

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
28 March 2024

WILTSHIRE PENSION FUND HEADLINES AND MONITORING REPORT

Purpose of the Report

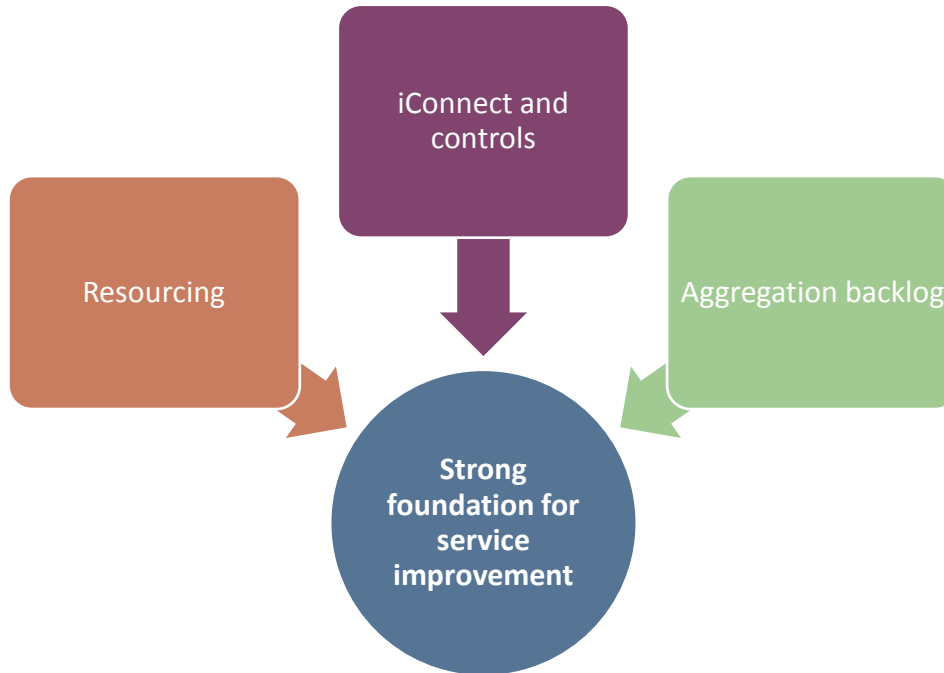
1. The purpose of this report is to provide the Committee with information in relation to various standard issues, to enable the Committee to fulfil its monitoring role.
 - a) Scheme, Regulatory, Legal and Fund Update
 - b) Risk Register
 - c) Administration – KPI review – 1 October 2023 to 29 February 2024
 - d) SWAP Audit KPI 2023/24 update
 - e) Training update
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 Dec-23 was +3.9%, compared to a benchmark return of +3.8%. The fund value at the end of Dec-23 was just over £3.2bn. Performance for the full calendar year 2023 was +8.1%.
 - b) The funding level at the end of Dec-23 was 126.4% (based on a roll-forward of the 2022 funding level).
 - c) The backlogs project and the pensioner payroll rec projects are now complete. There is a small residual amount of work for the WPF team to complete.
 - d) We are experiencing ongoing issues with a high level of vacancies in the team, at all levels from admin manager down to processing staff, and also within the investment team.
 - e) We have now successfully gone live with our integrated payments system. One-off payments (such as refunds, transfers etc) started being paid in December, and the first payroll run for new pensioners only was paid in January. Our focus is currently firmly on the transition of the legacy payroll from SAP to Oracle, as part of the Council's move to Oracle.
 - f) The first investment in Wessex Gardens, our South West renewable energy fund, has now been made, in a historical deal that made the press: [LGPS funds back largest operational solar deal in the UK \(room151.co.uk\)](https://www.room151.co.uk/newsroom/2024/02/28/lgps-funds-back-largest-operational-solar-deal-in-the-uk/)
 - g) We ran a responsible investment survey of our members during January 2024 (having last done one in March 2021). We received an amazing 2,914 responses. The findings were shared with the Committee and discussed at the meeting in February 2024.
 - h) The actuarial contract, investment advisor contract, and investment consultant contract are now all out for tender.
 - i) The new General Code has been published, and training on this important topic was arranged for the LPB and Committee in March 2024.
 - j) The Committee members have now been added to the distribution list for our internal Fund Focus newsletter, so that interim updates can be received on a monthly basis.

