

Pensions Committee

16 March 2016

Time 1.30 pm **Public Meeting?** YES **Type of meeting** Pensions
Venue Committee Room 3 - 3rd Floor - Civic Centre

Membership

Chair Cllr Jasbir Jaspal (Lab)

Labour

Cllr Lorna McGregor
Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Dr Michael Hardacre
Cllr Keith Inston
Cllr Phil Page
Cllr Tersaim Singh

Conservative

Cllr Paul Singh
Cllr Wendy Thompson

Liberal Democrat

District Members

Cllr Muhammad Afzal (Birmingham City Council)
Cllr Mohammed Arif (Walsall Metropolitan Borough Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)
Cllr Angela Sandison (Solihull Metropolitan Borough Council)
Cllr David Sparks (Dudley Metropolitan Borough Council)

Trade union observers

Mr Malcolm Cantello
Mr Martin Clift
Mr Victor Silvester
Mr Ian Smith

Quorum for this meeting is four Councillors.

Information for the Public

If you have any queries about this meeting, please contact the democratic support team:

Contact Dereck Francis
Tel/Email Tel:01902 555835 or dereck.francis@wolverhampton.gov.uk
Address Democratic Support, Civic Centre, 1st floor, St Peter's Square,
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <http://wolverhamptonintranet.moderngov.co.uk>
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Tel 01902 555043

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Some items are discussed in private because of their confidential or commercial nature. These reports are not available to the public.

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|--|
| 1 | Apologies for absence (if any) |
| 2 | Notification of substitute members |
| 3 | Declarations of interests (if any) |
| 4 | Minutes (Pages 5 - 20)
(a) Pensions Committee – 9 December 2015 and 11 February 2016
[For approval]

(b) Investment Advisory Sub-Committee – 9 December 2015
[For approval] |
| 5 | Matters arising
[To consider any matters arising from the minutes of the previous meetings] |
| 6 | Pensions administration report - 1 October to 31 December 2015 (Pages 21 - 44)
[To note the work undertaken by the pensions administration service during the period 1 October to 31 December 2015 for both the Main Fund and the West Midlands Integrated Transport Authority Fund] |
| 7 | Report of the Pension Board - Data Quality (Pages 45 - 62)
[To consider the report of the Pensions Board and to note action taken by officers] |
| 8 | Employer covenant update (Pages 63 - 68)
[To note the update on the employer covenant review] |
| 9 | Service plan monitoring 2015/16 and quarterly accounts December 2015
(Pages 69 - 90)
[To receive and note the performance monitoring update] |
| 10 | Service plan 2016/21 (Pages 91 - 124)
[To approve the service plan] |
| 11 | Internal Audit plan 2016/17 (Pages 125 - 138)
[To note the plan] |
| 12 | Risk and compliance monitoring 1 October to 31 December 2015 (Pages 139 - 146)
[To note the update] |

- 13 **Trustee training update** (Pages 147 - 154)
[To approve the training timetable and dates for training during 2016/17]
- 14 **Responsible investment activities** (Pages 155 - 166)
[To consider the work undertaken by the Investment team regarding responsible investment activities]
- 15 **2016 Actuarial valuation overview and planning** (Pages 167 - 178)
[To receive an overview of the process in preparation for the review of funding strategy and employer contribution rates]
- 16 **Nomination of Trade Unions to Pension Committee** (Pages 179 - 182)
[To receive the Trade Union nominations and approve their appointment as observers for the 2016/17 Municipal Year]
- 17 **Exclusion of press and public**
[To pass the following resolution:

That in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information on the grounds shown below]

Part 2 - exempt items, closed to the public and press

<i>Item No.</i>	<i>Title</i>	<i>Grounds for Exemption</i>
18	Local Government Pension Scheme investment pooling (Pages 183 - 188) [To consider an update on investment pooling]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
19	Legal Services OJEU Tender (Pages 189 - 192) [To note the update on the procurement of legal services]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

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Attendance

Members of the Pensions Committee

Cllr Peter Bilson
Cllr Dr Michael Hardacre
Cllr Jasbir Jaspal (Vice-Chair)(in the Chair)
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Wendy Thompson

