

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

06 October 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) Period – 1 July 2022 to 31 August 2022
 - 2) ABS issuance update
 - 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 Jun-22 was -6.3%, compared to a benchmark return of -3.5%. The fund value at the end of Jun-22 was just over £3bn. Performance has continued to be challenging over the second quarter of 2022, due to global events, with the dominating theme being recession concerns. The value of the Fund's investments at the end of Aug-22 (the latest audited figures at the time of writing) was £3.14bn.
 - b) In very recent days, the tax cuts announced by the Government have sent sterling to record lows, and gilt yields have risen significantly (the biggest movement in the 10-year gilt yield since 1979). This has dominated the movement in the Fund's funding position, as gilt yields are used to discount the future liabilities, and consequently the funding level is currently around 120% (verbal update to be provided at the meeting).
 - c) 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. Valuation results will be presented to the Committee, along with the updated strategic asset allocation, at the meeting on 17 November 2022.
 - d) Some progress has been made regarding the two large outsourcing projects. A provider has been selected for the backlogs outsourcing, but there have been significant delays in getting the contract signed. The tender for the pensioner payroll reconciliation project has now closed, with several credible bids, which are currently being evaluated.
 - e) The 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), has now closed, and bids are being evaluated.
 - f) The Fund's 2022 Responsible Investment Policy has now been published, and the Fund has also achieved signatory status of the 2020 Stewardship Code.

- 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. As mentioned at the meeting on 28 July, Aon have been 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 are currently reviewing the reports and preparing a gap analysis. There is work to be done at this stage, including analysis to be able to report against progress, and to assess the potential resource implications. Due to the time needed to complete this analysis, the status will be reported to the Committee during the next cycle of meetings.
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 high priority administration KPIs show an improved picture with refunds in green, retirements and deaths in amber, however this has coincided with a worsening picture for medium priority cases.
7. Officers are now introducing a new work allocation system (called IWAS), which operates off the back of the standard KPI dashboard produce by our Systems provider, in their new reporting software (Insights). As context, it was not possible to configure the previous work allocation system to work exactly in line with the administration strategy but this replacement system is able to do this which will help with one of the Fund's key goals: to improve KPI performance.
8. i-Connect onboarding progress has slowed in the last couple of months due to a mixture of Fund end of year work pressures and key employers continued difficulties in being able to produce the necessary report in the required format (although some progress has been made). Officers will now start escalating the matters with more senior staff at the remaining employers in order to seek quicker progress.

Annual Benefit Statement (ABS) progress

9. The Fund is required to produce annual benefit statements for active and deferred members by 31 August 2022.
10. Deferred ABSs were produced for all members and made available earlier this year whilst the final percentage for active members by this deadline was 98.7% (a slight reduction from last year). The missing 1.3% was due to employers (mostly Swindon Borough Council) failing to provide the necessary data in time.
11. The end of year (and ABS) process is significantly quicker if an employer is on i-Connect and therefore the focus remains on onboarding the remaining employers to the platform.

Risk Register (Appendices 3 & 4)

LPB Recommendation – Minute 136

12. The Local Pension Board reviewed the risks of the Pension Fund at their meeting on 18 August 2022 and recommended the following alterations should be submitted to the Pension Fund Committee, with the exception of the risk identified in paragraph 17.
13. Since 18 August the following “new risk” had been identified.
- **PEN062: Failure to consider the implications on the Fund of the Cost-of-Living crisis and the geopolitical energy situation:** (From Amber) Due to the war in Ukraine and the global economy emerging from the Covid-19 pandemic, a surge in inflation has occurred across the UK and the world. As a result, the cost-of-living crisis and concerns around energy stability may lead to a number of unanticipated outcomes.
14. That the evidence-based review of the register identified the following risks had changed or need to be recategorized.
- **PEN002: Failure to collect and account for contributions from employers and employees on time:** (From Green to Amber) An increase in the number of late employer contribution payments and payments not made in accordance with the rates and adjustments certificate recorded on the breach log has led to an increase in this risk rating.
 - **PEN023: Further resources of officers and Members to meet the expansion of business items:** (From Green to Amber) Due to the volume of work/projects being processed by the Pension Dept, the outsourcing of work and the seasonal activities affecting staff resource allocations, a review of the Fund’s resourcing requirements may be required. Move from Closed to Ongoing.
 - **PEN025: Further academisation of Schools, the possibility of MAT breakups and cross fund movements:** (From Green to Amber) Guidance received from the Fund’s actuarial advisors suggests an increase in activity in the education sector will lead to an increase in employer liabilities. As a result, this risk has heightened and should be monitored.
 - **PEN061: Failure of internal auditors to conduct audits commissioned by the Committee in accordance with an agreed term of reference:** (From Amber to Green) Internally commissioned audits have moved with greater pace and with greater direction in 2022. The completion of the Key Financial Controls audit in March and the Pensioner Payroll in July have brought assurance to the Fund’s audit programme. A clearer timetable is also available in respect of the remaining audits during 2022/23.
15. “Red”, high risks are summarised in Appendix 3, and the full risk register in Appendix 4.
16. It is recommended that the following risk is deleted from the register on the basis that it is no longer relevant.
- **PEN057: Failure to implement the Accessibility Regulations:** No longer relevant (Green)

Internal Audit update (Appendix 5)

LPB Recommendation – Minute 135

17. 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) However, whilst progress has largely been made, the Board did agree with officers at their meeting on 18 August, that several target dates should be extended. These revised dates are included within Appendix 5. The primary reason for extending these dates is due to logistical issues beyond officer control such as resource availability, not just within the Pension Dept., but elsewhere.
- d) Members are asked to note the progress being made against the actions, including the revised target dates. Officers will take questions from members on any of the content within Appendix 5.

Training update

18. Please note the following reminder.

- a) By now all members and key officers should have received an effectiveness review questionnaire from Hymans. The purpose of this being to receive feedback on the management of the Fund. This should have been accompanied by Hymans National Knowledge Assessment. All candidates are asked to complete both surveys.
- b) 3rd November – Officers will be holding new member induction training for those members who have started in the last 12 months.
- c) From 18th October the LGA will commence its Fundamental training courses. These will finish just before Christmas and are aimed at new members.
- d) Members are reminded that they have access to an officer managed training folder held on the Council's SharePoint system. The folder contains a variety of training material and guidance across all CIPFA practice areas.
- e) Members are encouraged to complete the modules provided by Hymans on-line Academy. The service also offers up to date guidance on a wider variety of pension fund related subjects: and finally
- f) Members are asked to complete and return their MiFID II self-assessment forms.

Financial Implications

19. No direct implications.

Legal Implications

20. There are no known implications from the proposals.

Environmental Impacts of the Proposals

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

Safeguarding Considerations/Public Health Implications/Equalities Impact

22. There are no known implications currently.

Proposals

23. 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