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. As at the end of 23/24, resourcing remains red. We are carrying multiple vacancies in the team, at both senior and junior levels, in both the administration and investment teams. Multiple different avenues are being pursued in order to resolve this situation.
6. In spite of the red rating, here has been a lot of work done and positive progress made in this area, as follows:
- Staff now all have their bespoke training and development plans, and training is being delivered.
 - There have been some new recruits to the team at junior levels.
 - Monthly whole fund meetings continue to be carried out, and at each meeting the team take part in collaborative group exercises to promote the Fund's values in a positive way.
 - Creative initiatives are being carried out to celebrate successes and make an example of the sorts of positive behaviours we want to encourage, for example through [Employee Appreciation Day](#), and in our monthly Fund Focus newsletter.

iConnect and related controls – progress rating green

7. This area has been improved from red/amber to green, to reflect the fact that significant progress has been made. At the meeting, the Employer Services Work Management Officer will deliver a presentation to the Committee, showing what work has been done to improve controls, design a monthly cycle of work, ensure that iConnect is being properly used, and to train and engage with employers.
8. We are now finally in a position where we can begin onboarding employers to iConnect again, and this will begin with Swindon Borough Council.

Aggregation backlog – progress rating *amber*

- 9. As mentioned above, the Hymans contract has now finished, and from a combination of this work and internal projects, the open cases now sit at 3.5k, down from around 9k back in Sept-22. Of those open cases, only 1.5k are actually overdue, with the others still being within target. If the team had been on top of BAU, we would have no overdue backlog at all at this point. Next steps will be an audit of the remaining backlog, and project work to clear it.
- 10. The Service Improvement Team (SIT), as well as working on various initiatives to deliver efficiencies, has cleared a large number of old cases. The Service Improvement Lead Analyst will attend this meeting to deliver a presentation on the highlights of what the team have achieved since it was set up in May 2023.

Scheme, Regulatory and Legal Update (Appendix 1)

- 11. A scheme update is included in paragraph 3 of this report. Regulatory & legal updates have been provided via Hymans March 2024 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)

LPB Recommendation – Minute 10 – 13 February

- 12. The version of the risk register presented in Appendix 2 relates to the month of December 2023. However, at the Committee’s request officers have also included the latest available version (the February version) in support of the December version reviewed by the Board at their last meeting.
- 13. For members to be able to monitor the key changes between versions submitted to meetings officers have provided a summary table below. At the Board meeting in February, they recommended all the risk register changes submitted by officers with the exception of the increased risk in Compliance and Regulations during the period. Consequently, this risk has been removed as Board felt that fulfilling the current Investment Governance Officer vacancy, as well as certain 3rd party service providers to scheme employers not providing their contribution data to the Fund within the statutory deadline as not materially significant to warrant a change in rating. This was particularly so as the second item had since been resolved.
- 14. The summary of key changes between the September and December versions of the risk register are:

Risk Section	Section rating change	Key notes and mitigations during the period
Fund Governance	Amber to Green & back to Amber	a) Whilst a 2024/25 audit plan had been commissioned & the KPI, KFC and external audit completed, as well as the Payroll Migration Phase II audit scope agreed, significant concerns remain about the appointment of auditors and the relevant services they can offer to the Fund. b) A new external auditor is to be appointed from 1 April 2024 and as a result of the Council’s/Fund’s accounts not being formally signed off for several years concern in

