

## Local Pension Board

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### MINUTES OF THE LOCAL PENSION BOARD MEETING HELD ON 13 FEBRUARY 2020 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

#### **Present:**

Cllr Richard Britton, Holbrook, Rod Lauder, Mike Pankiewicz and Howard Pearce (Chairman)

#### **Also Present:**

Cllr Simon Jacobs, Paul Smith, Mark Spilsbury and Cllr Brian Ford

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#### 1 **Membership**

The Fund Governance & Performance Manager reminded the Board that the Chairman, Howard Pearce, would be stepping down on 31 March 2020 and Sarah Holbrook on the 23 February 2020.

Sarah Holbrook was thanked for her service to the Board since 2016 & for her work in securing its purpose as part of the oversight structure of the Fund.

The Board was informed that Paul Smith was due to be appointed as Sarah's replacement at Full Council on 25 February 2020 and that Mark Spilsbury was due to replace Howard once his term had been completed.

#### 2 **Election of Vice-Chair**

##### **Resolved**

**To elect Mike Pankiewicz as the Vice-Chairman of the Local Pension Board for the forthcoming year.**

#### 3 **Apologies**

Apologies were received from Barry Reed and Ian Jones.

#### 4 **Minutes and action-tracking**

The Governance and Performance Manager informed the Board that a sub-plan had been prepared regarding the Payroll and Pension database reconciliation. A letter had been sent to the Scheme Advisory Board for further guidance and the team were awaiting its response.

It was noted that the development of a formal record of fund delegations and controls was still in process. The team would press ahead with this area of work once the Local Pension Board and Committee Terms of Reference had been approved and as such the action was to be kept live.

In response to a question from the Chairman it was noted that officers had produced metrics to compare the carbon footprint of the funds with the Environment Agency. It was also noted that officers had set up a compliance framework in order to monitor the Fund's MiFID II compliance and that this would be discussed in more detail under Item 17.

## **Resolved**

**The minutes of the Local Pension Board held on 14 November 2019 were agreed as a correct record and signed by the Chairman.**

### **5 Declarations of Interest**

There were no declarations of interest.

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

The Chairman reiterated the role of the Board as a non-decision making body that seeks to support the Pension Fund in being compliant with legislation and regulations.

### **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 and Investment Sub Committee**

Regarding the Wiltshire Pension Fund Committee minutes, it was noted that the Terms of Reference for the Wiltshire Pension Board and Wiltshire Pension Fund Committee had been resubmitted to the Constitutional Focus Group. A number of amendments had been requested by the CFG and officers were working with Legal Services to implement these changes before the documents were submitted to the Standards Committee.

The Head of Pensions Administration and Relations explained that officers were progressing well in agreeing new employer contribution rates with employers. This was a time-consuming process in part due to complicated risk sharing arrangements and some employers planning to cease participation in the Fund. It was recommended that an appraisal be carried out once the process had been completed to understand how it could be improved upon in the future.

It was noted that officers had broken down the budget into three categories. Historically it had been broken down into two categories – investments and administration - but it would now include a governance and oversight section.

This would allow a greater degree of cost comparisons with other funds which budget in this way and with SF3 reporting.

The Governance and Performance Manager responded to a query from the Board and confirmed that training relevant to MiFID II compliance had been incorporated into the members training strategy for 2020/21. Where required, substitute members would be included in the self-certification of competence process. The Chairman recommended that it should be made a requirement that substitute members be compliant too should they need to substitute for a member.

### **Resolved**

- 1. The minutes of the Wiltshire Pension Fund Committee held on 17 December 2019 and the Investment Sub Committee held on 28 November 2019 were noted.**
- 2. The Board recommended that substitute Committee members ensure that they are MiFID II compliant should they need to stand in for a member.**

## **9 Scheme, legal, regulatory and Fund update**

The Head of Pensions Administration and Relations introduced a report on the latest Scheme, legal, regulatory and fund developments for the Board's information.