District members:

Cllr Mohammed Arif (Walsall MBC)
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Angela Sandison (Solihull MBC)

Trade Union observers:

Malcolm Cantello (Trade Union Representatives)
Martin Clift (Trade Union Representatives)
Victor Silvester (Trade Union Representatives)
Ian Smith (Trade Union Representatives)

Employees:

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director - Pension Fund
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Head of Finance
Dereck Francis	Democratic Support Officer
Rachel Brothwood	Assistant Director, Actuarial and Pensions
Mark Taylor	Director of Finance, s151 Officer

Part 1 – items open to the press and public

Item No. *Title*

1 **Election of Chair.**
Resolved:

That Cllr Jasbir Jaspal be elected Chair of the Pensions Committee for the remainder of the 2015/16 Municipal Year.

2 **Apologies for absence (if any)**

Apologies for absence were submitted on behalf of Cllrs Keith Inston and Ian Brookfield (City of Wolverhampton Council), Cllr Sandra Hevican (Sandwell Metropolitan Borough Council) and Cllr David Sparks (Dudley Metropolitan Borough Council).

3 **Notification of substitute members**

No notification of substitutes were received for the meeting.

4 **Declarations of interests (if any)**

No declarations of interests were made.

5 **Minutes**

(a) Pensions Committee – 23 September 2015

Resolved:

That the minutes of the meeting of the Pensions Committee held on 23 September 2015 be approved as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 23 September 2015

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 23 September 2015 be approved as a correct record and signed by the Chair.

6 **Matters arising**

With reference to the minutes of the Pensions Committee Geik Drever, Strategic Director of Pensions reported that:

- Regarding minute no. 7 (Local Government Pension Scheme Reform Update 2015), the KPMG report on options for the separation of lead authority from pension fund had not been published; and that the formal appointment to the Chair for the national Scheme Advisory Board by the Secretary of State had yet to be made. The Committee would be updated once more information was known.
- On minute no. 8 (SIAB Annual Review), the outperformance target for the Fund had been revised to 0.5% per annum over the three year rolling period, above the customised benchmark (having been 1.0% per annum). This had been reflected in the Fund's latest Statement of Investment Principles.
- On to minute no. 9 (West Midlands Pensions Fund Statement of Investment Principles), a response had been forwarded to the two LGPS members who had written to the Committee regarding the Statement of Investment Principles.
- Regarding minute no. 15 (Risk and Compliance Monitoring), an appendix to item 11 on today's agenda had been recirculated and now included a trend column in accordance with the Committee's request made at the last meeting.

- On minute no. 17 (Responsible Investment Activities), correspondence had been exchanged with the member in Coventry on the action taken on the Israel-Palestinian related research. The Chair of the Committee, Cllr Jasbir Jaspal had since agreed to meet him and a letter of invitation would be sent to him shortly.

7 **Pensions administration - proposed expansion**

Geik Drever, Strategic Director of Pensions updated the Committee on the review of the pensions administration undertaken by the Fund. It was proposed to expand the current Pension team by 20 new posts, a net increase of nine, to meet increasing workload and respond to regulatory changes. The structure would result in an increase in total staff costs of £280,000, equivalent to £1 per member of the Fund.

During the ensuing discussion and in response to questions from the Committee the Strategic Director of Pensions advised that the proposals related to the Pensions administration side of the Fund and do not address the staffing and recruitment issues within the Investment side of the Fund previously reported upon. She also reported that she was in consultation with the city Council's Human Resources team regarding the staffing of the investment side of the Fund. Rachel Brothwood, Assistant Director, Actuarial and Pensions added that the Fund also wanted to evolve its skill sets and change the way it worked to become more efficient. It would be looking to use electronic self-service solutions to manage more of its enquiries/requests for service.

