

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
01 November 2023

WILTSHIRE PENSION FUND HEADLINES AND MONITORING REPORT

Purpose of the Report

1. The purpose of this report is to provide the Board with information in relation to various standard issues, to enable the Board to fulfil its monitoring role.
 - a) Headlines
 - b) Key business plan items – Aggregations backlog, i-Connect & controls and Resourcing.
 - c) Scheme, Regulatory, Legal and Fund Update
 - d) Risk Register
 - e) Administration KPI update – 1 July 2023 to 30 September 2023.
 - f) ABS & PSS updates
 - g) Audit update 2022/23
 - 1) SWAP Audit 2022/23
 - 2) Audit Schedule
2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

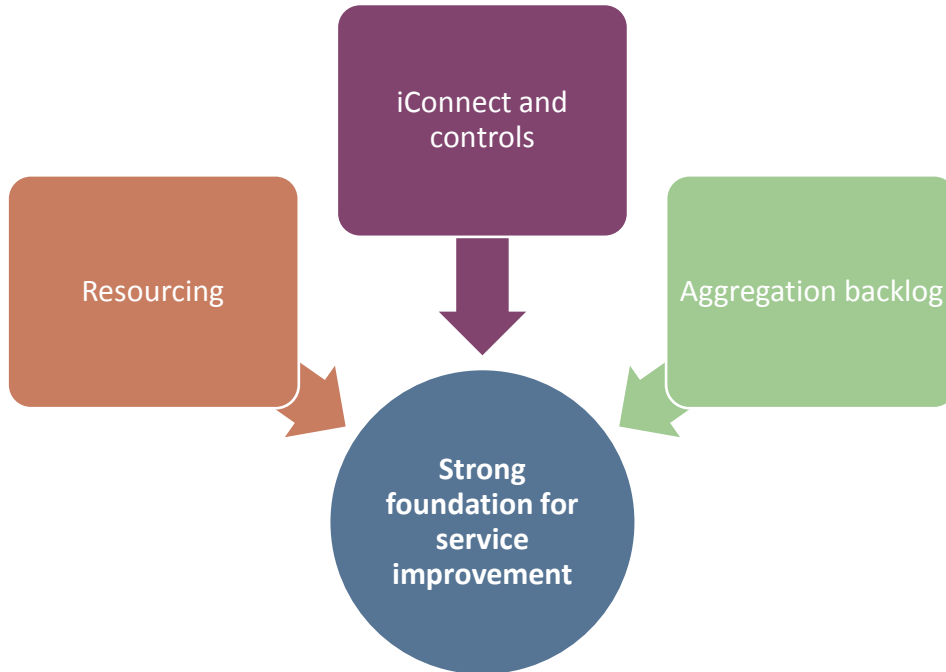
Report from Head of Wiltshire Pension Fund

3. This section summarises key events across the Pension Fund over the last quarter.
 - a) Investment performance for the quarter to Jun-23 was +1.4%, compared to a benchmark return of +1.8%. The fund value at the end of Aug-23 was just over £3.1bn. The audited Q3 2023 performance information is not available at the time of writing.
 - b) The funding level at the end of Aug-23 was 134.8% (based on a roll-forward of the 2022 funding level).
 - c) The backlogs project and the pensioner payroll rec projects are now close to completion. Hymans have now completed around 2.4k cases, and Aon just over 720. The Hymans project is going to run on for slightly longer than expected, and the team will be providing Hymans with a final batch of work shortly. The Aon project has now overrun its original deadline, specifically due to issues with the calculator for dependants, which make up the remaining c.200 cases. Aon are aware that they need to wrap up the project as a priority.
 - d) There is no update on resourcing, the Employer Services Manager role is still vacant, and recruitment is currently taking place at the junior levels in the team for several vacancies.
 - e) The new office space is now occupied, and we are encouraging staff to attend 2-3 days per week. We held a team building day in September which was productive.
 - f) We have had our signatory status for the Stewardship Code renewed.
 - g) The annual report has now been published, alongside a one-page factsheet and mini-magazine: <https://www.wiltshirepensionfund.org.uk/Annual-report-and-accounts>
 - h) Pension Awareness Week ran during September. We sent out daily factsheets to the members, to help them understand their benefits, be aware of scams, and engage with their pension: <https://www.wiltshirepensionfund.org.uk/article/8102/Pension-Awareness-Week-11-15-September-2023>

- i) The Fund has once again won the award for “Best Approach to Responsible Investment” at the LAPF Investment Awards. We previously won in 2021. Congratulations to the team!