Regarding the Good Governance Project, it was noted that Hymans-Robertson had now released its report on Phase II which outlined several specific recommendations. It was now holding a series of discussions in which there was an opportunity to give feedback on these proposals. While funds were largely in agreement with the recommendations, some did raise concerns over the practicality of some. Importance was given to the fact that there had been opposing views on how governance should operate at national level, and these recommendations resembled somewhat of a compromise. There seemed to be a desire to move swiftly to Phase III and while any timeframe remains ambiguous, guidance could be made available within the next few months.

An update was also given on the i-Connect project. It was noted that the Fund now had seven employers fully onboard and was now focused on Wiltshire Council and the academies it services the payrolls for (which accounted for 1/3 of the Fund's membership). The team had decided to make the data changes needed in light of the McCloud case before employers were on the i-Connect system to save on time and resources. Once implemented, the Fund would be receiving monthly data updates from the system which would reduce officer workload, particularly at year end, and ensure benefit statements were sent out quickly.

In response to a question from the Board it was noted that following the McCloud case members enrolled in the Scheme pre-2012 and who remained in the Scheme post 1 April 2014 would see their pension reviewed. National

guidance on the implications of the case remained unclear and much of the Fund's work had been done independently based on assumptions about what data would be required to prepare. Employers were encouraged to retain the data of its employees until the situation becomes clearer. The Chairman recommended that the Fund contact the Scheme Advisory Board for guidance on how to advise members on how they will be affected by the case.

The Chairman underlined the importance of the proposed revision to the UK Stewardship Code and encouraged officers to review Fund compliance to the new code and begin drafting a new Statement of Compliance for review by the FRC in a timely manner.

It was noted that the Fund had now launched its new employer website as per the Business Plan. It would feedback its progress to the next Board meeting.

### **Resolved**

- 1. To note the Scheme, legal, regulatory and fund update.**
- 2. Officers to contact the SAB to ask for guidance on how to keep members updated on the McCloud case implications.**
- 3. Officers to feedback on employer's reception to the new employer website at the next Board meeting.**

## 10 **Training Plan Review**

The Governance and Performance Manager gave a verbal update on 2019/20 Member training.

It was noted that where a new member had been enrolled in the last 12 months they should have attended the LGA's Fundamentals training & the officer induction & completed tPR toolkit training within the first six months. tPR toolkit should be completed online and once completed certificates should be forwarded to the Governance and Performance Manager to be recorded. Members were also encouraged to inform the Governance and Performance Manager of any other training they had completed for incorporation into the Board's Annual Report.

### **Resolved**

**To note the Training Plan Review update.**

## 11 **Business Plan**

The Head of Pensions Administration and Relations introduced a report on the progress of the actions set for 2019/20 and the proposals for new actions for 2020/21.

It was noted that officers had agreed in 2019 to set actions for one year at a time only, despite the plan running from 2019 until 2022. This approach was partly in recognition of the difficulty in setting specific actions for a period of up

to three years and in response to feedback that the development of key events may not be reflected in triennial action setting. Moreover, the approach is to focus only on actions which are improvements, developments and changes - business as usual actions would not be covered even though they make up the vast majority of work in the section.

It was explained that Appendix 1 showed the Fund's progress of the desired actions for 2019/20. Most actions were complete, or would be completed in the 2019/20 period, although some had been carried forward for the reasons stated in the Appendix.

In response to a query from the Board it was noted that the Fund's administration had been only minorly affected by Wiltshire Council's recent IT issues. Administration was reliant mainly on a reliable internet connection and its main system was held offsite. It did, however, raise more general concerns regarding the Fund's business continuity plan and its general resilience to IT issues. It was noted that officers planned to scrutinise its software provider, Aquila Heywood, and Wiltshire Council to determine the processes and measures in place should any issues surface.

