

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) – Period – 1 September 2022 to 30 November 2022
 - c) Risk Register
 - d) Audit update
 - 1) SWAP Audit review 2022/23
 - 2) Commissioning of the audit strategy 2023/24
 - e) Good Governance Review
 - f) 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 Sep-22 was -1.4%, compared to a benchmark return of +0.5%. The fund value at the end of Sep-22 was just under £3bn. Performance has continued to be challenging over the third quarter of 2022, in large part due to extreme market responses to the controversial “mini-budget” towards the end of September.
 - b) Although much of the “mini-budget” was reversed, gilt yields are still at elevated levels. As the actuarial discount rate for the future liabilities is based on gilt yields, this has meant that the present value of the Fund’s liabilities has fallen by more than the value of the assets has fallen (due to poor investment performance), and the funding level is currently around 127% (based on a roll-forward of the 2019 funding level).
 - c) Work on the Actuarial Valuation is close to completion. Officers are currently in the process of circulating individual results to employers.
 - d) The backlogs project is now running, and we have signed a contract with a provider for the pensioner payroll rec project.
 - e) We have appointed 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 Pension Awareness Week campaign ran during nearly November, and was hugely successful, with a significant amount of engagement from the members.
 - g) We have been invited to participate in the Pensions Management Institute project “Purposeful Pensions”, and have made a short film for inclusion in the wider project.
 - h) From an operational perspective, a new team structure has now been announced, and we are in the process of mapping people to the new structure. There are more posts in the new structure, so recruitment will begin shortly.

- i) Significant progress has been made against other Business Plan 22/23 actions, covered in full detail elsewhere on this agenda.

Scheme, Regulatory and Legal Update (Appendices 1, 1a and 1b)

4. As mentioned at previous Committee meetings, Aon were commissioned to provide some advice on McCloud and pensions dashboards, to give a summary of what work a standard LGPS fund should have completed to date in order to be prepared. These reports have now been received, and officers have reviewed the reports. Officer summaries of progress against key milestones are included in Appendix 1a (McCloud) and Appendix 1b (Dashboards). Next steps will include reviewing resourcing to deliver against these projects.
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. Overall, the Admin KPI picture is similar to the last quarter. The high priority administration KPIs remain relatively high with refunds in green, retirements and deaths in amber, however this has coincided with a worsening picture for medium priority cases.
7. Officers have introduced a work allocation system (called IWAS), which operates off the back of the standard KPI dashboard produced by our Systems provider, in their new reporting software (Insights). This new system also provides us with useful 'outlook' information on cases already overdue or nearly overdue. Officers can see that the outlook information is improving which indicates the KPIs should improve over the next couple of months across both the high and medium category (other than backlog areas) should this pattern continue. However, there are still technical complications which need to be investigated to ensure the tolerable performance levels are met (i.e. to reach 'green' levels rather than 'amber').

Risk Register (Appendices 3, 4 & 5)

LPB Recommendation – Minute 157

8. The former risk register has been stood down. An operationally focused design has replaced it, which retains the strategic capability to mitigate non-operational risks. Appendix 3 introduces the new risk register design which was presented to the Board at their meeting on 27 October.
9. Under the new risk register a "Yes" or "No" operationally embedded approach to risk scoring has been implemented. In effect, a "Yes" or "No" monthly, quarterly, or annual review is completed by officers in relation to each activity undertaken, indicating whether it has been completed. These activities carry a risk weighting relative to their wider relationship to all other risks identified by the Fund's management and a warning flag is recorded where an activity has not been fulfilled. The Compliance, Risk & Operational Controls (CROC) Group then review the ratings recorded and determine whether the overall risk rating has been correctly assessed. These moderated ratings then feed into one of the risks submitted to the Local Pension Board and Committee for their consideration.

10. To accompany the CROC Group's assessment, a note will be included in the final column of the new risk register to highlight any additional key factors involved in that risk's assessment.
11. As part of the transition from the former risk register, officers have migrated any heightened risks from that register to the new risk register including the October risk changes recommended by the Board. A complete list of those heightened risks is included in Appendix 4.
12. Appendix 5 illustrates the reviewed risks by the Board at their meeting on 27 October. The recommended changes by the Board have been included within the new risk register and are ready for consideration by the Committee.

