be funded and the agreed level of compromise between stability and affordability of employer contributions.

	<b>Activity</b>	<b>Deadline</b>	<b>Links to Objective No.</b>	<b>Purpose</b>
31	Review / Retender Altair Pension Software contract	Jan 2017	1 & 8	To ensure the Fund is achieving best value from its current contract.
32	Re-tender / drawdown from framework Actuarial Contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive actuarial contract in place.
33	Re-tender / drawdown from framework Investment Consultancy contract	Sept 2017	1 & 12	To ensure that there is an up-to-date and competitive investment consultancy contract in place.
34	Review pension payroll service	Jan 2018	1 & 8	To review the potential options for pension payroll.
35	Review, retendering and implementation of the Fund's ESG arrangements	Jan 2018	1 & 4	To ensure that the Fund is complying with best practice and is achieving best value in relation to environmental, social and governance issues.
36	Review employers method of data submission & potential for self-service	Mar 2018	6, 8, 10	To improve the quality of data submission and access to employer bodies.
37	Continue to develop a high performing team	On-going	2	To have a highly motivated staff team with the necessary professional, managerial and customer skills to provide excellent service, implement changes and have the technical detail to meet the ever increasing complexities of the scheme.

Activity		Deadline	Links to Objective No.	Purpose
38	Continually review opportunities for further collaboration with partners	On-going	12	To continue to be involved and utilise national frameworks to reduce the procurement costs of adviser services and to benefit from bulk discounts.
39	Review potential for “opportunistic” investments and ‘inward’ investments as they arise	On-going	4	To keep abreast of potential opportunities for the Fund.

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## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD

16 July 2015

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### **Local Pension Board Work Plan for 2015-16**

#### **Purpose of the Report**

1. The purpose of this report is to outline the need for a Work Plan for the Local Pension Board (LPB) and to initiate discussions on the areas of work that could be covered over the next 12 months.

#### **Background**

2. As outlined in the Terms of Reference outlined elsewhere on this agenda, the LPB shall report to the Pension Fund Committee at least annually:
  - a) a summary of the work undertaken since the last report
  - b) the work plan for last year and the programme for the next 12 months
3. Therefore, the LPB needs to consider and develop a work plan for the forthcoming annual period.

#### **Considerations for the Board**

4. To assist, the Terms of Reference provide details of the core function of the LPB which is to assist the Pension Fund in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.
5. Therefore, the LPB may determine the areas it wishes to consider including but not restricted to:
  - a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
  - b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, Relevant Legislation and in particular the Code.
  - c) Review the compliance of scheme employers with their duties under the Regulations and Relevant Legislation.
  - d) Review such documentation as is required by the Regulations including the Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
  - e) Review scheme members and employers communications as required by the Regulations and Relevant Legislation.
  - f) Monitor complaints and performance on the administration and governance of the scheme.

- g) Review the Internal Dispute Resolution Process and Pensions Ombudsman cases.
  - h) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
  - i) Review the complete and proper exercise of employer and administering authority discretions.
  - j) Review the outcome of internal and external audit reports.
  - k) Review draft accounts and Fund annual report.
6. The second core function of the LPB is to ensure the effective and efficient governance and administration of the Scheme. Again, the LPB may determine the areas it wishes to consider including but not restricted to:
- a) Monitor performance of administration, governance and investments against key performance targets and indicators.
  - b) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
  - c) Monitor investment costs including custodian and transaction costs.
  - d) Monitor internal and external audit reports.
  - e) Review the risk register as it relates to the scheme manager function of the Administering Authority
  - f) Review the outcome of actuarial reporting and valuations.
  - g) Provide advice and make recommendations when required to the Committee on areas that may improve the effectiveness and efficient operation and governance of the Fund.
7. The main focus on the next 12 months should be based around setting up the polices of the LPB. Other areas for consideration are the annual and statutory obligations of the Fund which will take place over the next year.
8. A potential, but not exhaustive list is shown below:
- a) Development of the Conflict of Interest and Code of Conduct Policies
  - b) Development and approval of a Breaches Policy
  - c) Development and approval of a Training Policy
  - d) Review of the requirements under the Pension Regulator Code of Practice
  - e) Review of the draft accounts and Annual Report
  - f) Review of external Audit Report
  - g) Review of the Statement of Investment Principles
  - h) Review of Annual Benefit Statements
  - i) Review the outcome of the 2016 Valuation
  - j) Review the updated Funding Strategy Statement

9. It is proposed ideas and further suggestions are discussed at this meeting and a Work Plan drafted for approval in October.

**Environmental Impact of the Proposal**

10. Not applicable.

**Financial Considerations & Risk Assessment**

11. There are no significant financial implications or risks from this report.

**Legal Implications**

12. There are legal implications from this report.

**Safeguarding Considerations/Public Health Implications/Equalities Impact**

13. There are no known implications at this time.

**Reasons for Proposals**

14. To ensure the LPB is fulfilling its duty to assist the Wiltshire Pension Fund in ensuring compliance with the scheme regulations and securing effective and efficient governance and administration of the LGPS scheme.

**Proposals**

15. The Board is asked to discuss areas for the forthcoming Work plan to be then finalised and approved at this meeting in October 2015.

MICHAEL HUDSON  
Treasurer to the Pension Fund

Report Author: David Anthony, Head of Pensions

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

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