WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
13 July 2023   **ITEMS IN BLUE NOT UPDATED**

WILTSHIRE PENSION FUND HEADLINES AND MONITORING REPORT

Purpose of the Report

1. The purpose of this report is to provide the Committee with information in relation to various standard issues, to enable the Committee to fulfil its monitoring role.
    a) Scheme, Regulatory, Legal and Fund Update
    b) Risk Register
    c) Administration KPI update – 1 March 2023 to 30 June 2023
        1) Key business plan items – Aggregation Backlogs / i-Connect & Controls / Resourcing. Plus, general progress on the business plan.
        2) Outsourcing updates
        3) Integrated payroll system update (Action log item)
    d) Audit update
        1) SWAP Audit 2022/23
        2) Clearglass audit - update
        3) SWAP KPI audit

2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

Report from Head of Wiltshire Pension Fund

3. This section summarises key events across the Pension Fund over the last quarter.
    a) Investment performance for the quarter to Mar-23 was +3.3%, compared to a benchmark return of +2.1%. The fund value at the end of Mar-23 was just over £3bn.
    b) The funding level remains at around 125% (based on a roll-forward of the 2019 funding level).
    c) The backlogs project and the pensioner payroll rec projects are now both up and running. Hymans have now completed around 1.5k cases, and Aon just under 450 (which includes all overpayments). We would have expected more progress on the Hymans project to date, and are working closely with Hymans to ensure that this completes on time. For Aon there were some delays due to not making amendments over the pensions increase being implemented for this year, but progress has picked up again now that this has been completed.
    d) The SALAMI portfolio (Strategic Allocation to Liquid Asset-Matching Investments) has now been successfully set up. This will help us to meet the funding requirements for our private markets investments without holding excess cash and missing out on investment returns, and will also make things more efficient from an operational perspective.
    e) Several of the roles within the new team structure have now been filled, including the new role of Employer Funding and Risk Lead and a replacement Pensions Administration Lead. Both these new team members will be attending this meeting to introduce themselves.
    f) The Stewardship report for 2023 has now been completed and was submitted to the FRC in time for the end of May deadline. We have also published a mini-magazine to provide some of this information in a more accessible and non-technical format to the wider group of stakeholders. The Fund has also published

the first report into the impact of the affordable housing portfolio: https://wiltshirepensionfund.org.uk/Affordable-Housing-Impact-Report-2023

g) The Fund has been shortlisted for three awards at this year's LAPF Investment Awards! These are Best Approach to Responsible Investment (which the Fund won in 2021), Investment Innovation (our submission focussed on the affordable housing portfolio), and the Governance Award (which focusses on our approach to governance with the pool, communicating our long-term strategic aims, and risk management). The awards will be announced in September. Congratulations to the team and good luck on the night!

Business Plan Priority Area Progress Updates

4. As set out in the Business Plan 23/24, the priority areas where we need to focus in order to deliver the maximum improvements to our admin service are as follows:
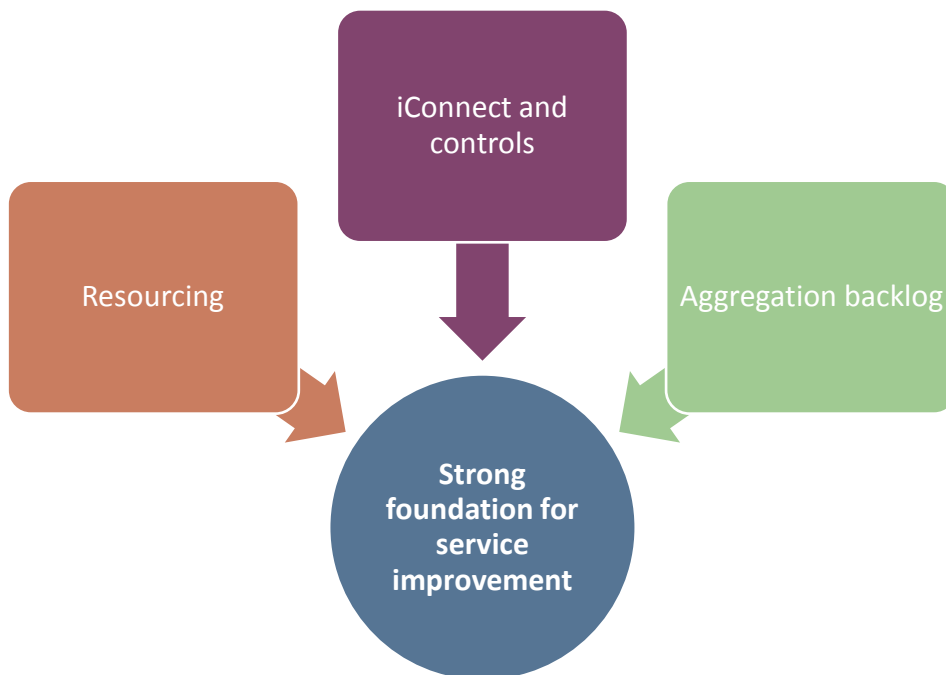
Resourcing – progress rating red

5. We have now appointed to all key vacant roles, with the exception of the Employer Services Manager role, where we have temporarily paused our recruitment efforts while we review the situation after several unsuccessful attempts. We are also currently recruiting for an admin assistant. Two key roles (Employer Funding and Risk Lead and Pensions Admin Lead) now have people in post.

