WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
10 August 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 April 2023 to 30 June 2023.
    f) Audit actions
        1) SWAP Audit 2022/23
        2) ClearGlass audit – update
        3) SWAP KPI audit
    g) Effectiveness review 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 Jun-23 was +1.4%, compared to a benchmark return of +1.8%. The fund value at the end of Jun-23 was just over £3.1bn.
    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 both up and running, with scheduled completion dates of end of Sep-23. Hymans have now completed around 1.6k cases, and Aon 530. 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) 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.
    e) 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
    f) 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:
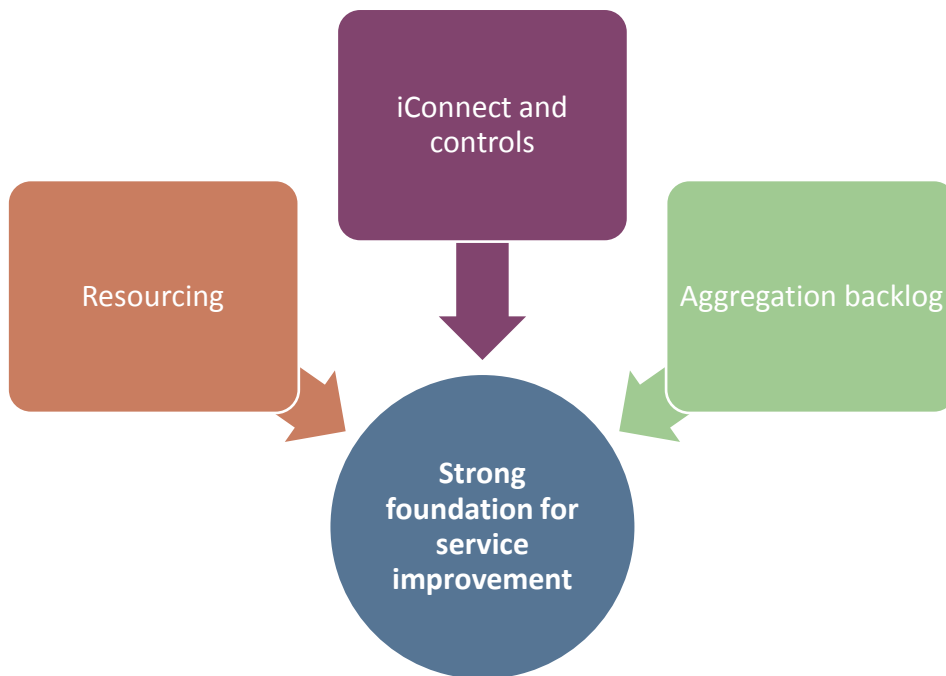
Resourcing – progress rating red

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 likely to go back out for this role in September. 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.

8. A recent employee engagement survey carried out by Wiltshire Council has indicated that there is poor morale and cultural issues within the team. This may in part have been due to the timing of the survey, which was done in the middle of our recent restructure. We have planned a team building day in September, and have now secured a dedicated office space so that people can come in a few days a week and we can work to build our team culture.

iConnect and related controls – progress rating red

9. There continue to be issues 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. A detailed training workshop has been held with the employer services team on this topic.

10. 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.

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 red

12. As mentioned above (under para 3c), Hymans are making progress, but there have been issues on the way and we are still working with Hymans to find solutions to these issues.

13. 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.

14. Due to the issues mentioned above with monitoring, our measure of "open cases" is unlikely to be accurate (understated), and we do not have a clear picture of whether we are on top of BAU work.

Scheme, Regulatory and Legal Update (Appendix 1)

15. Officers have added updates to the appendix and will provide members with a verbal summary.

Risk Register (Appendix 2)

16. The version of the risk register presented in Appendix 2 relates to the month of June 2023. The June 2023 version will be the version submitted to the Committee meeting on 5 October. The officer led CROC Group will 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 April and June versions, since the Board last reviewed the risk register in May are:

Risk Section	Section rating change	Key notes and mitigations during the period
Financial Management	Green to Amber	a) The risk has increased due to an issue with HSBC payment approvals, which requires large payments to be approved by an individual at HSBC. The issue is being progressed by the Council's Treasury Team.

		b)	Whilst payments from employers are being received, new processes are required to reconcile i-connect submissions against actual payments and ensure officers can track employer rates in i-Connect.
		c)	Ongoing communications are in progress with certain employers concerning the implementation of the new contribution rates.
		d)	Reconciliation between SAP and Altair payroll systems have seen an increase in discrepancies following the PI exercise. Investigations are ongoing.
Investment	Red to Amber	a)	BPP's governance continues to be monitored, but with the passing of their budget, agreement has been reached over-pay and BPP's ability to seek and recruit strategic staff. Officers are working with BPP and other authorities in the partnership to update BPP's constitution.
Stakeholder Engagement	Amber to Green	a)	Whilst the Fund did not pass its Customer Service Excellence assessment at its first attempt, its strategy is considered broadly speaking sound and outstanding developmental areas have been identified. A further assessment is planned for 2024.

No other material risk changes were identified during the period.

