

LOCAL PENSION BOARD

DRAFT MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 25 JANUARY 2017 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

David Bowater, Lynda Croft, Sarah Holbrook, Mike Pankiewicz, Howard Pearce (Chairman) and Barry Reed

Also Present:

Kerry Chisholm and Ian Withers

1 **Membership**

There were no changes to the membership of the Board.

2 **Attendance of non-members of the Board**

Kerry Chisholm and Ian Withers from South West Audit Partnership were in attendance.

3 **Apologies**

Apologies for absence were received from Cllr Christopher Newbury.

4 **Minutes**

The Board considered the minutes of the previous meeting held on 20 October 2016. The Chairman advised that Cllr Newbury had contacted the Board Secretary and copied him in respect of changes needed to the minuting of item 78 on the subject of the Code of Conduct. After discussion the Board was happy to make the suggested changes.

The Head of Pensions provided a verbal update on items which remained outstanding on the Board's action log. Item 2.8 on the process for appointing auditors would be picked up at the April Board meeting, the Fund was still awaiting guidance on the implications of the Public Sector Exit Cap (Item 3.5), and on item 3.10 it was noted that only one Board members had not yet completed the tPR online toolkit. In respect of item 3.12, it was noted that

charge-out rates would be reviewed at the time the Fund was to review its administration strategy. It was explained that in reference to item 4.3, the Fund was still awaiting guidance from the Scheme Advisory Board (SAB) on the issue of indemnity insurance from the Board. The Head of Pensions advised, that if he had not heard from the SAB by April 2017, he would bring a commercial policy forward for the Board to consider, members asked that research be undertaken as to the approaches other Funds were taking.

The officer also explained that a full update would be provided on actions 4.5, 4.6 and 4.7 at the next meeting, and the completion of 5.8 in relation to the Statement of Investment Principles would also be checked. The internal audit would pick up Item 6.1 from the action log in relation to the assurance the Board could receive that the Fund was audited against the appropriate LGPS regulations. The Head of Pensions also advised that the Pensions Regulator (tPR) checklist on publishing scheme information would be included in the next Annual Report. Finally, the Board was reminded to contact the Pensions team if they were interested in attending the LGPS 'Trustees' Training Fundamentals three-day course.

Resolved:

To confirm the minutes of the meeting held on 20 October, subject to amendments to item 78 to now read:

Cllr Newbury expressed concern that the Code of Conduct and Conflict of Interest Policy went beyond the statutory requirements, another key concern included that it was not clear what constituted a conflict of interest. It was also questioned whether it was expected that in meetings members should declare interests already on the Register of Interests when they were relevant to an item on an agenda. The councillor also did not agree with the format of the Register of Interest form in that it required a date, signature and separated the interests of the member and their partner.

To request that a proposal for a commercial indemnity insurance be presented to the next meeting in the event that the Fund has not heard back from the Scheme Advisory Board. To request that this report also incorporates research from other Funds as to whether they have, or are purchasing, a commercial policy

To note the update on other items detailed in the Board's action log.

5 Declarations of Interest

There were no declarations of interest.

6 **Chairman's Announcements**

The Chairman updated that he had corresponded further with members of the public who had spoken at the last meeting in relation to fossil fuel divestment. The response that had been provided would be circulated to members of this Board and publicly available as a supplement to this meeting's papers. This supplement is now available [here](#).

Resolved:

To note the update and request that the response to public statements on fossil fuel divestments be published.

7 **Public Participation and Councillors Questions**

There were no members of the public present.

8 **Minutes and Key Decisions of the Wiltshire Pension Fund Committee**

The Head of Pensions presented the minutes and key decisions of the Pensions Committee held on 15 December 2016, key updates included that the Fund's Stewardship Code had been revised to bring it up to the 'Tier 1' classification, the Statement of Investment Principles had therefore also been updated accordingly.

Resolved:

To note the minutes of the Wiltshire Pension Fund Committee held on 15 December 2016.