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 still not appointed to 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 processing staff, following three departures from the team.
6. Staff training plans are still in development – this is a very high priority to address. We are promoting a wide range of training opportunities to staff, both internally and externally. However, there are still some clear skills gaps within the teams which need to be addressed.
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. Our plan to develop “recipe cards” for all processes to streamline work is well underway.
8. A significant issue which needs to be dealt with is team morale, which is at a low level as reported by the Wiltshire Council staff engagement survey. We have recently held a team building day, as well as the move to bring staff back to the office more. We are currently running a dedicated WPF staff survey.

iConnect and related controls – progress rating red/amber

9. This area has been improved from red to red/amber, to reflect the fact that significant progress has been made, but that this has not yet translated into any tangible results.

10. The monthly cycle of work for the employer services team is in draft, but will need to be finalised and rolled out to the team. Once this has been done, we should be in a position to begin onboarding employers to iConnect again, and will start with Swindon Borough Council.

11. 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 *amber*

12. As mentioned above (under para 3c), Hymans are making progress, and a final batch of work will shortly be provided to them.

13. The Service Improvement Team (SIT), as well as working on various initiatives to deliver efficiencies, has cleared a large number of old cases. Alongside Hymans work, this has led to a significant reduction in the number of open cases (as seen in the admin KPIs section of this report). However, in terms of the day-to-day, the teams have not been on top of BAU, and this has had an offsetting effect against the inroads made by Hymans and the SIT, which has made the reduction in open cases smaller than it might otherwise have been.

14. In order to take things forward, the next steps will be as follows:

- a) Hymans to complete their project.
- b) SIT to continue project work to reduce the backlog.
- c) Work allocation to improve to ensure the teams are on top of the day-to-day.
- d) A review of the remaining backlog to identify similar types of cases that can be dealt with in bulk/via project work.

Scheme, Regulatory and Legal Update (Appendix 1)

15. A scheme update is included in paragraph 3 of this report. Regulatory & legal updates have been provided via Hymans October 2023 Current Issues circular (Appendix 1). Key additional strategic Fund updates have been incorporated within the Fund's risk register section of this report.

Risk Register (Appendix 2)

16. The version of the risk register presented in Appendix 2 relates to the month of September 2023. The September 2023 version will be the version submitted to the Committee meeting on either 23 November or 14 December, depending on the agendas to be agreed. The officer led CROC Group continue to process and moderate ratings of monthly manager reviews in a consistent manner in the interim period.

17. A summary table is provided below for members to be able to monitor the key changes between versions submitted to their meetings. The purpose of this summary is to assist Board members in making their recommendations to the Committee.

18. The summary of key changes between the July and September versions, since the Board last reviewed the risk register in August are:

Risk Section	Section rating change	Key notes and mitigations during the period
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Fund Governance	Green to Amber	<p>a) It was noted that commissioned audits by the Fund had been delayed, as well as changes to the plan submitted to SWAP. Clarity around the process for approving work was also required and had been requested by both Board and Committee chairs.</p> <p>b) A fraud discovered during the scheme year has led to concerns over the quality of the Fund's internal controls and policy relating to such matters. Recommendations are to be considered.</p> <p>c) Resourcing of the Council's procurement department has led to concerns that procured services may not occur on a timely or co-ordinated basis. There is concern that a number of staff are also unclear about the process</p>
Investment	Amber to Green	<p>a) The Fund has received its climate analysis report from its Investment Consultant. Progress has been made in the implementation of changes to the strategic asset allocation.</p>
Performance	Green to Amber	<p>a) Concern has increased in relation to scheme employers not having effective administration processes in place, leading to data quality and submission issues. A review of the Fund's data quality and contribution work group processes was also carried out as gaps had been identified in the Fund's internal controls which could mitigate employer ineffectiveness.</p> <p>b) Oversight visibility of performance against targets and standards have been challenged and a bespoke KPI audit commissioned. Concerns around consistent reporting to the Committee were raised.</p>
Data Management	Red to Amber	<p>a) The introduction of clear procedures within the employer services team and the receipt of outstanding data from employers during had reduced this risk. However, it is noted that a bedding in of the procedures and checking arrangements is still in progress.</p> <p>b) The completeness and quality of data received has enable the successful issuance of annual benefit statements to members.</p>
Projects	Amber to Red	<p>a) Delays during the period concerning the implementation of the Fund's own Altair payroll system and completion of the payroll rectification project and payroll reconciliation have increased this risk area.</p> <p>b) This increase is coupled with the continued concerns in relation to the levels of risk of a number of the Fund's other strategic projects being completed as required, such McCloud, the Council's Evolve project, internal backlogs, and the outsourced backlog of aggregation cases.</p>

Administration KPIs (Appendix 3)

19. Tables 1 & 2 show the admin performance over the period from 1 July to 30 September 2023. October statistics were unavailable at the time of drafting. Regarding the overall Admin KPI picture, this continues to be challenging but it is improving. This is due to the improved work allocation system (which prioritises work in line with meeting the KPIs whilst also working on backlog cases), the high priority administration KPIs remained at a

consistent level and we expect them to remain at this level until we clear the majority of the backlog. The backlog has reduced by 1964 cases since our last report. Open case volumes have come down by 1651 over the last three months, but it is advised to be cautious in interpreting this data. Most of the outstanding data queries have been resolved so the number of open cases is now more accurate than before. However, we are due to undertake a full audit of the open cases to ensure going forward this number is as accurate as possible.

