

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD

22 October 2015

Proposed Local Pension Board Work Plan

Purpose of the Report

1. The purpose of this report is to approve a work plan for the Local Pension Board.

Background

2. The Pension Board is reminded that its primary purpose is to help the Fund secure compliance with the LGPS regulations and the Pension Regulator requirements.
3. The Pension Committee is the decision making body and the Pension Board has no decision making powers. It can only advise or make recommendations to the Pension Committee
4. Therefore the Pension Board needs to be cognisant that:
 - a) Its work programme should be take account of the Fund's own work programme and seek to add value;
 - b) Servicing the Pension Board will consume Fund management resources and time;
 - c) The senior fund officers serving the Pension Board may on some fund performance issues be personally compromised and conflicted and we need to find ways to avoid this if at all possible; and
 - d) For some work items the Pension Board may need the Fund to budget for the costs of using specialist external consultancy resources to undertake and advise it rather than using the senior officer servicing the fund.

Considerations for the Board

Strategy

5. Based on LGPS and the Pension Regulator's (TPR) guidance on the role of Pension Boards it would seem appropriate that the Pension Board's business focus should be around:
 - a) Its own training, knowledge and understanding
 - b) Avoiding any conflicts of interest
 - c) Ensuring its own statutory compliance
 - d) Checking fund governance
 - e) Reviewing fund risks and internal systems and controls
 - f) Checking fund external advisors/service providers and their internal controls
 - g) Reviewing fund member record keeping
 - h) Checking fund contributions
 - i) Reviewing fund administration
 - j) Benchmarking fund performance and Value for Money (VFM)
 - k) Fraud prevention

- l) Employer and member communications
- m) Complaints and dispute resolution
- n) Reporting regulatory breaches

6. And more specifically on the latter,

1) Identifying any areas of financially material breaches/ areas of regulatory non-compliance that need remediation action such as

Things that might not be done to statutory timescales by the Fund or employers or members, for example repeated processes:

- late contributions by employers
- excessively late transfers in/out
- issuing ABS late
- late first pension payments

Things done on time (or late) but potentially done incorrectly – for example

- incorrect contributions
- incorrect transfers
- incorrect benefit calcs

Things not often done but should be and reviewed – for example

- Data checking, cleansing and validation
- Data backups and security checks
- Checking the resilience of the fund website and external e-links
- Disaster recovery planning exercises

2) Identifying the underlying causes of fund non-compliance and helping ensure rectification plans are being carried out to agreed timescales – for example in relation to:

- Risk management
- Data quality - common/conditional
- IS/IT issues
- Staff error
- Resource shortage

7. Just as important to its scrutiny role described above the Pension Board should also,

3) Wherever possible undertake joint training with the Pension Fund committee and demonstrate it has a positive role in helping the fund deliver good-best practice relative to other LGPS funds for example by reviewing the results of annual external benchmarking surveys by:

- DCLG/ONS (fund statistics)
- National LGPS Scheme Advisory Board (governance/performance)
- The Pensions Regulator (governance/risk/training)
- CIPFA (benefits administration)
- WM-State Street (investments)
- Other Pension Board commissioned benchmarking surveys

and then if appropriate making recommendations to improve the fund's performance in specific areas.

Fund business cycles

8. The Pension Board also needs to take account of and work with the Pension Fund's cyclical annual and triennial business and actions within its Business Plan. Some of these items have been included on the draft forward look of Pension Board business (see Appendix). Other items need prioritizing and then may need to be included/excluded from 2015-17 work plan.

Annual cycle items:

- Pension Board Governance
- Pension Board Work Plan
- Pension Board Annual Training Plan
- Pension Board Annual Report

Pension Fund governance:

- Review/input to the Governance Compliance Statement
- Review of the Fund's declarations of interest (all committees)
- Review of external advisor appointments/process and internal SLAs
- Review of fraud risk prevention and mitigation measures
- Review of the fund draft annual report and audited accounts

Fund risk management

- Review of fund risk register and its use by Committee and officers
- Input to annual internal and external auditing plans
- Consider/comment on draft internal and draft external audit reports