9 **Scheme, Legal, Regulatory and Fund update**

The Board heard that HM Treasury indexation and equalisation of GMP in public service pension schemes was being consulted on, this change would likely impact on the administration of the Fund. Head of Pensions also updated that the Financial Conduct Authority was currently consulting on the Markets in Financial Instruments Directive which would change the products on offer to the Fund as an investor, as such Brunel Pension Partnership had drafted a response. A further update included the release of example accounts and disclosure checklist (on which the Fund's accounts should be based) from CIPFA, as a consequence, the hierarchy of classifying investments for Wiltshire had been adjusted and the remuneration of senior officers would be included in the Fund's accounts. Members questioned the impact of the public sector exit cap and it was explained this would impact upon higher-earning, or long-serving, members and would cause more administration for the Fund.

The Chairman suggested that the consultation update report be colour-coded to reflect the level of risk the developments posed to the Fund and that this update

should also be shared with the Wiltshire Pension Fund Committee. It was also recommended that the Pensions Regulator toolkit on data management be added to the update, the Head of Pensions advised that training would be available for members at the next meeting on data management. It was discussed that the FCA position on cost transparency was in contrast to direction from CIPFA. It was confirmed to employer member representatives on the Board that employers were required to complete the Pensions Regulator employers returns where applicable.

Resolved:

To note the recent scheme and regulatory changes highlighted within the report and to recommend that items on the consultation update are colour-categorised to correspond with the Wiltshire Pension Fund Risk Register.

To recommend that the Pensions Regulator toolkit on data management be added to the consultation update.

To recommend that the update on Scheme, Regulatory, Legal and Fund matters is also presented to meetings of the Wiltshire Pension Fund Committee.

10 Code of Conduct and Conflict of Interest Policy Update

The Head of Pensions presented a report on the Board's Code of Conduct and Conflict of Interest Policy which had been adopted by the Wiltshire Pension Fund at its meeting on 15 December 2016. The Guidelines had been updated to reflect the new status of the Scheme Advisory Board however the Committee had not considered that any further updates were required. It was highlighted that following questions raised by a Board member on the Guidelines at the last meeting, legal advice on the policy had been sought and the policy had been compared to those of six other funds. The report concluded that the Guidelines were reasonable and comparable to those of other funds.

The Chairman updated that the Board Secretary had received further questions from Cllr Newbury on the Guidelines, which he had been copied. The questions were described and noted by the Board. Members were advised that a written response would be provided to the Councillor from the Committee Officer. The Board noted that the Guidelines had been finalised and agreed by the Administering Authority and therefore must now be implemented. Members were reminded to review their Register of Interest online and notify Democratic Services if any changes need to be made.

Resolved:

To note the updated Code of Conduct and Conflict of Interest Policy Guidelines and the request for members to review their Register of Interest and notify the Board Secretary of any changes.

11 Triennial Valuation 2016

The Head of Pensions advised that following the Triennial Valuation, officers were working to sign-off contribution rates with employers and expected to achieve this by the end of March deadline. The final results of the rate setting would be presented to the Wiltshire Pension Fund Committee in March. Following questions from the Board, it was confirmed that officers were not concerned that any employer issues could not be resolved, some employers had requested reprofiling of increases however this was considered manageable.

Resolved:

To note the verbal update provided on the position of the 2016 Triennial Valuation.

12 Risk Register update

The Head of Pensions explained the latest updates to the Wiltshire Pension Fund Risk Register: PEN006b 'Significant rises in employer contributions for non-secure employers due to increases in liabilities' had been reclassified from amber to green following the results of the 2016 triennial valuation. PEN011 'Lack of expertise of Pension Fund Officers' had been reduced from amber to green following the appointment of the Technical & Compliance Manager to cover the Benefits Manager maternity leave, with Hymans Robertson providing additional technical support. It was also noted that PEN020 'Pooling of LGPS assets' remained a red risk due to the significant resource required by officers to progress the project.

