

## **WILTSHIRE COUNCIL**

WILTSHIRE PENSION FUND COMMITTEE  
30 September 2021

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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) Report from Head of Pension Fund Investments
  - b) Report from Head of Pensions Admin
  - c) Risk register
  - d) Scheme, regulatory and legal update
  - e) Administration KPIs
  - f) Budget monitoring
  - g) Training
2. This report is intended to highlight key issues and developments. Full detail is provided in the Appendices.

#### **Report from Head of Pension Fund Investments**

3. This section summarises key events in the investments and accounting team over the last quarter.
  - a) The audit has been completed and the annual report and accounts have been published online, along with a one-page summary entitled "Our Year in Review": <https://www.wiltshirerensionfund.org.uk/Annual-report-and-accounts>
  - b) Officers have distributed the one-page summary and link to the full annual report via a publicity campaign aimed at the scheme membership and employers.
  - c) The Responsible Investment Policy has been drafted, as set out in the Responsible Investment Plan 2021/22, and is elsewhere on this agenda for approval.
  - d) Officer have launched an employer survey, targeted at heads of finance and heads of the organisation for employers, about strategic issues and how they want to engage with the Fund and be engaged with. Findings are elsewhere on this agenda.
  - e) Officers have progressed the work of the sustainable equities transition.
  - f) Committee members have attended training on impact investing and affordable housing, and climate scenario modelling.
  - g) Officers and advisers have progressed work on the review of the protection assets allocation, findings of which are elsewhere on this agenda for approval.
  - h) Officers and advisers have progressed the work on defining a pathway to net zero by 2050. Findings have been incorporated in the Responsible Investment Policy.
  - i) Work has continued with the Brunel pool in developing and launching a Paris-aligned passive benchmark, which will help deliver the Fund's investment objectives.

#### **Report from Head of Pensions Admin**

4. This section summarises key events in the Administration and Relations team over the last quarter.

- a) The highest priority piece of work at present is the payroll rectification work, which is also a pre-cursor of the pensioner payroll transition project, further information is outlined in a dedicated paper on this topic.
- b) Officers successfully met the Business Plan target of producing over 99% of active annual benefit statements, by producing 99.5% on time this year. This continues a pattern of steady year on year improvement. Further information is outlined in the KPI pack (Appendix 3). Other improvements to KPIs have also been made this quarter.
- c) Officers are now working on sending out Annual Allowance statements to around 70-80 members before the early October annual deadline. This year, around 30 members are likely to incur a tax charge due to their pension increasing by more than Government thresholds (despite the application of permitted protections) – the main reason for a tax charge is due to relatively large salary increases.
- d) Work continues to onboard more employers onto i-Connect. Unfortunately, initially after onboarding Swindon Borough Council and a large payroll provider, FS4S, officers have had to postpone further uploads due to employer difficulties with having adequate staffing and due to changes in payroll system. It is anticipated that those issues will be resolved shortly.
- e) Several new staff have now joined the Fund on a temporary and permanent basis, including a new Communications, Customer Service and Training Manager. A later paper discusses staffing in more detail.
- f) Officers continue to work on a number of developmental projects, such as a process to allow members to 'retire online', efficiency and control improvements to various processes and making available greater self-service features for members. The main purpose of these projects are to improve efficiencies, control and customer service.

## **Risk Register**

5. The Local Pension Board reviewed the risks of the pension Fund at their meeting on 24 August 2021 and recommended the for alterations should be submitted to the Pension Fund Committee.
6. During the last quarter no "new risks" were identified
7. The evidence-based review of the register identified the following risks had changed or need to be recategorised;
  - **PEN058: Service disruption is created during the implementation of the Council's Evolve Programme on the Fund** (From Green to Amber) A potential lack of co-ordination between the Evolve & Altair payroll project management timetables could increase the risk of success of this migration. Regular communication between project managers should be established.
  - **PEN052: COVID-19:** (From Red to Amber) An infectious global virus which WHO has classed as a pandemic. The impact of COVID-19 is being largely managed and there are signs that the nation is returning to normal. Recommend that this risk be moved to ongoing.
  - **PEN055: Failure by Brunel Pension Partnership to properly address shareholder concerns via the governance review:** (From Red to Amber) The governance arrangements by which BPP will operate have been set out in a terms of reference and Wiltshire along with all the shareholders are satisfied with the breadth and depth of the resulting changes. Recent communications suggest progress is beginning to be made. Recommend that this risk be monitored and moved to ongoing.

