

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
28 July 2022

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) Key Performance Indicators (KPIs)
 - 1) New Fund Reporting Structure
 - 2) Period – 1 January 2022 to 30 June 2022
 - c) Risk Register
 - d) Internal Audit 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 Mar-22 was -2.6%, compared to a benchmark return of -2.1%. The fund value at the end of Mar-22 was £3.2bn. Performance has continued to be challenging over the second quarter of 2022, due to global events. The value of the Fund's investments at the end of May-22 (the latest audited figures at the time of writing) was £3.12bn.
 - b) Work has continued on the Actuarial Valuation. Initial discussions have been held with the finance directors of Wiltshire Council and Swindon Borough Council, and officers are continuing to develop comms with the employers to keep them engaged in the process.
 - c) Progress has been made regarding the two large outsourcing projects. The backlogs outsourcing tender is now live and is being let via the LGPS framework. The same framework is being used for the pensioner payroll rectification outsourcing, and it is hoped that this will be live shortly.
 - d) Committee members have attended training on the strategic asset allocation (SAA), on which work is ongoing, and amended SAA will be coming to the Committee for approval at the meeting on 5 September 2022.
 - e) Officers have begun work with procurement to put out a tender for a provider of a new liquidity solution to maximise investment returns in line with the Fund's strategy, via a liquidity solutions portfolio, called the Strategic Allocation to Liquid Asset-Matching Investments (SALAMI).
 - f) The annual report and accounts have been completed for 2022/23, although due to national resourcing issues, Deloitte have been unable to deliver against the agreed audit timetable, and consequently the audit will not be happening until later this year. This is covered in detail elsewhere on this agenda.
 - g) Significant progress has been made against other Business Plan 22/23 actions, covered in full detail elsewhere on this agenda, and noted below in this HAM report is the progress on risk management and weekly KPIs.

Scheme, Regulatory and Legal Update (Appendix 1)

4. Using available consultancy budget, the Head of Wiltshire Pension Fund has asked Aon to report in more detail on two large and emerging areas, McCloud and dashboards. Aon will provide short reports on what they would expect an LGPS fund to be doing/have already done at this stage on these areas. The intention is that the Fund is fully prepared (given the evolving situation) and the Committee and senior Fund officers can obtain full assurance that all that is needed to be done is being done. The Aon reports will need to be reviewed by officers to identify gaps and put in place additional measures, if needed. The findings of this piece of work will be presented at the next cycle of Committee meetings. In the meantime, Aon have provided some short text to set the scene in a little more detail, which is included in Appendix 1.
5. Other than this, there are no material changes in this area but officers have added minor updates to the appendix.

Administration KPIs (Appendix 2)

6. The Disclosure Regulations KPIs are now close to 100% and therefore officers have decided to only report this table in future on an exception basis – i.e. if the performance drops, noting these targets are less challenging to meet than the internally set targets.
7. Officers have also made other changes to the information provided to reflect changes in the reporting system being used and the way work is being managed. The main changes have been made to section 2 of the KPI appendix and use the administration strategy targets which are outlined elsewhere on this agenda.
8. The high priority administration KPIs show a mixed picture with refunds in green, retirements in amber and deaths in red. A previous period comparison is not shown because the methodology has changed. Medium priority admin KPIs are now also included, which highlights to position of the two main backlog areas.
9. i-Connect onboarding continues to progress with nearly 75% of employers now covered and over 60% of members. Officers continue to be in regular contact with several key larger employers, such as Swindon Borough Council, to resolve the remaining issues preventing them from onboarding. The membership being covered should increase substantially once the remaining larger employers are onboarded.
10. During the last quarter, weekly KPI reporting has now been developed, and is being shared with the teams. This enables review and action with a much faster turnaround. The weekly KPI report used will be demoed at the Committee meeting.