Members noted that the Fund's Accounting and Investment Manager was due to go on maternity leave in March and this could impact upon the ability to produce the accounts by June 2017, as such it was recommended that this be added to the Risk Register.

Resolved:

To note the attached Risk Register and measures being taken to mitigate risks and to recommend that the risk of reduced resource in the Accountancy team be added to the register, due to the potential impact on the production of the accounts by June 2017.

13 **Internal Audit report on the Fund's compliance with tPR Code of Practice Code 14, progress of actions from 2016 Key Controls report and audit plan for 2017**

Representatives from South West Audit Partnership outlined that the Fund had been audited for compliance with the Pension Regulators Code of Practice No 14 and a 'Reasonable Assurance' opinion had been given. There were no significant findings arising from the reports; two medium risks had been identified, with the agreed action plan included with the report. Of the two medium risks, the outstanding reconciliations between Altair and SAP were now up to date which had resulted from the change in staff within the accounting team. The reconciliation between Altair and the Pension Payroll records remained on-going and would be picked up as part of the GMP reconciliation project.

Following questions from the Board it was confirmed that the officer's assessment of the Fund's compliance with the tPR Code of Practice report had produced similar findings to SWAP's assessment. The Audit Plan for 2016/17 was noted and it was explained that the scope of the audit could possibly be expanded to include auditing against LGPS Regulations and other relevant best practice guidance. Members discussed the 'Priority 3' recommendations highlighted in the report and the need to implement a framework to pursue late and overdue contributions. The Internal Dispute Resolution Process was considered by the Fund to be an important priority and officers were also considering self-service for Annual Benefit Statements which had been delayed for different reasons the last two years. On discussion of the level of knowledge and understanding required of Board members, it was noted that Board member training was mandatory, the Committee by contrast did not have mandatory training, however a training plan was in place (based on the CIPFA framework) which members were encouraged to follow.

It was requested that an update on the actions arising from the audit be made to the next meeting and that an example process of how late contributions could be monitored be brought to the meeting in October. Members also requested that the auditors compare the Fund to other comparable funds in a future report.

Resolved:

To note the update and attached Internal Audit Report and updated Action Plan.

To request that an update on actions arising from the Audit be provided to the next meeting and an example of tracking late contributions be brought to the October meeting.

To request that SWAP benchmark the fund against other similar funds in a future audit report.

14 **Update on Training Plans**

The Head of Pensions advised that all Board members had now received a training handbook, and drew attention to the report which detailed the training undertaken by each member. It was noted that the training log would be published as part of the Fund's Annual Report. Members were encouraged to attend the LGPS fundamentals course and would receive further details about the course when they became available. It was highlighted that Investec had offered to provide some training to the Board and Committee members, Members were in favour of this as it would be tailored to the Fund and provided locally.

Members discussed the depth of knowledge required to fulfil their role and it was agreed that thorough knowledge of governance arrangements was needed although such detailed understanding of investment management was not required since it was beyond the remit of the Board. It was suggested that, to prioritise the many training events available to members, officer could highlight the courses they considered would be the most beneficial for members to attend. It was noted that Board members who had received employer member training should have this included in the training log. Board members commented they would like more information on investment pooling and suggested that, members could be invited to the Brunel engagement event and sessions run for employers within the Fund. It was also recommended that Brunel Pension Partnership invite the Board members from other Funds so that Board members would be able to discuss best practice. Similarly, it was recommended that a benchmarking exercise be undertaken, comparing the Board's training with those of other funds.

Resolved:

To note the current progress of the Members training plan and to request that training undertaken by members in their capacity as employer members also be included.

To recommend that officers investigate potential training to be provided by Investec.

To request that when training events are offered to members, these are accompanied with a priority recommendation by officers.

To request that Local Pension Board members be invited to the Brunel Pension Partnership engagement event, employer member events, and recommend that if feasible a networking session for Local Pension Boards within Brunel be organised.

To request that a benchmarking exercise be carried out against the training undertaken by Board members of other Funds.