The Head of Pensions Administration and Relations was asked to comment on work regarding the regular monitoring of employer covenant strengths and monitoring of active membership numbers of small employers to prompt the start cessation discussions prior to crystallisation events. It was noted that those who had joined in the last ten to fifteen years were required to provide a guarantor upon joining the Fund, but historical employers had not always been required to do so. The Fund had experienced employers' financial failings before but in all cases to date, a guarantor arrangement had been in place so the Fund was protected. It was recommended that officers continued its solvency analysis on the Business Plan and ensure a framework be created.

In response to a question from the Board it was noted that the analysis of GMP-related pension in payment issues and the agreement of a final approach on GMP rectification had not been completed due to delays in gaining an agreement from the Scheme Advisory Board and due to a key staff absence. The Fund was also awaiting a response from the Scheme Advisory Board which would influence what it does at policy level.

The Board noted that the plan was ambitious in its objectives. Officers were encouraged to be clear and precise in their resource management. It was noted that the officers planned to request additional funding from the budget and had made some savings which would cover some additional resources.

## **Resolved**

**To note the Fund's progress against the actions from 2019/20 and the proposed actions from 2020/21.**

## 12 **Board Budget Setting**

The Head of Pensions Administration and Relations introduced a report proposing the Local Pension Board's budget for 2020/21 in advance of approval of the overall budget at the next Wiltshire Pension Fund Committee meeting.

It was explained that the budget had been kept largely the same as the previous year. The overall proposed budget for 2020/21 was £27,400. This was a continuation of the total budget for 2019/20.

It was noted that the underspend in 2019/20 was due to lower than expected spending on consultancy services and training. However, a similar amount had been left in the 2020/21 budget for both as there was a reasonable chance that it would be needed. It was explained that consultancy services comprised of the commissioning of research and/or analysis and the attendance of advisors at meetings.

In response to a question from the Board, it was noted that the proposed spend on insurance in the 2020/21 budget was £2,800. As volunteers, members had a personal liability and as such insurance was required. This was a niche insurance area with no real history of claims which may explain why premiums appeared relatively expensive. It was recommended that the Fund keep these arrangements under review and engage with the Brunel family and other South West funds to ensure pricing is reasonable and consistent with others. Moreover, the Chairman advised that the National Scheme Advisory Board should be able to provide some guidance and could perhaps undertake a national procurement exercise. Alternatively, officers could engage with Norfolk Pension Fund for guidance.

### **Resolved**

- 1. To agree the draft Local Pension Board's budget and recommend to the Wiltshire Pension Fund Committee that this is included in the Fund's administration budget for 2020/21.**
- 2. To propose that the Local Pension Board monitor their budget on a quarterly basis. The Local Pension Board budget monitoring will form part of the quarterly budget report which is reviewed by the Wiltshire Pension Fund Committee.**
- 3. Officers to circulate to members a copy of the scope of the Board's insurance cover.**
- 4. Officers to approach Wiltshire Council's Insurance team to enquire about cover provided by alternative providers.**

## 13 **Risk Register Update**

The Fund Governance & Performance Manager introduced a report presenting the Risk Register for Wiltshire Pension Fund for review by the Board. The new risks identified were discussed, as below.

New risks included an over reliance by the Fund potentially being placed on the Pension Regulator to combine and rationalise the existing Code of Practices in a new Code of Practice 15, without consequence on the Fund's operations.

In addition, it was explained that fixed income portfolios were currently being scoped by Brunel, in collaboration with clients. There was a minor risk that the resulting portfolios may not be an exact fit with Wiltshire's existing portfolios, which was being mitigated by active engagement with Brunel, in order to ensure that the Fund's investment strategy will be implemented properly and in line with the agreed transition timetable.

The risks that had been changed or need to be recategorized were discussed, as below.

Guidance from officers and the Fund's Independent Advisor had largely mitigated non-MiFID II compliance. A self-assessment return had been completed by members, certifying their competence to maintain professional client status & a member training strategy for 2020/21 included MiFID II relevant training. The Fund had also set out its approach to fulfilling the Fund's governance obligations associated with MiFID II. However, it was recommended that risk PEN049 should remain an amber risk until the Fund had been audited.