6. Staff training plans are in development. We are promoting training opportunities such as the Wiltshire Council leadership programme for new team leads, training on creating an inclusive workplace for all staff, targeted external training for new members of the operations team, and training plans for processing staff who wish to progress up the career grades.

7. More work still needs to be done to create a structured framework to use all the tools at our disposal to promote maximum efficiency in the processing teams. We plan to develop "recipe cards" for all processes to streamline work.

iConnect and related controls – progress rating red

8. More issues have emerged around the lack of a proper framework for monitoring whether data has been received, loaded, and processed from employers. Preliminary discussions have been held around the principles behind what data we check and why, and now that we have a Pensions Admin Lead in post, we hope to be able to progress this issue.

9. The same delays around progress apply to developing a monthly cycle of work for the employer services team, defining employer roles and responsibilities, and building on employer training and escalation, which should also be able to move forward now that we have an Employer Funding and Risk Lead and a Pensions Admin Lead in post.

10. Work on defining an efficient and effective control framework has not yet begun, but is strongly linked to the above point about recipe cards.

Aggregation backlog – progress rating red

11. As mentioned above (under para 3c), Hymans are making progress, but there have been issues on the way. Hymans report that this is not uncommon for a project of this nature, and are working with us to find solutions.

12. The Service Improvement Team has now been set up as of 9 May 2023, and the Service Improvement Lead Analyst role has now been filled via an internal appointment. This will enable us to make data-driven decisions to identify high-impact efficiencies. We are still some way off being able to make a proper assessment of resource requirements.

13. We have identified that there have been issues with receiving data from some large non-iConnect employers. Due to the issues mentioned above with monitoring, it is currently not clear what this means for workloads, and our measure of "open cases" is unlikely to be accurate (understated).

LOCAL PENSION COMMENT

14. **Key Business Plan activities** – Aggregation Backlogs / i-Connect & Controls / Resourcing – Progress was noted against the three key activities, all of which were showing as a red risk rating.

15. Concerns were raised by the Board, particularly in relation to iConnect and related controls, with more issues emerging around the lack of a proper framework for monitoring whether data has been received, loaded, and processed from employers. The significance of this issue is further increased with the emergence of a major data issue in relation to one employer within the Fund, which is the subject of a paper later in the agenda.

16. Clearly it is important for the Board and the Committee to monitor, in detail, the progress on the three key business plan activities which are central to the delivery of improved service standards.

Scheme, Regulatory and Legal Update (Appendix 1)

17. There are no material changes in this area, but officers have added minor updates to the appendix.

Risk Register (Appendix 2)

LPB Recommendation – Minute 197

18. The version of the risk register presented in Appendix 2 relates to the month of April 2023. Whilst officers review the risk register each month, it was agreed by both Chairs that the April 2023 version will be the version submitted to the Committee meeting in July. During the interim period between each quarterly submission to the Board and Committee the officer led CROC Group will process and moderate ratings of monthly manager reviews in a consistent manner.

19. For members to be able to monitor the key changes between versions submitted to meetings officers will provide a summary table within this report to members. The purpose of this summary of changes is intended to assist Committee members by focusing on the key recommendation change agreed by the Board.

20. Committee members are asked to note that the Board have made their recommendations in line with two basic categories. These are:
   a) In relation to any patterns or themes which have occurred since the Board's last review, as determined by the summary table: and
   b) In relation to the assessment of the prevailing risk register presented to the Board at their meeting.
   In assessing the risk register members are asked to focus on the mitigations in the "Updates to note" column rather than the ratings in the "Risk Assessment" column.

21. The summary of key changes to the April version of the risk register are:

Risk Section	Section rating change	Key notes and mitigations during the period
Data Management	Amber to Red	a) Employer asset and liability allocations should be monitored to avoid distorting an employer's funding positions. Key officer to be assigned as well as accurate transaction coding reporting recommended. b) I-Connect processes including relevant checks, requires reform. Forms part of the KPI improvement plan. c) Employer TUPE transfers and cessations to be managed more effectively. Key recruit appointed, starting in June. d) Year End work has caused higher work volumes, in addition to the backlog of work which already exists and the timeliness of the delivery of data from employers. Officers are focusing on clearing this work. e) Management of record data associated with PI exercise. Officers reviewing all short-term pension changes.

LOCAL PENSION COMMENT

22. **Risk Register** – The Board recommended the April '23 version of the risk register to Committee. Noting, and strongly supporting, the increase in the Data Management risk rating to Red, in light of the emerging issues

Administration KPIs (Appendix 3)

23. The KPIs have undergone some work to improve their presentation, but the work done and data sources to prepare them have remained consistent. Any comments from the Committee on the presentation would be welcome.