Administration KPIs (Appendix 3)

19. Tables 1 & 2 show the admin performance over the period from 1 May to 30 June 2023. July statistics were unavailable at the time of drafting. Regarding the overall Admin KPI picture, this continues to be challenging. 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.   Open case volumes have come down by 1266 over the last two months, but it is advised to be cautious in interpreting this data. There may still be some cases that have not yet been recorded on the system and this will not be resolved completely until we have cleared the backlog. Additionally, we have been experiencing problems in obtaining data from employers and need to make improvements in our own framework for monitoring this information. Consequently, the volume of open cases may be larger than it appears in the figures, however with the work that we are currently undertaking we expect the statistics to be clearer at the next meeting.

20. Tables 3 & 4 provide some analysis of the open cases. Table 4 shows the volume of open cases which are top of the list for completion. This needs to be reduced, and when this is brought down, the team will be able to tackle work as it comes in and hit the KPIs more reliably.

21. Members are reminded that the lifecycle of the Fund has just passed its year end phase, which has increased the number of open tasks.

Internal Audit update (Appendix 4)

22. SWAP Audit review 2022/23:

a) SWAP November 2022 audit – Appendix 4 presents the progress of the Fund's Key Financial Controls actions log as at 11 July based on the recommendations made by the SWAP auditor:

b) Target dates – Actions either paused or exceeding their agreed target dates are:

   I. **Action 1** – New Enrolments. This action has been paused due to the fact that the scope of the action has materially changed since it was recommended by SWAP. In particular, the decision to suspend i-connect onboarding following the introduction of key business plan actions.

   II. **Action 2** – Overpayments. Although considered to be 80% completed, final sign off of the overpayment & officer approval policies remains outstanding.

   III. **Action 5** – Amendments. Although considered to be 90% completed, final testing & sign off of the new recipe cards and the mortality screening service providers contract remains outstanding.

   IV. **Action 9** – Workflow management. Although 60% completed, the delay in appointing a Workflow Management Officer is inhibiting progress and consequently productivity improvements have remained sporadic.

   V. **Action 3** – Lumpsum payments. The target date of 31 July will have passed by the time of the Board meeting, however as at 11 July this action is considered to be 70% completed and final completion is largely subject to the signing off of the immediate payments procedures on the introduction of the new system.

c) Officers will have a further review meeting on 7 August, to consider progress since 11 July.

d) A summary of the actions which remain within their target dates are:

   I. Broadly speaking **Action 4** – Transfers into the Fund, **Action 7** – Status 2 members and **Action 11** – Quality Assurance continue to be on target with good progress being made, leaving commentary in respect of the two actions below.

   II. **Action 6** – Aggregation processing and backlog. Progress is being made, but at a slower rate. Officers continue to liaise with Hymans concerning casework scope and levels of casework completion within the project management timeframe agreed, at the start of the project.

   III. **Action 10** – KPIs, Reports & Monitoring of Staff Productivity. Whilst progress has been made, it may be the case that it would be appropriate to pause this action, so that the findings from SWAP KPI audit can be incorporated into this action's further progress.

ClearGlass audit

23. Update

a) 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, at the Committee meeting on 15 June. 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 of the audit 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.

SWAP KPI Audit

24. The Chair of the Committee requested that the audit be delayed until suitable resourcing was in place. A staffing appointment was due to start at the end of July and officers understand that the audit will take place on completion of that staff member's SWAP orientation.

25. Additionally, SWAP have noted that the s151 officer has requested that the pre-payroll migration audit from SAP to Altair covering the project management and transition preparations, as well as implementation of the new Altair payroll be actioned with immediate effect. The commencement of this audit is likely delaying the start date of the KPI audit.

26. However, officers note that the scope of the KPI audit has been agreed and is intended to cover the following areas:
    a) KPI setting process, to include consideration of the requirement and relevance of each KPI:
    b) The methodology for calculating KPIs:
    c) The accuracy of the reported KPIs and inclusion of direction of travel indicators – including details of the pre reporting review process:
    d) Management oversight and reporting of the KPIs reported to the Board and Committee; and
    e) Monitoring of results by management and action plans in place where KPIs are not achieving the determined target.

Effectiveness review update

27. Following a review by members of Hymans Effective Review Report dated November 2022, a number of items were identified for adoption to improve member effectiveness. These were:
    a) That the HAM report should introduce three strategic focus areas, namely the Aggregation backlog, i-Connect and controls and Resourcing:
    b) That the three strategic focus areas will be highlighted on the Fund's Scheme update and that regular updates are provided:
    c) That the same quarterly version of the risk register will be presented to the Committee as well as the Board to allow the Board to make its recommendations:
    d) That the quarterly risk register will be signed off by the Head of Pensions, prior to its submission to the Board:
    e) That a revised training plan for the Committee members be prepared, which incorporates members own training needs and wants, has a lesser focus on compliance and which should stand down officer training at meetings: and
    f) That Board's comments on a subject are to be incorporated in full into the relevant reports submitted to the Committee.

28. Officers can confirm that all the items identified for adoption have been implemented and that consequently this review has been concluded.

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 in light of material changes to actions since the SWAP recommendations were made endorse the pausing of actions 1 & 10:

JENNIFER DEVINE
Head of Wiltshire Pension Fund

Report Authors: Richard Bullen (Fund Governance Manager) and Jennifer Devine (Head of Wiltshire Pension Fund)

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