It was noted that a regular dashboard of KPIs monitoring the Fund's activities was now being brought to the Board and Wiltshire Pension Fund Committee each quarter and that a new Pension Administration Strategy document would further enhance the flow of KPI information to members. As a result, it was agreed that this risk could be reduced from an amber to green rating.

There were two risks that were recommended to be removed from quarterly presentation to the Committee which were.

The implementation of Brexit causing investment volatility. As 31<sup>st</sup> January had now passed the risk should be removed, however if trade negotiations create a risk a new risk could be created relevant to the impact of those negotiations.

The failure to procure & manage service providers appropriately had reduced as it was explained that a contract management framework had been developed by officers, including regular reporting to members which had mitigated the risk.

The Board enquired about the ability of Brunel to deliver its objectives. The Fund Investment and Accounting Manager explained that Brunel would be attending the Investment Sub Committee on a regular basis going forward, and it was noted that it would be necessary to challenge Brunel on performance and delivery of value for money. It was noted that rigorous performance monitoring would be brought to Committee to allow ongoing scrutiny.

## **Resolved**

**To note the Risk Register and recommend the changes/actions made by officers with the exception of Risk PEN049 which should remain Amber & Risk PEN048 which should be amended to include a monitoring & reporting timetable of BPP.**

### 14 **Quarterly Update on Key Performance Indicators**

The Head of Pensions Administration and Relations introduced a report on the Wiltshire Pension Fund's key performance indicators for review by the Board.

It was noted that to meet the goal of improving the quality of KPI reporting three changes were made in the previous quarter. These were the inclusion of a trend graph for the Disclosure Regulations, the inclusion of the missing Disclosure Regulations for starters and the alignment of the Admission strategy KPIs in line with the new strategy.

The Fund was operating below its desired targets for most cases but were meeting most disclosure requirements. This was mainly due to a mixture of slow submissions by employers, which means the Fund is already outside of its required timeframe by the time it receives the information, and Fund processing speed, as well as the inefficiency of the previous starter process. Officers recognised the need to increase resourcing in the benefits team and are gradually reviewing processes to improve efficiency and meet desired timeframes. It was noted that this was an administration issue rather than a customer service issue.

In response to a query from the Board it was noted that because of the Fund's performance regarding deferments and refunds and starters processes, the Fund was potentially open to sanctions should the regulator decide to enforce them. This would be in the form of a fine or a timeframe in which performance would need to be improved.

Comparative analysis of KPI monitoring at other funds remained limited. KPIs were presented in different ways and the standard ones were not well specified. The Chairman explained that the Scheme Advisory Board were going to do some comparisons in this area which would prove useful to officers.

## **Resolved**

**To note the current situation and the Fund's plans for improvement.**

### 15 **Data Retention Strategy Update**

The Governance and Performance Manager introduced a written update on the data retention strategy.

It was noted that the Fund engaged with the Actuary concerning the requirements of the Actuary's ongoing data needs to ensure those needs were

incorporated into the strategy. The Actuary provided no feedback in connection with their own requirements and consequently officers saw no conflict with the Fund's proposed strategy. In respect of the six-year, plus current year term raised by Hyman's to be consistent with HMRCs payroll data retention requirements, officers agreed that it would be prudent to extend the Fund's strategy concerning the minimising of data from four to seven years. Records eligible for deletion would continue to occur only after 15 years had passed.

The Governance and Performance Manager clarified the Fund's position regarding the duration of retained data. In effect the Fund would observe the "last payment of benefits plus fifteen years" definition in all cases for the purposes of the Fund's data retention strategy and saw no justification to adopt the "100 years from date of birth" definition in any scenario it had considered. In reaching this decision the Fund concluded that the "100 years from date of birth" definition could be seen as being inconsistent with the spirit of GDPR 2016.