- **PEN024: The implementation of Brexit causes investment volatility or unexpected legislative changes:** (From Amber to Green) Any impact which would have been caused by Brexit has now been built into investment valuations. Recommend that this risk be moved to dormant.
  - **PEN012: Over-reliance on key officers:** (From Amber to Green) A full complement of staff is now appointed to roles enabling suitable cover. The majority of appointments are experienced and have served in their positions for quite some time. Recommend that this risk be moved to dormant.
  - **PEN011: Lack of expertise of Pension Fund Officers and Service Director, Finance:** (From Amber to Green) Senior Officer appointments are experienced and have served in their positions for quite some time. Recommend that this risk be moved to dormant.
  - **PEN009: Failure to comply with Data Protection Legislation (GDPR & Data Protection Act 2018):** (From Amber to Green) SWAP audit actions concerning GDPR were minor in nature & have now been completed.
  - **PEN026: A lack of effectiveness of Committee meetings due to the impact of MiFID II Regulations:** (From Green to Amber) Recent changes to the Committee and the consequential loss of knowledge have increased the risk of the Committee's effectiveness. Recommend that this risk be moved to ongoing.
8. It is recommended that three risks which are currently in Dormant/Closed be deleted on the basis that they are no longer relevant. These are;
- **PEN046: The transition of assets to the Brunel global high alpha equities portfolio does not go according to plan resulting in investment losses:** No longer relevant (Green).
  - **PEN020: The transition to pooling of LGPS assets with BPP proves ineffective causing higher costs, poorer returns and/or weak controls:** (Red) However it has been replaced by PEN048.
  - **PEN014: Failure to provide the service in accordance with sound equality principles:** (Green) Risk description is vague and the basis for its reason has been replaced by more specific risks such as PEN055: The Goodwin Case & PEN055: The Accessibility Regulations.
9. General comment – It is recommended that risk **PEN058: Service disruption is created during the implementation of the Council's Evolve Programme on the Fund** (Green?) be split into two risks. The first risk managing the migration of the Fund's pension payroll and the second risk managing the remaining Evolve Programme activities affecting the Fund. This second risk be categorised as Green.
10. "Red", high risks are summarised in Appendix 1, and the full risk register in Appendix 2.

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

11. Disclosure Regulations show some improvements since the last quarter. Further improvement has been limited due to some system reporting issues which have now been resolved which should enable a sustained improvement in future quarters.
12. Against the tPR measures, there are some small improvements against the Common and Conditional measures and a larger improvement against the Annual Benefit Statement figure. Based on recent years, the Fund would be top quartile on these metrics compared to other LGPS Funds.

13. Good improvement has occurred against the key measures shown in Appendix 3, section 3a, albeit from a low base. Further improvements are expected in future quarters as efficiency improvements bear fruit.
14. There has been some improvements in the level of backlogs although progress has been limited due to resources been diverted to the payroll recitification project until that work is completed.
15. As part of this new reporting format, specific commentary on each set of KPIs is now shown alongside the relevant table.

#### **Scheme, Regulatory and Legal Update (Appendix 4)**

16. Officers are not aware of any material changes in this area to highlight but the existing summary is included in the Appendix as a reminder of the current state of play.

#### **Budget Monitoring (Appendix 5)**

17. This section of the paper presents a projected outturn on the Fund's financial activities against the 2021/22 budget, as at 30 June 2021.
18. As at the end of quarter 1 forecast expenditure is expected to be slightly favourable (£48k – 2%) to budget at year end. This underspend is primarily within administration costs where systems fees and mailing costs are expected to be below plan.
19. This forecast position excludes any additional costs of implementing and operating a new integrated payroll system. Additional costs were approved at the June Committee meeting, however at this point there is no firm timing of when the cost will be incurred. The new licence fee and implementation costs will most likely be incurred towards the end of 2021/22 and throughout 2022/23. A final schedule of costs will be brought to the committee in a separate business case.
20. A detailed budget forecast report is included in Appendix 3.

#### **Training**

21. The Fund's training strategy is dealt with separately on this agenda. This section of the report is intended to update members on upcoming internal training events, and to invite members to share feedback on any other training events they have attended, which could be conferences, webinars, online training tools, or even useful articles.
22. Members are also invited to discuss training requirements, and to suggest topics on which training would be welcomed.
23. The next internal training session will be on 29 November, and is covered in detail in the Responsible Investment Update paper, elsewhere on this agenda.

#### **Financial Implications**

24. No direct implications.

#### **Legal Implications**

25. There are no known implications from the proposals.

## **Environmental Impacts of the Proposals**

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

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

27. There are no known implications currently.

## **Proposals**

28. The Committee is asked to:

- a) use the information in the report as a basis for monitoring the Fund's core activities
- b) use the report as a basis to discuss training requirements, discuss whether any additional training needs to be arranged, and share feedback from any recent training events attended
- c) to approve the changes to the Risk Register and accept the recommendations for changes/actions made submitted by the Board

ANDY CUNNINGHAM  
Head of Pensions Administration and Relations  
& JENNIFER DEVINE  
Head of Pensions Investments

Report Authors: Richard Bullen (Fund Governance & Performance Manager), Andy Cunningham (Head of Pensions Administration and Relations) and Jennifer Devine (Head of Pensions Investments)

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Unpublished documents relied upon in the production of this report: NONE

## **Appendices:**

- Appendix 1 – Risk register – background and “red” risks
- Appendix 2 – Full risk register
- Appendix 3 – Administration KPIs
- Appendix 4 – Scheme, Legal, Regulatory and Fund updates
- Appendix 5 – Budget detail as at 30 June 2021