Regulatory Compliance

- Pension Board commissioned external reviews
 - Fund compliance with TPR Code 14
 - Fund compliance with other TPR codes (e.g. data quality)
- Review of Fund delegations and internal controls
- Review of employers' compliance (vis member data and contributions)
- Review of reported breaches and actions taken

Fund performance

- Review quarterly stewardship reports by officers and by external advisors/suppliers
- Input to the fund annual external benchmarking plan (DCLG, SAB, TPR surveys, CIPFA, WM)
- Pension Board plan for externally commissioned benchmarking exercises
- Review and comment on the Fund's and Pension Board's commissioned benchmark reports
- Review VFM of Fund administration strategy – costs v LGPS/Defined Benefit average via benchmarking
- Review VFM of Fund investment strategy - returns v costs v LGPS/Defined Benefit average via benchmarking

Member records and communications

- Review/input to the Fund administration strategy
- Review of the Fund communications strategy
- Review of Fund website
- Review the timeliness of issuance of Annual Benefit Statements (ABS) for active/deferred
- Review of application of Fund and employers discretions policies
- Review of Fund complaint handling and IDRPs case outcomes

2016 triennial valuation cycle items

- Review the actuarial training provided, the rationale for the key assumptions used, and the range of liability reducing options considered and used
- Review/comment on the timing of finalising the Funding Strategy Statement
- Review of contribution setting, employer risks, and funding covenant implementation
- Review/comment on process/timing of reviewing the Fund's future investment strategy

Meeting Agendas

9. The Pension Board will have 4 meetings a year, planned to last no more than 4 hours each. Realistically at its meetings it will only have time to:
- raise matters arising from last meeting
 - consider its own governance items required by LGPS regs
 - discuss and make recommendations on key fund issues
 - provide advice and support to the fund where it can most add value
10. It is recommended each Pension Board meeting has a 3 part agenda structured as follows:
- Standard initial items (say 1.5 hours)
 - 1) *Membership*
 - 2) *Attendance of Non Members of the Committee*
 - 3) *Apologies for absence*
 - 4) *Minutes of last Pension Board meeting and matters arising not on agenda*
 - 5) *Chairman's announcements*
 - 6) *Declarations of Members' interest in relation to items on the agenda*
 - 7) *Public Participation*
 - 8) *Scheme legal, regulatory and Fund update - consultations and surveys issued by DCLG, SAB, TPR others and Fund responses and other activities*
 - 9) *Risk register update*
 - 10) *A training item on a topic relevant to an item on the agenda*
 - Main business items (up to say 2 hours)

11-16) *No more than 6 items*
 - Standard end of meeting items (say 0.5hours)
 - 17) *How did the Pension Board do?*
 - 18) *Forward look of Pension Board business - future meeting agenda items 1 year ahead*
 - 19) *Date of next meeting*
 - 20) *Urgent Items*
 - 21) *Pension Board comments on the minutes of last Pension Committee and Investment Sub-Committee*
11. The attached appendix presents the draft Pension Board's meeting agenda's and forward look of its business. This has been developed in conjunction with the business cycles of the Pension Fund Committee and its Business Plan approved at its June 2015 meeting.
12. The Pension Board is also invited to suggest other topics for consideration/prioritisation for inclusion/exclusion in the rolling Pension Board agendas and work programme.

13. As stated above a forward look of Pension Board business will be a standing end of meeting item on each meeting agenda. This is to enable the Pension Board work programme to be dynamically managed to respond to new issues and developments at and between meetings and each year.
14. The Pension Board is invited to discuss and comment on this paper and specifically the forward look of Pension Board business on the attached appendix and to prioritise at least its near term training and main business for the next 6-12 months.

Environmental Impact of the Proposal

15. There are no known implications at this time.

Financial Considerations & Risk Assessment

16. As outlined in paragraph 4, the proposed draft work plan will take up the Fund's management resource which has not been costed. There will also be a need to at times use an independent specialist adviser to undertake a review where either there is conflict of interest from the officers serving the Pension Board or specialist expertise is required.
17. The Pension Board may therefore, as per its Terms of Reference make requests to the Associate Director – Finance to approve any additional expenditure required to fulfil its obligations in line with any agreed work plan. These costs are charged to the Fund budget.
18. The purpose of the draft work plan is to mitigate the risk of the Fund not acting in compliance with the scheme and other relevant regulations.