### **Resolved**

**To endorse the recommendation made by officers concerning data retention.**

## **16 Member Effectiveness Review**

The Governance and Performance Manager gave a verbal update on the member effectiveness review. Members were encouraged to refer to the conversation held under Minute 8 regarding the Terms of Reference for the Wiltshire Pension Board and Wiltshire Pension Fund Committee.

### **Resolved**

**To note the progress of the member effectiveness review.**

## **17 MiFID II Compliance Strategy**

The Governance and Performance Manager introduced a report on the MiFID II compliance strategy.

It was noted that, in order to maintain the Fund's "Professional Investor" status, good governance arrangements had to be set in place to ensure members selected to oversee the Fund's investment matters continue to discharge their duties and responsibilities in accordance with the regulations. There had been limited national guidance on the practical steps that need to be taken so a best practice approach had been adopted.

Proposed arrangements therefore included an internal annual audit of compliance with MiFID II, a policy in connection with the Fund's compliance which will be included with the Investment Strategy Statement and ensuring that the Council's constitution was consistent with the requirements of MiFID II.

It was recommended that BPP be made aware of the Fund's arrangement and agree to any implementation of MiFID II compliance. It was noted that this will be discussed at the next meeting of the Investment Sub Committee.

### **Resolved**

- 1. To endorse the arrangements set out within the report concerning the Fund's compliance with MiFID II and the maintenance of its "Professional Investor" status.**
- 2. To raise the Fund's MiFID II arrangements with BPP for their acceptance.**

## **18 External Audit Report**

The Head of Pensions Administration and Relations introduced a report on the position of external audits.

An update was given on last year's audit. Deloitte had not yet completed the final audit paper due to some outstanding issues in Wiltshire Council's audit and hoped that this would be published at the end of the month.

The Board highlighted Deloitte's recommendation regarding a full reconciliation of Altair and SAP Payroll to provide further assurance that payments made to pensioners cast and provide the basis for a monthly reconciliation of cumulative balances. It was noted that a streamlined process is being created but its implementation had been affected by key staff absence.

In response to a question from the Board it was noted that disaster recovery plan testing was generally the responsibility of the Council's IT department. However, the Fund had an oversight responsibility to ensure that IT have an effective plan in place. Moreover, the Fund was working with its pensions administration database provider to determine an approach to test the disaster recovery testing of the Altair platform.

### **Resolved**

- 1. To note the update.**
- 2. Officers to liaise with Wiltshire Council's IT dept, & Heywood's concerning the essential oversight arrangements that the Fund should develop.**

## **19 Forward Work Plan Review**

The Governance and Performance Manager gave a verbal update on the forward work plan for 2019/20.

It was noted that officers had reformatted the forward work plan for 2020/21 to align with the new budget planning structure, be consistent with all Board

responsibilities within the Terms of Reference & create a comments column to provide additional background notes to members.

**Resolved**

**To note the update.**

20 **How did the Board do?**

The Board members agreed that the meeting had been very constructive and informative with excellent reports. The officers involved were praised for their hard work.

21 **Urgent items**

There were no urgent items.

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

The next meeting of the Local Pension Board would take place on 21 May 2020.

The forward work plan was noted.

23 **Exclusion of the Public**

There were no members of the public present.

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

**Resolved**

**The Part 2 minutes of the of the Wiltshire Pension Fund Committee held on 17 December 2019 and the Investment Sub Committee held on 28 November 2019 were noted.**

25 **Minutes**

**Resolved**

**The Part 2 minutes of the Local Pension Board held on 14 November 2019 were approved.**

26 **Close**

The Vice-Chairman thanked the outgoing Chairman for all his hard work for Wiltshire Pension Board over the years. It was noted that the Chairman had been vital in establishing its role as a non-decision making body that seeks to support the Pension Fund in being compliant with legislation and regulations.

The Board also extended its thanks to the Chairman and wishes him all the best for the future.

(Duration of meeting: 10.00 am - 12.45 pm)

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