20. Table 3 provide some analysis of the open cases. Table 3 shows a reduction of 1021 cases that are older than 2 years. The graph under the table shows the difference between completed and received cases. On average we are now completing more cases that we receive. The exception is September, but this was expected due the ABS and AA statements being issued. The second graph shows the continued trend of cases over SLA reducing.

SWAP Audit review 2022/23 (Appendix 4):

21. Progress against the SWAP's November 2022 KFC audit recommendations is presented by officers in Appendix 4. This was last assessed as at 16 October. This version of the actions log has also been passed to SWAP who will use it as the basis for undertaking a further KFC audit this November, at which time they will also undertake the KPI audit requested by the Chairs of the Board and the Committee. Based on the assessment by officers as at 16 October the following key points are noted.
22. Action 1 – New Enrolments and action 10 - KPIs, Reports & Monitoring of Staff Productivity have both been paused due to material changes in the completion of those actions. Action 1 was paused due to changes approved by the business plan objectives agreed in March 2023 and action 10, was suspended following the commissioning of the SWAP KPI audit, which is anticipated to result in revised recommendations.
23. Three actions, action 2 – Overpayments, action 3 – Lumpsum payments & action 9 – Workflow management have not been completed within the agreed target dates, albeit officers believe that good progress has been made in all areas. The predominant reason for all three areas remaining incomplete revolve around the non-completion of policies and procedures to a signing off stage. A documentation focus meeting was held on 27 September, at which officers challenged themselves to complete the document changes required by the end of October.
24. Following the 16 October review, it was agreed to make a request to the Board to extend the target date for action 6 – Aggregation processing and backlog, to 31 March 2024. This is to bring it into line with action 7 – Status 2 members, as many of the activities associated with both of these actions overlap. At that review officers also concluded that action 5 – Amendments, had been completed in accordance with the SWAP recommendations and have closed it.
25. Finally, with regard to the remaining outstanding actions, namely action 4 – Transfer-in into the Fund, and action 11 – Quality Assurance, action 4 was also considered largely complete subject to the signing off of its associated procedure and action 11, has remained resistant to closure, whilst checking and peer review activities continue to need to be enforced. In respect of action 11, officers have also challenged themselves to complete essential policy and procedures changes.

Audit update (SWAP KPI audit) (Appendix 5)

26. SWAP Audit Strategy – At the Board meeting on 10 August members requested officers to prepare a schedule (Appendix 5) detailing the status of each of the Fund’s commissioned audits for presentation to the Committee. The request was made following concern that a lack of progress had been made concerning the Pension Fund KPI audit commissioned by the Chairs of the Board and the Committee.

27. Officers noted that the schedule requested by the Chairs should include:

- a) The SWAP auditor assigned to each audit:
- b) When an audit is scheduled to take place: &
- c) SWAP’s feedback on the commissioning arrangements and communication channels in respect of planned Pension Fund audits.

The feedback received from SWAP is included in Appendix 5.

28. In addition, a summary of SWAP’s responses to the Chairs request were received in August, in which they advised the following:

- a) It was not their practice to assign auditors to a piece of work in advance. Furthermore, more than one auditor would typically be assigned to an audit and that they take an agile approach to the conducting of their audits:
- b) The KPI audit, as well as the restructured payroll migration audits had not been part of the originally commissioned audits agreed with the Fund. In addition, the timetables for the payroll migration audits had been impacted by multiple considerations, including those outside the control of the Fund and SWAP: &
- c) Approval of audits undertaken by SWAP are made by the Deputy s151 officer. It recommended that the Fund should consult with the Deputy s151 officer concerning its commissioning arrangements for audits and the channels of communication by which the commissioning of audits should follow.

Financial Implications

29. No direct implications.

Legal Implications

30. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

32. There are no known implications currently.

Proposals

33. The Board is asked:

- a) to note the Fund updates and progress against the Business Plan 2023/24 key priorities;
- b) to endorse the risk register in Appendix 2 & the summary of risk changes since the last review, as a true and fair view of the risks currently being experienced by the Fund and to recommend that endorsement to the Committee:
- c) to note the progress recorded on the SWAP audit actions log and to recommend any extension to action 6’s target date to 31 March 2024:

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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

Appendix 5 – Audit Schedule