

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
05 October 2023

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### **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 July 2023 to 31 August 2023
    - 1) Key business plan items – Aggregation Backlogs / i-Connect & Controls / Resourcing. Plus, general progress on the business plan.
    - 2) Outsourcing updates
    - 3) Review of Annual Benefit Statements
  - d) Audit update
    - 1) Audit update
    - 2) SWAP Audit 2022/23
    - 3) Training plan update 2023/24
2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

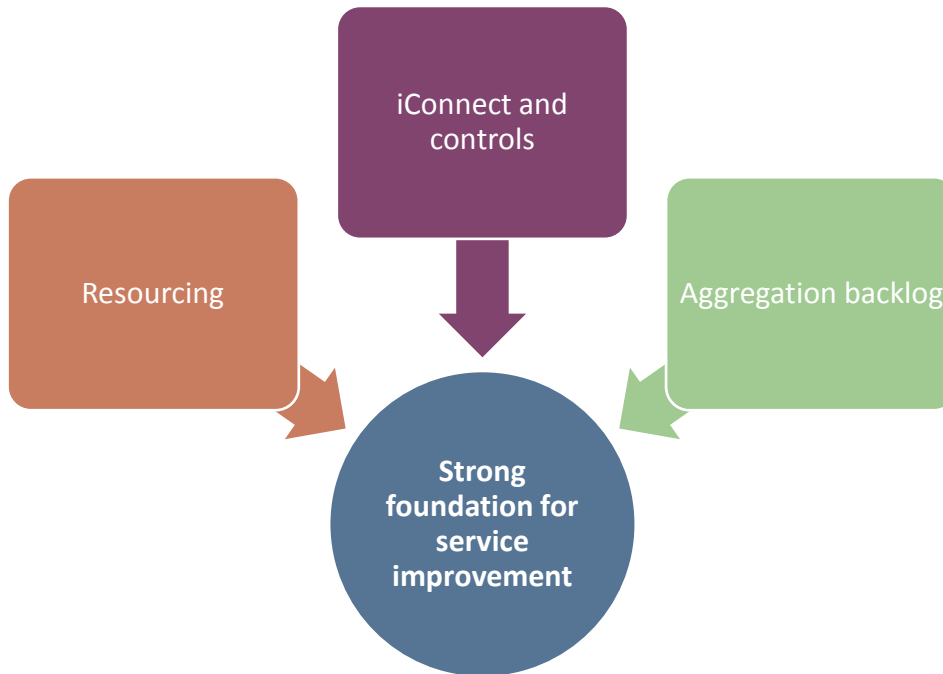
#### **Report from Head of Wiltshire Pension Fund**

3. This section summarises key events across the Pension Fund over the last quarter.
  - a) Investment performance for the quarter to Jun-23 was +2.2%, compared to a benchmark return of +1.7%. 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 now close to completion. Hymans have now completed around 2.3k 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 is close to completion, with the final cases requiring data from old systems (and even microfiche), which is being provided.
  - 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.
  - 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 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 processing staff.
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 will hold a specific WPF staff survey during October.

#### ***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.

**LOCAL PENSION BOARD COMMENT**

15. The Board noted the poor morale and cultural issues within the Pension's team, and strongly supported the proposal to proceed with a dedicated office space for the team within County Hall, with officers attending at the office 2-3 days a week to help with team building, training, and embedding new working practices.

**Scheme, Regulatory and Legal Update (Appendix 1)**

16. A scheme update is included in paragraph 3 of this report. Regulatory & legal updates have been provided via Hymans September 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)**

*LPB Recommendation – Minute 216*

17. The version of the risk register presented in Appendix 2 relates to the month of June 2023. At the Committee's request in July and for their information, the latest available version (the August version) is supporting the June version reviewed by the Board. The officer led CROC Group continue to process and moderate ratings monthly to ensure consistency.
18. For members to be able to monitor the key changes between versions submitted to meetings officers have provided a summary table below. The purpose of this summary of changes is intended to assist Committee members by focusing on the key recommended changes agreed by the Board to June 2023.

19. The summary of key changes between the April and June versions of the risk register are:

Risk Section	Section rating change	Key notes and mitigations during the period
Financial Management	Green to Amber	<p>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.</p> <p>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.</p> <p>c) Ongoing communications are in progress with certain employers concerning the implementation of the new contribution rates.</p> <p>d) Reconciliation between SAP and Altair payroll systems have seen an increase in discrepancies following the PI exercise. Investigations are ongoing.</p>
Investment	Red to Amber	<p>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.</p>
Stakeholder Engagement	Amber to Green	<p>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.</p>

### LOCAL PENSION BOARD COMMENT

20. **Risk Register** – The Board supported the proposed recommendations to the Pension Committee as set out in the table in paragraph 18 in this report, namely the changes to Financial Management, Investment and Stakeholder engagement risks.

### Administration KPIs (Appendix 3)

#### *LPB Recommendation – Minute 226*

21. 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.

22. 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. The average number of cases completed per month for the period was 2,101, an increase of 322 case since the last report. This improvement is mainly due the ongoing outsourced projects and the work of the SIT team. Following the issuing of the Annual Benefit Statements and receipt of all outstanding data from SBC we have seen an increase in the number of cases received.

