

## **WILTSHIRE COUNCIL**

WILTSHIRE LOCAL PENSION BOARD  
24 August 2021

---

### **PENSION FUND – TPR PUBLIC SERVICE SUMMARY 2020-21**

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

1. The purpose of this report is to identify any additional actions that the Wiltshire Pension Fund's (WPF) Local Pension Board (LPB) could recommend to the Pension Committee following the publication of the Pension Regulator's (tPR) 6<sup>th</sup> Public Service Governance & Administration survey 2020-21.

#### **Background**

2. The results of the survey looked in depth at how the key features of good governance of a Pension Fund worked in practice (with a 72-page report). Officers compared the 2020/21 report against the 2019 results which the LPB reviewed at their meeting on 18 February 2021. In officers' opinion the WPF continued to fall into the group of 70% of Schemes cited by tPR as fulfilling all six of the key processes expected by it, namely;
  - a) That the LPB has a conflict of interest policy in place;
  - b) That members have access to knowledge, have an understanding of the Scheme & have the skills needed to run the it;
  - c) That the Scheme has its own process for assessing & managing its risks;
  - d) That the Scheme has a process for monitoring its record accuracy & completeness;
  - e) That the Scheme has a process for monitoring contribution payment issues; &
  - f) That it also has a process in place to identify, assess & report on breaches of law.
3. The original emphasis of tPR's core concerns of governance, record keeping, cyber security & member communications were further reappraised with the completion of this survey. Whilst the core concerns of cyber security, effective governance and administration remain in place, this year's survey objectives (Background section Page 9) also sought to acquire information on Pension Fund responses to the Covid-19 pandemic and business continuity planning. It also requested information about the Fund's readiness for the proposed pensions dashboard and the extent to which Funds had prepared for climate change related risks and opportunities. It is noteworthy that tPR have not sought to publish any of its overall conclusions from their findings, but based on the information provided, the consensus of opinion from officers and third-party organisations have been outlined in the sections below.

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

4. Whilst the WPF is satisfied that it is one of the 70% of Funds that has all six of tPR key processes in place (a rise from the 64% of Funds quoted in 2019), Fund officers elected to undertake this review against the 2020/21 survey in order to identify any additional areas on which the WPF may be able to improve upon.
5. The table below sets out the key areas cited by respondents as their top governance and administration risks for their Funds & officers have reviewed those risks against the WPF's compliance to determine whether the WPF could further improve its working practices. Brief comments of officer assessment are also set out below.

<b>Top governance and administration risks highlighted (Page 27 &amp; 28 – Table 4.2.4)</b>			
<b>Risk</b>	<b>tPR's LGPS %</b>	<b>WPF View</b>	<b>WPF comment</b>
Funding or investment	54% (Down 9%)	Not an issue	As at 30/06/21 the Fund was 101.5% funded.
Remediation (McCloud judgement)	37% (Up 31%)	Partial concern	WPF continue to work to gather part-time hours and other key data items, however work to remedy the record-keeping in line with the McCloud judgement has currently been paused whilst final legislation and systems updates are outstanding.
Record-keeping (i.e. receipt and management of correct data)	32% (Down 8%)	Not an issue	The Fund's latest Pension Regulator data quality scores are as at 16/10/20 and are Common 98.5% & Conditional 96.4%
Securing compliance with changes in scheme regulations	30% (Up 8%)	Partial concern	Officers are confident that capacity is either in place or is being resourced to support change. However, concern exists in relation to the timeliness and quality of guidance from central government, or their organisational dictates e.g. the scope & implementation requirements of Exit Cap reforms. Based on information to date, items like the good governance review, the new Code of Practice and the TCFD disclosures are not seen as overly concerning.
Cyber risk	23% (Up 4%)	Area of concern	Whilst 2020 saw progress in establishing the Fund's cyber risk approach, little activity has occurred in delivering on that approach. The survey cited that 90% of Fund's had at least half of the controls in place, an achievement our Fund only just managed to fulfil and is support by its own review within this meeting pack. Hymans and the LGA also cite cyber security as a key issue.
Recruitment and retention of staff or knowledge	22% (Down 10%)	Not an issue	In the last 12 months 2 staff have left, 5 have joined and the Fund, with interviews taking place to fill the last key appointment. Staffing losses are therefore low with legitimate reasons offered for leaving. The approved additional resource now being in place to remedy key projects.
Lack of resources/time	22% (Up 6%)	Not an issue	The Fund's 2021/22 business plan and budget approved on 30 March

