

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
23 November 2023

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.

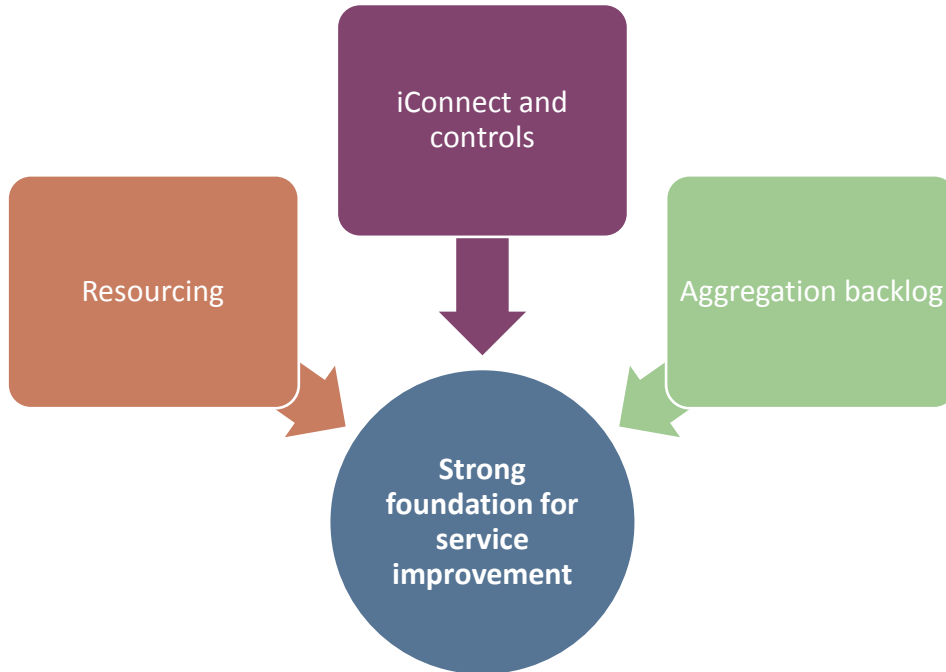
Report from Head of Wiltshire Pension Fund

3. This section summarises key events across the Pension Fund over the last quarter.
 - a) Investment performance for the quarter to Sep-23 was -0.7%, compared to a benchmark return of +0.0%. The fund value at the end of Sep-23 was just over £3.1bn.
 - b) The funding level at the end of Sep-23 was 136.2% (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 held a specific WPF staff survey during October, which has generated some quite positive results, with some pockets of negativity and disengagement.

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 November 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 – 10 August

17. The version of the risk register presented in Appendix 2 relates to the month of September 2023. However, at the Committee's request officers have also included the latest available version (the October version) in support of the September version reviewed by the Board at their last meeting.
18. For members to be able to monitor the key changes between versions submitted to meetings officers have provided a summary table below. Please note that this summary

provides changes reviewed by the Board at their August meeting as well as their November meeting. Therefore, the summary of changes covers the period April to September. The purpose of this summary of changes is intended to assist Committee members by focusing on all the key recommended changes endorsed by the Board during the period.

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

Risk Section	Section rating change	Key notes and mitigations during the period
Financial Management	Green to Amber	<ul style="list-style-type: none"> 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 Green	<ul style="list-style-type: none"> 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. b) 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.
Stakeholder Engagement	Amber to Green	<ul style="list-style-type: none"> 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.
Fund Governance	Green to Amber	<ul style="list-style-type: none"> 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. 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. 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

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>

LOCAL PENSION BOARD COMMENT – 10 August

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. 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.

22. 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.

LOCAL PENSION BOARD COMMENT (Quarterly reporting) – 10 August

23. 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.

24. 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) – 10 August

25. 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 – 10 August

26. 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.

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 4.

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'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.

29. Since the Board's request SWAP has commenced the KPI audit. The recommendations from that audit will be presented at the earliest opportunity to the Committee.

LOCAL PENSION BOARD COMMENT – 10 August

30. The Board (10 August meeting) 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.

31. 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):

32. Progress against the SWAP's November 2022 KFC audit recommendations is presented by officers in Appendix 5. 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.

33. 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.

34. 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.

35. 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, albeit this may become a recommendation of the new audit. 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.

36. 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.

Training Plan (Appendix 6)

LPB Recommendation – Minute 217 – 10 August

37. 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 November 2023 and the end of the current scheme year.

38. 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 – 10 August

39. **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

40. No direct implications.

Legal Implications

41. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

43. There are no known implications currently.

Proposals

44. 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 September version of the risk register:
- b) to note progress in the SWAP audit actions log and to recommend any extension to action 6’s target date to 31 March 2024:
- c) to approve the training plan set out in Appendix 6:

JENNIFER DEVINE

Head of Wiltshire Pension Fund

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