23. Table 2 shows that the over quarter, the KPIs are showing as “red” across all high priority processes. This is due to the number of cases already over target being completed. We expect this trend to continue for at least the next 6 months while we focus on reducing the backlog.

24. The Annual Benefit Statements have now been issued with 98.8% of members receiving these on time, an increase of 0.1% from last year. Also, all members who have a Pension Input Amount of £35,000 or higher for the 2022/23 tax year have received their Annual Allowance Statements.

#### **LOCAL PENSION BOARD COMMENT (Quarterly reporting)**

25. The Board supported the proposal to delay the production of the Recovery Action Plan by a further 3 months to allow for the detailed input from the new Administration lead but felt that it was important that this was the final delay.

26. The Board noted and welcomed the new presentation of KPI information. The only change requested by the Board was for the reinstatement of the direction of travel column in the main table showing KPI performance.

#### **LOCAL PENSION BOARD COMMENT (SBC update)**

27. The Board noted the positive progress that had been made in this area, which should result in the issue of Annual Benefit Statements to all of the Fund Members employed by the Council by the statutory deadline.

#### **Audit update (SWAP KPI audit) (Appendix 4)**

##### *LPB Recommendation – Minute 216*

28. SWAP Audit Strategy – At the Board meeting on 10 August members requested officers to prepare a schedule (Appendix 4) detailing the status of each of the Fund's commissioned audits for presentation at this meeting. 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.

29. 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 4.

30. 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's 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.

#### **LOCAL PENSION BOARD COMMENT**

31. The Board was disappointed that the SWAP KPI audit had been delayed, despite it being requested by the Chair of the Committee and the Chair of the Board, who had jointly agreed the terms of reference with officers.

32. The Board agreed with a proposal made by the Chair of the Pension Committee for a table of all proposed audits to be submitted to the next administration focused meeting of the Committee, to include the proposed timetable for all audits.

### **SWAP Audit review 2022/23 (Appendix 5):**

33. Progress against the recommendations of SWAP's November 2022 KFC audit is presented by officers in the form of an actions log, last assessed (Appendix 5) as at 15 August. The progress is based on officer assessments. It should be noted that officers have agreed with the Board that action 1 – New Enrolments and action 10 - KPIs, Reports & Monitoring of Staff Productivity have been paused due to material changes in the completion of those actions. Regarding action 1, the material change relates to the approved business plan objectives agreed in March 2023 and in respect of action 10, the commissioning of a SWAP KPI audit, which it is anticipated could result in revised recommendations.

34. Other notable comments concerning the progress of officer actions against SWAP's recommendations include:

- a) Action 5 – Amendments – The appointment of a new mortality screening service provider continues to be delayed whilst contractual negotiations remain incomplete. The appointment was due to take effect from 1 April and the delay has meant that mortality screening has not been undertaken for several months. Officers are acutely aware of the impact of this on data quality, projects, and benefit delivery factors.
- b) Action 6 – Aggregations – Productivity of casework completion has faltered. Consequently, officers are liaising with Hymans concerning the number of outsourced cases being completed. It is noteworthy that the summer holiday period has also hampered output.
- c) Action 7 – Status 2s – The data quality of information provided by scheme employers relating to Status 2s has been a recent cause for concern. Consequently, the Fund's Operations Manager is co-ordinating a review, including any reporting requirements in order to remedy the situation. In conjunction with this review the performance risk within the risk register has been increased to Amber to reflect this situation.

35. Officers convened a special meeting on 27 September aimed at the progressing and sign off of a variety of policies, procedures, and other documentation. The progress of several actions are intended to benefit from this meeting, namely Action 2 – Overpayments, Action 3 – Lumpsum payments, Action 4 – Transfers into the Fund, Action 5 – Amendments and Action 11 – Quality Assurance. With a number of actions now exceeding their target dates for completion this focused meeting aims to bring those actions closer to their conclusion.

### **Training Plan (Appendix 6)**

#### *LPB Recommendation – Minute 217*

36. The Training and Engagement Officer has prepared an updated Committee member training plan, which is included in Appendix 6. It is intended that this plan will be implemented for the period between October 2023 and the end of the current scheme year.

37. The plan has been prepared in line with the self-assessment of training previously undertaken and is based on the answers that were suggested by members and the topics which should be covered in order to increase the knowledge and understanding of all members.

## **LOCAL PENSION BOARD COMMENT**

38. **Equality, Diversity & Inclusion** – Given the priority being attached to this area by the Pension’s Regulator, the Board agreed that it would be sensible to include the proposed wording on EDI in the next revision of the Fund’s Responsible Investment, and for all members of the Board and Committee to attend a training session on this area.

### **Financial Implications**

39. No direct implications.

### **Legal Implications**

40. There are no known implications from the proposals.

### **Environmental Impacts of the Proposals**

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

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

42. There are no known implications currently.

### **Proposals**

43. 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 June version of the risk register:
- b) to note progress in the SWAP audit actions log:
- c) to approve the training plan set out in Appendix 6:

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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 – June version.
- Appendix 2b – Full risk register 2 – August version.
- Appendix 3 – Administration KPIs
- Appendix 4 – SWAP Audit timetable
- Appendix 5 – SWAP Audit Actions log
- Appendix 6 – Training plan