Malcolm Cantello (Unison) welcomed the creation of the new posts. He asked about the net effect of the proposal on costs per member of the Fund and about the recruitment arrangements. The Strategic Director of Pensions reported that the full cost of the staffing changes would be charged to the Fund but could be met from the existing budget. She explained that last year the cost per member was at £18.70. It was the aspiration of the Fund to keep the cost below £20. The costs of creating the additional administrative capacity now were less than those which would be incurred correcting issues which could emerge in future if things go wrong. She also went on to explain the process for recruiting to the administrative posts, HR been consulted and involved throughout the process.

Cllr Peter Bilson asked that in future when reports on changes to the Fund's establishment are presented to the Committee an officer from HR be in attendance to explain the rationale behind the proposal.

Resolved:

That the contents of the report be noted and the additional staff cost pertaining to these changes be agreed.

8 **Internal dispute resolution process**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented the report on an overview of the work the Fund was undertaking to ensure, in line with the requirements of the Pension Regulator's Code of Practice, that it had a robust and transparent Internal Dispute Resolution Procedure.

Following the review work the Fund's internal dispute resolution process had been revised. A further report would be submitted to the Committee in June 2016 seeking approval to the new process that would by that stage have been road tested with a couple of the Fund's larger employers.

Resolved:

That the review and proposed changes to the Fund's Internal Dispute Resolution Process as required by the Pensions Act 1995 and operated in line with the Pensions Regulator's Code of Practice be approved.

9 **Pensions administration report from 1 July to 30 September 2015**

Rachel Brothwood, Assistant Director, Actuarial and Pensions highlighted the main points of the report on work undertaken by the pensions administration service during the period 1 July to 30 September 2015 for both the Main Fund and the West Midlands Integrated Transport Authority (WMITA) Fund.

Malcolm Cantello (Unison) welcomed the increase in the number of scheme members. Referring to the changing work profile in the public sector, particularly the shift in the percentage of full-time employees to part-time employees, he queried the effect on the income to the Fund from more of its members being part-time employees. The Assistant Director, Actuarial and Pensions reported that the Fund would not necessarily have sight of employee working hours information going forward, as this data is not routinely collected for the new CARE Scheme. The Fund could not maintain that type of information going forward as there were no distinguishing hours only actual salary earned.

Resolved:

1. That the write-offs of pensions payments detailed in section 8.0 of the report be approved.
2. That the applications approved by the Strategic Director of Pensions and the Chair or Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
3. That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

10 **Pensions administration - data quality**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented the report on an overview of how the Fund measured data against legislative record keeping requirements and the expectations of the Pensions Regulator. The report also summarised plans in place to make improvements to data and the data review process. The Committee was informed that there were no areas for material concern for the data the Fund holds going forward and that the Fund was pleased with the progress to date on engagement with employees. However it was acknowledged that there was still work to do and that the Fund was reliant upon employers working alongside to improve data quality.

Resolved:

That the on-going review of data and the actions being taken to ensure the completeness and quality of data held by the Fund be noted.

11 **Risk and compliance monitoring 1 July to 30 September 2015**

Rachel Howe, Head of Governance. West Midlands Pensions Fund presented the report on the Fund's top ten risks, feedback on the quarterly compliance monitoring programme, the Fund's compliance with the Pensions Regulator's code of practice and the Scheme Advisory Board's key performance indicators.

Resolved:

1. That the top ten risks for West Midlands Pension Fund be noted.
2. That it be noted that no significant compliance issues had arisen during the quarter.
3. That the Fund's compliance with The Pensions Regulator's code of practice be noted.
4. That the Fund's compliance with the Scheme Advisory Board's key performance indicators be noted.

12 **Service plan monitoring 2015/16 and quarterly accounts September 2015**

David Kane, Head of Finance presented the report which covered an update on performance against key performance indicators (KPIs), the forecast outturn for the year against operating budgets as at the end of September 2015; and the quarterly accounts for the period ending 30 September 2015.

Malcolm Cantello (Unison) queried whether the figure of £20.66 for total administration, oversight and governance cost per member should be increased by £1 as per the earlier discussion at item 7 on the agenda, and the reason for the drop in miscellaneous income. The Head of Finance informed the Committee that the cost of the additional administrative staff had been incorporated in the £20.66 figure and that the variance in miscellaneous income related to rechargeable actuarial fees.