			2021 was set in place to address both the resource and time capacity issues.
Systems failures (IT, Payroll, Administration issues etc)	16% (No change)	Partial concern	Whilst day to day systems failures is seen as unlikely, change management requirements have increased the Fund's concern in this area. A new payroll system in 2022 is now anticipated and the Fund's implementation of its cyber security arrangements are now strongly recommended.
Administration issues (expenses, performance etc)	10% (Down 3%)	Partial concern	Despite the Fund's technological investment, to date improvements in administrative output has not seen the increases anticipated. The impact of Covid-19 may have had a bearing on this however to assist output staff performance & support will be focused upon during 2021/22.
Receiving contributions from employer(s)	9% (Down 1%)	Not an issue	The rollout of an improved contribution reconciliation against payments process has been embedded. Along with the ongoing rollout of i-Connect & an increased emphasis on employer monitoring & escalation process the timely receipt of contributions is under control.
Production of annual benefit statements	6% (No change)	Not an issue	As at 31/08/20 96.9% of active & 99.9% of deferred members received a statement. An average of 98.4%. An improving yearly score. These % are expected to improve in 2021.
Lack of knowledge, effectiveness or leadership among key personnel	6% (Down 2%)	Partial concern	Committee & Board members have a training strategy which is regularly reviewed. Officers have a separate training strategy. However, particularly following the Local Government elections the gaining and maintaining of sufficient levels of K&U across all WPF stakeholders continues to remain a challenge.
Guaranteed Minimum Pension (GMP) reconciliation	3% (Down 3%)	Partial concern	The Pension Payroll reconciliation project, including GMP rectification is currently in progress with updates reported to Committee. Initial reaction to the completion of this project suggest its execution is being accepted without complaint.

6. Hymans Robertson & the LGA have also undertaken assessments of the tPR's survey and have highlighted the following key themes;

- a) That there were some concerns about the effectiveness of Business Continuity Plans on commencement of the pandemic (Hymans);
- b) That the results show general improvements in risk management processes, cyber controls and the proportion of members receiving their annual benefit statement on time (LGA);
- c) That most schemes identified implementing the McCloud remedy as a significant risk (LGA); &
- d) That governance has generally stood up well given the unique challenges the last year has presented (LGA).

In consideration of all the themes cited, the WPF officers view is that whilst business and usual work remained largely solid during the Covid-19 pandemic, areas which require effective change management were slow to be embraced, not only at a local level, but also at a national one.

### **Conclusions**

7. After a review of the top governance and administration risks highlighted in paragraph 5 & where an appropriate measure hadn't already been taken by the WPF, only one area of concern was identified. A recommended measure for consideration by the Board, associated with this concern is set out in paragraph 9.
8. In self assessing itself against the findings of tPR's 2020/21 survey, the WPF considers itself to be operating above average within the Public Sector Fund environment. Addressing the area of concern will ensure the Fund's continued compliance and will aim to place the Fund in an upper quartile position against its peers.

### **Recommendations**

9. Based on the findings, officers have made the following recommendation;
  - a) That the Board & the Committee should place a high emphasis on ensuring that the Fund's cyber security and business continuity arrangements are fully embedded within its governance arrangements.

### **Environmental Impact**

10. There is no environmental impact from this report.

### **Financial Considerations**

11. There are no immediate financial considerations.

### **Risk Assessment**

12. There are no risks identified at this time other than those considered within this report.

### **Legal Implications**

13. There are no immediate legal implications arising from this report.

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

14. There are no implications at this time.

### **Proposals**

15. To review the findings of the Pension Regulator's report against the risks identified by officers and make the recommendation in paragraph 9 to the Committee.

**ANDY CUNNINGHAM**

Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager

---