		<p>relation to the audit handover arrangements has been highlighted.</p> <p>a) A review of contractual tenders for 2024/25 has been completed and circulated. However, key tenders are still a work in progress with the Procurement team's attitude to risk, priorities and processes creating barriers.</p>
Investment	Green to Amber	<p>a) The Fund's relationship with BPP has caused concern after the Fund's complaint was rejected concerning inappropriate stock holdings.</p> <p>b) The Government's autumn statement indicated that more investment powers would be passed to pooling arrangements, which may exasperate the Fund's relationship with BPP and increase potential conflicts of interest.</p> <p>c) BPP governance arrangements and 2024/25 budget expectations continue to cause concern for the Fund.</p>
Performance	Amber to Green & back to Amber	<p>a) As a result of the rollout of Oracle immediate payments in November where hundreds of payments were paid late and many duplicated, a significant increase in complaints occurred. A lack of controls was highlighted as well as communication issues. Whilst these are being addressed, the risk of future occurrences means that this performance risk rating has increased.</p>

Administration KPIs (Appendix 3)

15. Tables 1 & 2 show the admin performance over the period from 1 December 2023 to 29 February 2024. The overall Admin KPI picture, continues to be challenging and has unfortunately worsened over the last 3 months. The focus for the administration team has been on training with process training occurring for every team member, in the office, every Wednesday. The impact of Oracle migration has also impacted the team's ability to process work. However, even when taking this into account productivity has not been at the required levels. The backlog has increased by 101 cases since the KPI improvement plan was presented to the Committee. Two new officers joined the Employer Services Team and two are due to join the Member Services Team imminently, this additional resource should help address this decline in productivity.

16. Table 3 provides some analysis of the open cases. Table 3 shows that the number of cases older than 2 years is now 101, we are on course to have this at 0 by the end of the next quarter. The graph under the table shows the difference between completed and received cases. We are now completing less cases that we receive, even though cases received remain low. The second graph shows that cases over SLA are currently increasing, we are currently addressing this and plan to return the December 2023 level by the end of May.

Audit update (SWAP KPI audit) (Appendix 4)

LPB Recommendation – Minute 10 – 13 February

17. The Committee approved SWAP's KPI audit recommendations at its meeting in December 2023. The summarised recommendations were:

- To ensure that the data extracted from the Pension Database provides statistical reporting to the Board/Committee which is consistent, accurate and peer reviewed before that information is circulated (Priority 2 rating).

- For weekly reports to management to be flagged for any discrepancies in the data, in particular relating to Aggregation and Undecided leaver casework being processed. The statistical results should also ensure that opening and closing balances are reconciled. (Priority 2 rating).
- To review the Pensions Administration Strategy document to ensure that it clear and accurately and reflects the statistical management reporting of completed casework (Priority 3 rating).
- To revise reporting to the Board/Committee based on the recommendations made by the Board/Committee (Priority 3 rating).

18. Progress to date against the recommendations has been made, however the recommendations are yet to be fully implemented. Officers are therefore requesting an extension to the target date from 31 March to 30 June. The progress to date includes:

- An automated KPI reporting tool has been adopted and is currently in testing. It is understood that the tool only requires a few improvements to be made. Report results are reviewed at weekly KPI meetings (80% Completed).
- Recording of deleted and terminated casework between reporting is now embedded in officer processes. These figures which caused the opening and closing balance discrepancies are discussed at weekly KPI review meetings (80% Completed).
- The Pensions Administration Strategy document is currently under review and may need to go to consultation with the Fund's Scheme Employers. It is intended that this document will also reflect officer commitments set out in the KPI Improvement Plan and other related process guides (50% Completed).
- The introduction of traffic light style dots, indications against targets, clarity of text to members and the reconciliation of opening and closing balances have been introduced. Additionally, a full key of colours used in the tables should be presented each time. These are largely implemented, however due to the complexity of the analysis further mitigations are still required (75% Completed).

Training Plan 2024/25

19. Members will receive a verbal update from the Head of Wiltshire Pension Fund at the meeting, concerning their proposed training plan for 2024/25.

Financial Implications

20. No direct implications.

Legal Implications

21. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no known implications currently.

Proposals

24. 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 December version of the risk register:
- b) to note progress in the SWAP KPI audit update and approve an extension to the target deadline to 30 June 2024:

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

Appendices:

- Appendix 1 – Legal & Regulatory update – Current Issues
- Appendix 2a – Full risk register 1 – December 2023 version.
- Appendix 2b – Full risk register 2 – February 2024 version.
- Appendix 3 – Administration KPIs