

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
23 March 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) Key Performance Indicators (KPIs) period – 1 December 2022 to 28 February 2023, and outsourcing update
  - d) Audit update - SWAP Audit actions log 2022/23
  - e) Training and effectiveness review 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 Dec-22 was -1.2%, compared to a benchmark return of +0.9%. The fund value at the end of Dec-22 was just under £3bn. This was mostly due to the lagged valuations for some of the Fund's illiquid assets (mainly property), catching up from the extremely challenging Q3 22, which more than offset positive performance from the Fund's equity portfolios.
  - 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 125% (based on a roll-forward of the 2019 funding level).
  - c) The final report on the actuarial valuation is elsewhere on this agenda.
  - d) The backlogs project and the pensioner payroll rec projects are now both up and running, and making good progress. Hymans have now completed 702 cases, and Aon 145. Both providers are on track to complete their projects on schedule (Sep-23).
  - e) Work continues with Blackrock and we are close to setting up the SALAMI portfolio (Strategic Allocation to Liquid Asset-Matching Investments).
  - f) Several of the roles within the new team structure have now been filled (or offers have been accepted and the individuals are working their notice periods at their current employer). A couple of key roles are proving challenging to recruit to.
  - g) 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 (Appendix 1)**

4. There are no material changes in this area but officers have added minor updates to the appendix.

## **Risk Register (Appendix 2)**

### *LPB Recommendation – Minute 173*

5. On 1 February the Board reviewed the December monthly version of the risk register at their quarterly meeting, noting that the content of the risk register they review will be different to the risk register presented to the Committee on 23 March. The version of the risk register presented in Appendix 2 relates to the month of February. However, the Board accepted the declaration by officers that whilst they will be reviewing a different version, the officer led CROC Group process for moderating ratings will be presented in a consistent manner.
6. For members to be able to monitor the key changes in versions between meetings the Board noted that officers will provide a summary table within each report to members. In addition, the Board's recommendations based on the risk register version they have reviewed will be included in each Committee report. Consequently, the table below and Board recommendations represent that summary. This should allow the Committee to approve the Board's recommendations.
7. Committee members are asked to note that the Board have made their recommendations in line with two basic categories. These are:
  - a) In relation to any patterns or themes which have occurred since the Board's last review, as determined by the summary table: and
  - b) In relation to the assessment of the prevailing risk register presented to the Board at their meeting.In assessing the risk register members are asked to focus on the mitigations in the "Updates to note" column rather than the ratings in the "Risk Assessment" column.
8. The summary of key changes to the February version of the risk register are:

<b>Risk Section</b>	<b>Section rating change</b>	<b>Key notes and mitigations during the period</b>
Administration	Amber to Red	<ol style="list-style-type: none"><li>a) Work volumes received exceed those completed, and a failure to meet the KPI targets. A programme to recover the lost output is in place however, staff resource constrains progress.</li><li>b) Manual updates required to adjust CARE screens for flexible retirees in the first-year end following retirement. Will be resolved after year-end.</li><li>c) Poor use of bulk upload processing. Embedding bulk processing forms part of the KPI improvement plan.</li></ol>
Systems Management	Green to Amber	<ol style="list-style-type: none"><li>a) Officers have experienced reporting issues within Altair which could lead to poor decision making. Heywood software release should resolve this issue.</li><li>b) Ineffective mortality screening. New service provider to be appointed.</li><li>c) SAP contract expires in December '23. Fund reliant on Council's evolve project.</li></ol>

Investment	Amber to Red	a) A letter responding to BPP's recent SRMs relating to levels of pay, budgets and staffing has increased this risk. Officers seeking to manage governance.
Data Management	Green to Amber	a) Employer asset and liability allocations should be monitored to avoid distorting an employer's funding positions. Key officer to be assigned as well as accurate transaction coding reporting recommended. b) I-Connect processes including relevant checks, requires reform. Forms part of the KPI improvement plan. c) Employer cessations to be managed more effectively. Key recruit appointed, starting in June.
Resourcing	Amber to Red	a) Staffing restructure and recent resignations have created a number of vacancies. Recruitment process underway, however making good key appointments is critical.

9. The Board recommended to the Committee that the risk assessment made by officers, as set out in their December risk register was appropriate.

### **Administration KPIs (Appendix 3)**

10. Some work has been done in Table 1 to show the impact of terminated workflows, which caused discrepancies between the prior period's closing cases and the new periods opening cases. More detail will be available on this in the near future. These terminated workflows are largely features of the i-Connect system in which it creates workflows subject to it a set of pre-programmed responses rather than having the sophistication of humans to be able to correctly interpret an activity based on the information being received from an employer.
11. Regarding the overall Admin KPI picture, this continues to be challenging. The high priority administration KPIs were most consistently amber across the last three months, which is an improvement, and refunds have remained green.
12. The Insights work allocation system (IWAS) is fully embedded into the Member Services team and productivity stats for individual staff continue to be produced. Work will shortly be done to roll out productivity stats for the employer services team. The business plan for 23/24 has a heavy focus on changing the way work is done in the employer services team in order to provide a strong foundation for service delivery.
13. Members are reminded that the lifecycle of the Fund will now be entering its year end phase, which brings with it an increased number of associated tasks at this time of year.