Legal Implications

19. There are no material legal implications from this report. The purpose of the Local Pension Board is to ensure the Scheme Manager (Wiltshire Council) fulfils and is compliant with its statutory obligations under the relevant scheme rules and legislation.

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no known implications at this time.

Reasons for Proposals

21. To ensure the Local Pension Board has a clear and relevant forward work plan that is aligned to the business cycles of the Pension Fund Committee and enables it to fulfil its roles of helping secure compliance with the scheme regulations and assisting in the efficient and effective administration and governance of the Fund.

Proposals

22. The Pension Board is asked to:
- a) note the above report and rationale for a forward work plan; and
 - b) approve the draft work plan as outlined in the appendix subject to amendments suggested at this meeting.

MICHAEL HUDSON

Treasurer to the Pension Fund

Report Author: Howard Pearce, Chairman of the Local Pension Board

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

APPENDIX

LOCAL PENSION BOARD – Draft Work Plan

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Standing Items:														
Membership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance of Non Members	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Apologies for absence	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Minutes of last Board & matters arising not on agenda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chairman's announcements	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Declaration of Interest	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public Participation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Scheme Legal, Regulatory & Fund update	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Review of Risk Register	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Training Item relevant to agenda	COI & Code of Conduct	tPR Code 14 and record keeping	2016 Triennial Valuation	Annual Reporting requirements	Data protection and quality standards	Complaints and dispute handling	Fraud prevention and mitigation	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Review - how did the Board do?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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Forward Work Plan Review		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Date of Next Meeting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Urgent Items	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fund update & comments on minutes of PC & ISC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Recurring annual, biennial or triennial main business items:														
Board Budget setting		✓				✓				✓				✓
Board KPIs to monitor			✓				✓				✓			
Board Annual Report			✓				✓				✓			
Review Board's Terms of Reference (if and as required)				✓				✓				✓		
Board Annual Training Plan Update	✓				✓				✓				✓	
Review Fund Training Programme		✓				✓				✓				✓
Code of Conduct & Conflicts of Interest Policy	✓												✓	
Review all Fund Declarations of Interest			✓				✓				✓			

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Review Fund Annual Report	✓				✓				✓				✓	
Review Fund Annual Accounts	✓			✓				✓				✓		
tPR Code of Practice 14/record keeping compliance survey results			✓								✓			
Input to Annual External Audit Plan			✓				✓				✓			
Review External Audit Report	✓				✓				✓				✓	
Input to Annual Internal Audit Plan		✓				✓				✓				✓
Review Internal Audit Report	✓			✓				✓				✓		
Review Fund Annual Business Plan		✓				✓				✓				✓
Review Admin Strategy		✓				✓				✓				✓
Review fund delegations and internal controls						✓								✓
Review Governance Compliance Statement			✓				✓				✓			
Review external advisor appointments process/controls and internal SLAs					✓								✓	

Meeting:	22-Oct-15	14-Jan-16	07-Apr-16	20-Jul-16	20-Oct-16	12-Jan-17	Apr 17	Jul 17	Oct 17	Jan 18	Apr 18	Jul 18	Oct 18	Jan 19
Review Admin Authority Discretions		✓								✓				
Review employers compliance (data)					✓			✓				✓		
Review Fund fraud risk prevention and mitigation measures					✓								✓	
Review of Data Security & Business Recovery								✓				✓		
Review Fund Communications (employers/members)			✓				✓				✓			
Review Fund website contents/resilience						✓								✓
Review of Fund IDRPs procedures & cases						✓								✓
Review Triennial Valuation Process					✓									
Review Funding Strategy Statement							✓							
Review Statement of Investment Principles/compliance with FRC stewardship code				✓				✓				✓		
Results of national LGPS KPI survey and Funds own KPIs				✓				✓				✓		

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Review CIPFA Admin, WM investment and other Fund benchmarking results						✓				✓				✓
Other ad hoc or irregular business Items:														
Review GMP reconciliation process									✓					