Internal Audit update (Appendix 4)

LPB Recommendation – Minute 156

13. Audit review 2022/23 – SWAP Audit recommendations:
 - a) Appendix 6 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) As highlighted with the LPB, officers have completed the outstanding actions where they have control over the completion of those actions. Consequently, actions 1,2,4,5 & 9 set out in Appendix 6 have been closed. The key issues relating to actions not closed are set out below:
 - c) Action 3 – Lumpsum payments – Officers are concluding testing prior to implementing the “Immediate Payments” software, which has been delayed due to the rescheduling of the Council's Evolve project. In addition, there is still some embedding of the spot-checking of work arrangements by officers:
 - d) Action 6 – Monitoring – Officers are concluding workflow housekeeping to enable an accurate assessment of outstanding casework. In addition, officers are finalising a new KPI template and installing the new “Paygate” software. The first two points have been subject to resourcing limitations & technical delays with 3rd parties and the delay regarding the installing of “Paygate” relates to a licencing matter:
 - e) Action 7 – Projects – The implementation of i-Connect onboarding continues. A monthly review of progress will be drafted and circulated and will enable an escalation process to begin with the Fund's Scheme Employers, where required:
 - f) Action 8 – Operational backlogs – A backlog plan with Hymans is nearing completion. Completion of this plan is subject to the workflow housekeeping item highlighted in Action 6: and
 - g) SWAP is currently preparing their report based on their internal audit for the scheme year 2022/23. As part of that report, they will be reviewing the completion of recommendations made their 2021/22 audit.
14. Audit strategy commissioning 2023/24
 - a) The strategy seeks to cover both the Fund's internal & external audits, giving consideration to the Administering Authority's core auditor appointments, namely, Deloitte, for the completion of the Annual Report & Account's (AR&A) & the South-West Audit Partnership (SWAP) for the completion of internal audits such as the Fund's key financial controls. In addition, it seeks to enable a dynamic audit strategy by which the oversight of new practices and innovations can also be monitored.
 - b) For the Scheme Year 2023/24 the proposed plan of audits recommended are:

Audit	Proposed auditor	Proposed completion date	Comments
Standard Annual Audits – 2023/24			
Annual Report & Accounts	Deloitte	31/07/2023	For sign off and publication by 1 st December 2023
Key Financial Controls	SWAP	31/09/2023	Review the Fund's internal controls, including outsourcing progress, McCloud & Dashboard readiness
BPP Cost Transparency	Clearglass	31/03/2023	Considers the costs savings expected from the migration of assets
TPR Effective System of Governance	Self-assessment & SWAP	31/12/2023	Implementation of the requirements of the new Code of Practice.
Audits targeting Fund innovations, progress improvements & new regulations			
Payroll Migration	SWAP	31/03/2024	An audit on the project management and transition arrangements to Oracle and then Altair
Investment governance	Self-assessment	30/09/2023	Holistic review of investment governance arrangements including TCFD

Good Governance Review (GGR)

15. Progress on the Actions log based on the Phase III consultation document (Appendix 7):
- a) The Scheme Advisory Board commissioned Hymans to undertake a review in April 2019 to examine the effectiveness of current LGPS governance models and consider alternatives or enhancements to the existing models
 - b) The final regulations are expected to be published in April 2023
 - c) It should be noted that the focus of the GGR aims to improve governance in the LGPS whilst the Pension Regulator's new Single Code of Practice will seek to improve governance for the whole pensions industry
 - d) The basic features of the review seek to create an outcomes-based approach, clarify roles and responsibilities, and introduce independent governance reviews, encourage training of key officers, enable better signposting and through guidance and create a workplace resourcing strategy: &
 - e) The actions log in Appendix 7 demonstrates the progress the Fund has achieved to date against those objectives.

Training update

16. Please note the following reminders.
- a) It is anticipated that the results of Hymans National Knowledge Assessment will be presented to the Board in February, along with member feedback in relation to the effectiveness review: and
 - b) Members are encouraged to complete the modules provided by Hymans on-line Academy. The service offers up to date guidance on a wide variety of pension fund related subjects.

Financial Implications

17. No direct implications.

Legal Implications

18. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

20. There are no known implications currently.

Proposals

21. 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:
- c) to approve the commissioning of proposed audits for the scheme year 2023/24.

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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 1a – McCloud update

Appendix 1b – Dashboards update

Appendix 2 – Administration KPIs

Appendix 3 – Full risk register

Appendix 4 – List of migrated risks from the old risk register

Appendix 5 – LPB risk recommendations 27 October meeting

Appendix 6 – SWAP Audit Actions log

Appendix 7 – Good Governance Review actions log