End of year and Annual Benefit Statement (ABS) progress

11. The Fund is required to produce annual benefit statements for active and deferred members by 31 August 2022.
12. Deferred ABSs have already been produced for all members. Deferred members without one or more active record have already been notified. Active ABSs are reliant on the end of year process being completed first, which is more lengthy and time consuming for employers which are not on i-Connect than for those employers which are on i-Connect.
13. As at 18 July, the situation was as follows:

Type	Employers	Members affected (approx.)	Percentage of membership
Not received	7	45	0.2%
With officers	37	2,911	12.4%
Queries with the employer	28	442	1.8%
Complete	110	20,172	85.6%
Total	182	23,570	

14. The 'Not received' cases have been chased multiple times and are now being escalated to senior management. The members covered by the 'With Officers' line are being worked upon and it is anticipated that a high percentage of these will be completed within the next few weeks (based on experience from other employers) and the remainder will be queried with employers. It is also anticipated that most existing employer queries will be completed by the deadline.
15. Last year, 99.5% of active member statements were produced on time. The target is to produce greater than 99% which may well still be achievable but is likely to be largely dependant on employer turnaround times.

Risk Register (Appendices 3 & 4)

LPB Recommendation – Minute 115

16. The Local Pension Board reviewed the risks of the Pension Fund at their meeting on 5 May 2022 and recommended the following alterations should be submitted to the Pension Fund Committee.
17. As covered in Item 9, the Business Plan 22/23 update, progress has been made to improve the framework around risk management. A new working group is being set up, the Compliance, Risk and Operation Controls group (CROC group), which will review operational risk registers, controls in place to mitigate risk, progress on improvement actions (which may be identified by the CROC group or third parties such as internal audit). Effective operation of controls will be evidenced by management dashboards. Key strategic risks will be filtered from the operational risk registers to be shared at Committee level.
18. That during the last quarter no “new risks” were identified.
19. That the evidence-based review of the register identified the following risks had changed or need to be recategorized;
- **PEN009: Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018):** (From Green to Amber) Based on the findings of the SWAP audit report published in March 2022, this rating has been increased to reflect progress concerning the execution of the Fund’s data retention and system access practices.
 - **PEN011: Lack of expertise of Pension Fund Officers and Service Director, Finance:** (From Green to Amber) Based on a Committee Chair recommendation, following a review of the risk register this risk rating has been increased. The recommendation appears to consider that there is a likelihood that there may be gaps in officer expertise due to the outsourcing of casework and other strategic projects to 3rd party administrators. Move from Closed to Ongoing.

- **PEN012: Over-reliance on key officers:** (From Green to Amber) Based on a Committee Chair recommendation, following a review of the risk register this risk rating has been increased. The recommendation appears to consider that there is a likelihood that there may be gaps in officer expertise generally, placing an over-reliance on certain officers to cover for colleagues. Move from Closed to Ongoing.
- **PEN030: Failure to procure & contract manage service providers appropriately:** (From Green to Amber) Based on a Committee Chair recommendation, following a review of the risk register this risk rating has been queried. The recommendation appears to consider that there is a likelihood that this risk is not being appropriately rated, when considering against the potential failure of oversight which may exist, where the charges levied by the Authority, as one of the Fund's top five service providers are not being quantified appropriately by means of service level agreements, or measures of performance. Move from Closed to Ongoing.
- **PEN037: Failure to implement a strategy to address the administration backlogs:** (From Amber to Red) Based on the findings of the SWAP audit report published in March 2022 the strategy to review the administration backlogs was reconsidered and an updated strategy included within the Fund's 2022/23 business plan. The primary aim of the new strategy will be to outsource the backlog to 3rd party administrator, with a view to clearing it over the next 12 months.

20. "Red", high risks are summarised in Appendix 3, and the full risk register in Appendix 4.

21. Two risks were recommended to remove from the Dormant/Closed & Dynamic statuses and be deleted from the register on the basis that they are no longer relevant. These risks are.