### **Internal Audit update (Appendix 4)**

#### *LPB Recommendation – Minute 181*

14. SWAP Audit review 2022/23:
- a) Summary – The SWAP raised its assurance level from “no assurance” to “limited assurance”, recognising the work by officers during 2022:
  - b) SWAP November 2022 audit – Appendix 4 presents the Fund's Key Financial Controls actions log based on the recommendations made by the SWAP auditor in November 2022:
  - c) SWAP March 2022 audit – The actions log incorporates outstanding actions from SWAP's March 2022 audit. Namely, Lumpsum payments, Monitoring & Operational Backlogs. The Projects action from the March 2022 audit has been renamed and now forms part of the New Enrolments action:

- d) Target dates – Prior to the action log's initial presentation to the Board, target dates were set for each action. These were endorsed by the Board on 1<sup>st</sup> February. However, due to the Fund's recent restructure and resourcing situation, officers need to request one change to the original target dates. This relates to Action 7, Status 2 (Undecided leavers) Members which has been rescheduled for completion from September 2023 to March 2024. The strategy behind this change being to address Action 6 first and then move officer resource onto Action 7:
- e) Actions with a 31 March deadline – These are Action 8, management of members approaching or over age 75, but who have not yet drawn their pension, Action 12, resolution of a small number of in-house pensioner queries prior to the PI exercise and Action 13, implementation of the new risk register. In all cases you'll see that these have all been completed:
- f) Actions with a 30 April deadline – These are Action 2, recovery of overpayment and write offs, Action 3, management of the lump sum payment process, Action 5, processing of amendments, Action 10, monitoring & productivity & Action 11, Quality Assurance testing. At present the first three actions are on course for completion by 30<sup>th</sup> April with the last two impacted by elements of the new business plan. In the event that the business plan 23/24 is approved, requests for changes to the original target dates will be made by officers to align with the new strategy; and
- g) Actions with a post April deadline – Remedies for all of these actions are included within the Fund's business plan agenda item. Progress against these actions will be reported at future Committee meetings.

### **Training and effectiveness review update (Appendices 5, 6 & 7)**

#### *LPB Recommendation – Minute 175 & 176*

#### 15. Summary of training & effectiveness review results.

##### **Training**

- a) National Knowledge Assessment (NKA) – Members of the Committee & Board completed a Hymans NKA, Appendix 5, to identify training & development priorities over the next 12 months:
- b) Results – The results showed a response rate from all members of 82%, with members achieving an average score of 59%. This was upper quartile when compared against other LGPSs. Within this score, the Committee members average score was 56%, compared with the Board's of 64%:
- c) Strengths – Broadly speaking the results showed that each group performed most strongly against its core functions, namely Financial Markets and Product Knowledge for the Committee and Pensions Administration for the Board. Both performed well on Pension Governance:
- d) Further analysis – The results highlighted that a review of the Fund's decision-making procedures may be appropriate, as well as refresher training on the roles and responsibilities of each group, at differing points during the annual life cycle of the Fund:
- e) New plan – Appendix 7 sets out the proposed training plan for members over the next scheme year. The plan includes recommendations made by the Board at their meeting on 1<sup>st</sup> February. In particular, focus on Audit and Accounting Standards & additional training on Pension Administration was identified.
- f) A living document – The plan is designed to be a living document enabling substitution for topical training as it arises. Attendance at external events such as conferences, seminars, engagement days and forum are encouraged as a valuable parts of the Fund's training & development strategy.

##### **Effectiveness Review**

- g) Purpose – To provide a framework within which members can comment on the effectiveness of both the Committee & Board. The responses in this 2022

Hymans review followed a similar pattern to those expressed in 2018. A high proportion of positive feedback was received, with the majority of respondents being comfortable with the effectiveness of their respective group.

- h) The 2018 review embedded the following recommendations:
  - 1) The terms of reference for both groups were updated and restated:
  - 2) TPR guidance on effective pension meetings implemented:
  - 3) Clarity over what is Fund and Employer business (Wiltshire Council) at meetings:
  - 4) Clarification on how the Fund's action logs are managed by both groups:
  - 5) A review of the design of the LPB Annual Report:
  - 6) Initiating a monthly update report from the Head of Pensions:
  - 7) Fostering cross-observation by Members attending each other's meetings: &
  - 8) Implementing induction training for new members
- i) The key member concerns highlighted by the 2022 review were:
  - 1) Committee members were uncertain of the roles and relationships between the Committee, Board, and officers, despite a positive response regarding the overall objectives of the Fund:
  - 2) Committee members were concerned about the escalation process to be followed:
  - 3) Various concerns were raised, mainly from Committee members around knowledge and training requirements, including the use of tPR's toolkit and Hymans on-line learning academy:
  - 4) Member opportunity to adequately input into the Fund's Risk register:
  - 5) A lack of understanding of the Council's Scheme of Delegation:
  - 6) A lack of understanding amongst Committee members on the role of the investment pool:
  - 7) A lack of understanding amongst Committee members on the role of a number of advisers; and
  - 8) Committee members requested clarity on all areas concerned with key documents and policies.
- j) Next steps – The Board recommended the actions outlined be implemented subject to the issues being addressed in a proportional manner. In addition, signposting of relevant information available on SharePoint should be made clearer. Similar to the 2018 review, it was concluded that a work group should be formed to clarify the items raised.

### **Financial Implications**

16. No direct implications.

### **Legal Implications**

17. There are no known implications from the proposals.

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

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

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

19. There are no known implications currently.

### **Proposals**

20. 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 February version of the risk register:
- b) to approve the changes in SWAP Audit target dates, notably Action 7 within that actions log and those adjusted by the approval of the new business plan:
- c) to approve the member training plan for 2023/24 (Appendix 7):
- d) to approve the proportionate implementation of effectiveness review changes outlined in Hymans report and 14(i) above.

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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 – Full risk register
- Appendix 3 – Administration KPIs
- Appendix 4 – SWAP Audit Actions log
- Appendix 5 – Hymans NKA Report 2022
- Appendix 6 – Hymans Member Effectiveness review 2022
- Appendix 7 – Member training plan 2023/24