24. Table 1 shows a high level of terminated cases. This is due to "housekeeping" work that has been carried out by the new Service Improvement Team. Alongside the outsourcing project, this has gone some way towards reducing the volume of open cases.

25. Table 2 shows that over the year to date, better work allocation systems have led to the KPIs being consistently "amber" across all high priority processes. This progress has stagnated and now that the new Pensions Admin Lead is in post, there will be a new focus on boosting productivity and making better use of our management information in order to get more on top of BAU.

26. Work is continuing on regular processes – the end-of-year checks are making good progress, and this work will feed into the annual benefit statements, which are due by 31 August.

Audit updates (Appendix 4)

LPB Recommendation – Minute 197
27. SWAP Audit review 2022/23 (Appendix 4):
   a) SWAP November 2022 KFC audit – Appendix 4 presents the Fund's Key Financial Controls actions log based on the recommendations made by the SWAP auditor in November 2022. Progress against the recommendations was last assessed by officers on 7 June:
   b) Target date – The Board endorsed one request by officers to change a target date relating to action 10 "KPIs, Reports & Monitoring of Staff Productivity". The change moved the target date from 30 April to 30 September 2023. The change is connected with the SWAP audit covering KPI reporting (see paragraph 19):
   c) Progress was identified in relation to the following actions:

Action	Est percentage of progress communicated to the Board in May	Est percentage of progress recorded as at 7 June – Appendix 4	Reason
Overpayments	50%	80%	Overpayment & associated policies now redrafted and awaiting final sign off
Amendments	60%	90%	Introduction of Recipe cards is making processing more consistent. Mortality tracing provider contract nearing completion.
Aggregation processing and backlog	40%	60%	Completed outsourced cases have increased significantly. More accurate outsourced & in-house reporting also in place.
Status 2 Members	50%	60%	Significant closure of casework due to phantom cases. Mini mailshot projects to members confirming their intentions

			is enabling casework closures. Better reporting.
KPIs, Reports & Monitoring of Staff Productivity	50%	70%	Earlier reporting of aggregation casework is now possible
Quality Assurance	50%	70%	Recipe cards include more comprehensive DQ checking

28. Whilst there is still work to be undertaken, officers feel that recognisable progress has been made. The appointment of key personnel should also assist in further improvement.

LOCAL PENSION COMMENT

29. **SWAP audit** – The Board agreed that the Committee will be asked for an extension to SWAP audit recommendation item 10 – KPI's, Reports & Monitoring of Staff Productivity. The proposed date recommended is now 30/09/23.

30. The Board also raised the issue on the proposed SWAP audit into the accuracy of the KPI's, as requested by the Chairs of the Committee and Board. Subsequently the two Chairs have commented on the draft audit brief for this piece of work, and an update should be provided to the July Committee meeting (See paragraph 22).

31. ClearGlass audit update:
    a) At the last Committee meeting officers presented ClearGlass' audit report on monitoring fee savings, with a view to providing assurance over the calculated fee savings, as a core measure of success for investment pooling. This included assessing whether the prescribed methodology was still meaningful given changes in the market and to the investment strategies of the underlying funds.
    b) Given the inherent difficulty of assessing fee savings across asset classes and over an extended period of time, it was agreed that the Fund's focus will now turn to ensuring pooling delivers value for money through assessing performance of the investments, of which ensuring suitable fee terms is one part.
    c) In conclusion, the Committee approved the recommendations which included two actions, namely, to formulate questions with ClearGlass to seek clarifications on unknown elements which had been identified within the report and to draft a letter encouraging Brunel to use caution when publicising fee savings, and focus on meaningful measures of pooling success, such as investment performance and responsible investment. At this time, we await the outcome of those two actions.

LPB Recommendation – Minute 207
32. SWAP KPI Audit:
    Officer received an updated from SWAP advising that whilst the scope had been agreed it was clear that the work evolved had quite rapidly developed into a larger piece of work, than was indicated during the initial scoping meeting. SWAP is seeking to acquire additional resource and aiming to commence the audit in July.

Training update

LPB Recommendation – Minute 197
LOCAL PENSION COMMENT
33. **Training update** – It was recommended that Committee members could support officers more regarding the annual MiFID II self-certification process, by completing and returning their forms on a timely basis. It was noted that the process took 3 months to complete in 22/23.

Financial Implications

34. No direct implications.

Legal Implications

35. There are no known implications from the proposals.

Environmental Impacts of the Proposals

36. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

37. There are no known implications currently.

Proposals

38. The Committee is asked:
    a) to approve the risk register recommendations made by the Board and the officer assessment of risk as presented in the April version of the risk register:
    b) to note progress in the SWAP Audit actions log, including updated target dates:

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

Appendices:
Appendix 1 – Scheme, Legal, Regulatory and Fund updates
Appendix 2 – Full risk register
Appendix 3 – Administration KPIs
Appendix 4 – SWAP Audit Actions log