- **PEN047: There is uncertainty around the ability of Brunel to resource its property portfolio offering:** No longer relevant (Green).
- **PEN024: The implementation of Brexit causes investment volatility or unexpected legislative changes:** No longer relevant (Green)

Internal Audit update (Appendix 5)

22. SWAP Audit recommendations – March 2022:

- a) Appendix 5 sets out Fund officer progress against the recommendations made by the SWAP auditor in March 2022 in relation to their Key Financial Controls audit.
- b) Substantial progress has been made in all areas with one exception. This relates to transfers into the Fund, where resourcing constraints have limited progress.
- c) Three of the 5 actions to be completed by 31 May, have made good progress with the transfers into the Fund and the operational backlogs falling behind target.
- d) Of the remaining four recommendations, "Monitoring", with a target date of 31 July is probably the most noteworthy exercise which may not be completed by its target date. Whilst a number of actions have been taken, it is anticipated that the results of those actions will take several months to come to fruition.

23. Good Governance Review

a) **SAB Good Governance review recap**

- 1) Unfortunately, the long-awaited Good Governance Review is still outstanding. Phase III is currently with DLUHC for implementation.
- 2) By way of a reminder the key proposals in Hymans Phase III report published in February 2021 include:

- a) To adopt an “Outcomes based approach” to governance and setting minimum standards:
- b) That the critical features of an outcome-based approach should include clarity on roles*, responsibilities, conflict management and decision-making. Plus to assure sufficient administration, a policy on stakeholder engagement and governance and an enhanced governance compliance statement with independent governance reviews are in place:
- c) Training for key officers and Committee members: &
- d) Updating relevant guidance and better signposting.
*WPF has already introduced its Senior Officer role
- 3) It is noteworthy that many of Hymans recommendations are already in place within the WPF.
- b) **TPR’s Effective System of Governance (ESoG)**
 - 1) A presentation outlining the Fund’s proposal for an ESoG is planned for the LPB meeting on 18 August.
 - 2) The ESoG is a requirement of the Regulator’s new single code of practice, a new code drafted because of the enactment of the OPS (Governance) (Amendment) Regulations (2018)
 - 3) In short, the Fund will need to undertake an annual review of its system of governance to measure its effectiveness. This will be via a framework known as a “Own Risk Assessment” (ORA).
 - 4) The ORA will evaluate the Fund’s ESoG by monitoring a range of data points. A gap analysis of the Fund’s documentation hierarchy is underway to identify areas of weaknesses in relation to the Fund’s data points.
 - 5) It is proposed that the evidencing of effectiveness of data points will be via the implementation of a scorecard of identifiable challenges
 - 6) Where required, identified weaknesses will be recorded on the Fund’s risk register and mitigations put in place.

Training update

LPB Recommendation – Minute 105

24. Please note the following items.

- a) A training workshop on cyber security was held on 21 July. All Committee and Board members are invited.
- b) Hymans have been asked to circulate to all members and key officers an effectiveness review, to receive feedback on the management of the Fund. In addition, Hymans will also ask members to complete their National Knowledge Assessment. All candidates are asked to complete both surveys.
- c) During Q3 Fund officers will be circulating the Fund’s training questionnaire, to prepare a training plan for the 2023/24 scheme year.

25. The Committee are encouraged to use this item as an opportunity to share feedback on any training undertaken (conferences, webinars, reading of training materials etc) with other Committee members, and to discuss whether there are any areas where additional training would be beneficial.

Financial Implications

26. No direct implications.

Legal Implications

27. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

29. There are no known implications currently.

Proposals

30. The Committee is asked to:

- a) use the information in the report as a basis for monitoring the Fund's core activities
- b) to approve the changes to the Risk Register recommended by officers and the Board

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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 – Administration KPIs
- Appendix 3 – Risk register – background and “red” risks
- Appendix 4 – Full risk register
- Appendix 5 – SWAP Audit Actions log