15 **Investment Strategy Statement update**

The Head of Pensions advised that the Fund was working to develop and implement a new Investment Strategy Statement (ISS) by 1 April 2017. The ISS was required by the new investment regulations and would replace the Statement of Investment Principles. The Board heard that a draft Statement would be presented to the Investment Sub-Committee in March 2017, following which it would be circulated for consultation, including to Board members. The Chairman encouraged members to respond to the consultation.

It was confirmed that the Investment Strategy Statement would outline how the Fund would make investments, considering risk management, asset pooling, voting rights and environmental, social and governance ratings.

Resolved:

To note the progress of consulting on and developing an Investment Strategy Statement.

16 **Local Pension Board Proposed Budget**

The Fund's Investment and Accountancy Manager presented a proposed LPB budget for 2017/18 to be recommended to the Wiltshire Pension Fund Committee. It was explained that the budget had been reduced from the previous year and a breakdown of budget headings was provided. It was highlighted that the need for the Fund to purchase an indemnity policy for members was not accounted for in the budget and would need to be allocated funding if this matter arose.

It was discussed that the Board would hope to absorb any insurance costs within the proposed budget, and recommended that the Committee delegate authority to the Treasurer to move funds between budget headings and allocate further funding as required, subject to ratification at the subsequent Committee meeting.

Resolved:

To recommend the draft budget for the Board to the Wiltshire Pension Board and recommend that the Committee delegate authority to the Treasurer of the Fund to authorise expenditure in addition to the agreed budget and between budget headings if required between meetings of the Committee, subject to ratification at the next available meeting.

17 **Business Plan update**

The Head of Pensions presented a report on the progress of items from the Business Plan. It was acknowledged that officers were working to support high priority actions, such as collaboration with other Funds in asset pooling. The

Chairman recommended that officers review numerous actions which were categorised as low priority to evaluate if they should be either de-prioritised or upgraded to a higher priority level, and establish a process whereby the Committee could reconsider deadlines for actions where they had not been addressed within 12 months.

Resolved:

To note the updated position from the Business Plan to date and to recommend that officers review 'low priority' actions to evaluate if they should be either de-prioritise or upgraded to a higher priority level, and establish a process by which the Committee reconsiders deadlines for actions where they are not addressed within 12 months.

18 CIPFA Pension Administration Benchmarking Report

A report presented Wiltshire Pension Fund in comparison to 37 other LGPS schemes and demonstrated that the Fund was in a strong position in relation to its peers. Questions were raised over the staff turnover figures for Wiltshire Pension Fund which appeared high, the Board was reassured that officers were not overly concerned by this since the team was small and so any turnover had a large impact on the figures. A question was raised as to the 'other work; which contributed to the total figure for the administration costs of the LGPS, officers advised they would confirm this at the next meeting.

Resolved:

To note the report on the CIPFA benchmarking club results for 2016.

To request that officers confirm details of the 'other work' that contributed to the total figure for the administration cost of the LGPS in the CIPFA benchmarking report at the next meeting.

19 How did the Board do?

The Board considered that items tabled for discussion were relevant to the remit of the Board.

20 Urgent items

There were no urgent items.

21 Date of next meeting and Forward Plan

The next meeting of the Board was to be held on 6 April 2017.

Resolved:

To note the updated Forward Work Plan for the Board.

22 Exclusion of the Public

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 23-25 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 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.

23 Brunel Pension Partnership update

The Head of Pensions provided an update on the progress of the Brunel Pension Partnership.

Resolved:

To note the update provided by the Head of Pensions on the progression of the Brunel Pension Partnership.

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

Resolved:

To note the key decisions and minutes of the Wiltshire Pension Fund Committee and Investment Sub Committee.

25 Minutes

Resolved:

To confirm the Part 2 minutes of the meeting held on 20 October, subject to the amendment to the Part 1 section of the minutes, as detailed under item 4 above.

(Duration of meeting: 10.30 am - 12.50 pm)

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

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