

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 February 2021

PENSION FUND – TPR PUBLIC SERVICE SUMMARY 2019

Purpose of the Report

1. The purpose of this report is to identify any additional actions that the Wiltshire Pension Fund's (WPF) Local Pension Board (LPB) could recommend to the Pension Committee following the publication of the Pension Regulator's (tPR) 5th Public Service Governance & Administration survey 2019.

Background

2. The results of the survey looked in depth at how the key features of good governance of a Pension Fund worked in practice (with a 65-page report). Officers also compared the 2019 report against the 2018 results (a 7-page report) which the LPB reviewed at their meeting on 22 August 2019. In officers opinion the WPF continued to fall into the group of 64% of Schemes cited by tPR which fulfilled all six of the key processes expected by it, namely;
 - a) That the LPB has a conflict of interest policy in place;
 - b) That members have access to knowledge, have an understanding of the Scheme & have the skills needed to run the it;
 - c) That the Scheme has its own process for managing its risks;
 - d) That the Scheme has a process for monitoring its record accuracy & completeness;
 - e) That the Scheme has a process for monitoring contribution payment issues ((* see table in paragraph 5); &
 - f) That it also has a process in place to identify, assess & report on breaches of law.
3. Within tPR's 2018 report it indicated within its "Background" section that the regulatory approach it would take with Pension Funds would be based on its four top concerns of governance, record keeping, cyber security & member communications. However, within its 2019 report it has become less strident in declaring its concerns, preferring to take a more individual approach to each Pension Fund's specific problems, by understanding their barriers to improvement & seeking to engage & work with Funds and other bodies. That said, it is still clear from tPR's commentary that it remains concerned with at least the first three of its key stated areas in 2018.

Considerations for the Board

4. Whilst the WPF is satisfied that it is one of the 64% of Funds that has all six of tPR key processes in place (a fall from the 74% of Funds quoted in 2018), Fund officers have elected to undertake a review of the Fund against the 2019 survey in order to identify any areas in which the WPF may still improve upon.
5. The table below sets out the key areas cited by respondents as their top governance and administration risks for their Funds & officers have reviewed those risks against the WPF's compliance to determine whether the WPF could further improve its working practices. Brief comments of officer assessment are also set out below.

Top governance and administration risks highlighted (Page 27 – Table 4.2.3)			
Risk	tPR's LGPS %	WPF View	WPF comment
Funding or investment	63%	Not an issue	As at 30/11/20 the Fund was 99% funded.
Record-keeping (i.e. receipt and management of correct data)	40%	Not an issue	tPR data quality scores as at 16/10/20 – Common 98.5%, Conditional 96.4%
Recruitment and retention of staff or knowledge	32%	Not an issue	In the last 12 months 4 staff have left, 4 have joined and the Fund has 1 key appointment outstanding. Staff turnover is at a natural level, with legitimate reasons offered for leaving. New WPF appointments relate increasingly to strategic operational changes.
Securing compliance with changes in scheme regulations	22%	Partial concern	Officers are confident that capacity is either in place, or can be resourced to support change, however concern exists in relation to the timeliness and quality of guidance from central government, or their organisational delegates e.g. implementation requirements relating to the Exit Cap.
Cyber risk	19%	Partial concern	2020 saw significant progress by the WPF in establishing its cyber risk arrangements, however work remains outstanding with actions cited in the December 2020 Committee minutes, particularly in relation to the Council's engagement with the Fund's requirements.
Lack of resources/time	16%	Not an issue	Apart from one key appointment in the Accounting & Investment team this is not seen as a significant concern.
Systems failures (IT, payroll, administration systems, etc)	16%	Not an issue	The capability of all Fund officers & other stakeholders to work remotely during 2020 demonstrated the WPF's system arrangements were robust.
Administrator issues (expense, performance, etc) (Recommendation (a))	13%	Area of concern	Despite the Fund's technological investment, to date improvements in administrative output has not seen the increases anticipated. The impact of Covid-19 may have had a bearing on this, but to assist output greater staff performance & support will be focused upon during 2021/22.
Receiving contributions from the employer(s)	10%	Partial concern	(*) The receipt of contributions is satisfactory, particularly in light of

			the i-Connect rollout, however following an October 2020 audit it was recommended that contribution reconciliations against the payments received required improvement.
Lack of knowledge, effectiveness or leadership among key personnel (Recommendation (b))	8%	Partial concern	Committee & Board members have a training strategy which is regularly reviewed. Officers have a separate training strategy, which as at April 2020 highlighted that approx. 70% of officers had a relevant professional qualification. However, maintaining engagement with training by stakeholders at all levels remains a challenge.
Production of annual benefit statements	6%	Not an issue	As at 31/08/20 96.9% of active & 99.9% of deferred members received a statement. An average of 98.4%. An improving yearly score.
Guaranteed Minimum Pension (GMP) reconciliation	6%	Area of concern	The Pension Payroll reconciliation project, including GMP rectification is currently in progress with updates reported to Committee. Further HMRC guidance is anticipated to assist this huge project.
McCloud judgement	6%	Partial concern	Whilst an assessment has been made concerning affected members & considerable guidance received, benefit resolution consistent with the judgement has been impacted by the completion of other benefit related work.
Failure of internal controls	4%	Not an issue	Annual independent internal audits continue to demonstrate that robust internal controls exist, with only minor observations for improvement

6. Hymans Robertson also undertook an assessment of the tPR's survey, in which they highlighted the following key themes;
- a) That to many LGPS funds were relying on their local authority's risk management processes;
 - b) That LGPS funds focused on getting their data right which was encouraging;
 - c) That as a result of the high issuance rate of annual benefits statements, breach reporting on this subject was low & that timely issuance was no longer seen as a material issue; &
 - d) That the complexity of LGPS funds was seen as the biggest barrier to addressing governance and administrative issues, with changes in legislation being the second biggest reason & the McCloud judgement and resource issues being cited in third and fourth place respectively.

In respect of all the themes cited, officers consider the WPF to be in a strong position, primarily due to the strength of its governance framework which allows effective decision making and an ability to respond to changing requirements as they arise.

Conclusions

7. After a review of the top governance and administration risks highlighted in paragraph 5 & where an appropriate measure hadn't already been taken by the WPF, only two areas of concern were identified. Recommended measures for consideration by the Board, associated with these concerns are set out in paragraph 9.
8. In self assessing itself against the findings of tPR's 2019 survey, the WPF considers itself to be operating above average within the public sector Fund environment. Addressing the areas of concern will ensure the Fund's continued compliance and will aim to place the Fund in an upper quartile position against its peers.

Recommendations

9. Based on the findings, officers have made the following recommendations;
 - a) That the Committee supports officers by providing guidance on which of the Fund's Business Plan objectives it sees as a priority; &
 - b) That the Board should receive regular reporting of all members training & self-development progress.

Environmental Impact

10. There is no environmental impact from this report.

Financial Considerations

11. There are no immediate financial considerations.

Risk Assessment

12. There are no risks identified at this time other than those considered within this report.

Legal Implications

13. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

14. There are no implications at this time.

Proposals

15. To review the findings of the Pension Regulator's report against the risks identified by officers and consider the recommendations for implementation to the Committee in paragraph 9.

ANDY CUNNINGHAM
Head of Pensions Administration and Relations

Report Author: Richard Bullen – Fund Governance & Performance Manager