Resolved:

1. That performance against the Fund's key performance indicators as at the end of September 2015 be noted.
2. That the forecast outturn against operating budgets as at the end of September 2015, which is an under spend of £1.8 million be noted.
3. That it be noted that the quarterly accounts for the period ending 30 September 2015, show that:
 - a. the value of West Midlands Pension Fund at this date was £11.0 billion, a decrease of £484.8 million from 31 March 2015;
 - b. the value of West Midlands Integrated Transport Authority (ITA) Pension Fund at this date was £460.4 million, a decrease of £14.5 million from 31 March 2015.

13 **Responsible investment activities**

Mark Chaloner, Assistant Director Pensions highlighted the main points of the report on the work undertaken by the Investment team regarding their responsible investment activities between the period 1 July to 30 September 2015. In doing so he

confirmed that correspondence had been exchanged with a member of the Wolverhampton Palestine Solidarity Campaign on the action taken on the Israel-Palestinian related research and that arrangements would be made for the Chair to meet with him. A report on the outcome would be included in the report to the next meeting.

Malcolm Cantello (Unison) referred to National Express, and particularly the length of time the situation had been under discussion and the Company's responses to date and he asked whether the Local Authority Pension Fund Forum's (LAPFF) had discussed anything specific in terms of its further engagement on National Express. Geik Drever, Strategic Director of Pensions reported that LAPFF would be undertaking more engagement with National Express and it was acknowledged that the engagement had not progressed as quickly as they would like to see.

Cllr Mohammed Arif, referring to the report on Singapore Technologies, commented that by LAPFF raising an issue it had resulted in a positive effect and that good companies would respond to engagement. He went on to ask how much the Fund invested in cigarette and alcohol companies and whether the Fund needed to have a discussion on investment in cigarette and alcohol companies. In response the Assistant Director Investments reported that the Committee had decided engagement rather than exclusion as it policy on ethical investment and that the Fund could take up issues and recommend good practice to companies it invested in. Cllr Arif acknowledged that as long as the Fund could demonstrate that it has done everything possible in terms of its engagement that was all the Fund could do.

Cllr Peter Bilson complimented the Investment Team on the completeness of the report and observed that the appendix on the voting record and engagement summary showed how busy the Team had been.

Resolved:

1. That the Fund's voting and Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 30 September 2015, including Appendix 1 to the report be noted.
2. That the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website:
<http://www.lapfforum.org/Publications/engagement> be noted
3. That the update on the aerospace and defence industry campaign and associated press release be noted.
4. That the update on the Israeli-Palestinian engagement program be noted.

14 **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items, closed to public and press

15 **Employer covenant update**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented a report on an update on the monitoring of employer covenants by the Fund.

Resolved:

1. That the report and the associated implications be noted.
2. That the tender for the procurement of a covenant adviser be noted.

16 **Local Government Pension Scheme investment pooling**

Geik Drever, Strategic Director of Pensions delivered a presentation on the Government's proposals regarding the pooling of investments in the Local Government Pension Scheme (LGPS); on the implications for the West Midlands Pensions Fund and the West Midlands Integrated Transport Authority Pension Fund; and the approach taken by the Fund towards investment pooling. The Strategic Director of Pensions said that a regionally configured approach to pooling was likely to be progressed and that she would report back in further detail as soon as practicable.

Cllr Peter Bilson welcomed the presentation and asked that as and when we get to submission stage on the way forward a briefing note be circulated to members of the Committee in order to make them aware of the proposal. The Strategic Director of Pensions confirmed that she would circulate communications as soon as the Fund had more information. Subject to the agreement of the Chair she would also call a special meeting at an appropriate time for the Committee to collectively discuss the information.

The Strategic Director of Pensions also responded to the Committee's questions on how investment pooling would affect the forthcoming Actuarial Valuation; whether investment pooling would help the Fund with its challenge in recruiting investment staff; and the criteria the Fund had used to determine who it would consult with on investment pooling.

Resolved:

That the approach taken towards Local Government Pension Scheme investment pooling collaboration be endorsed and it be noted that a regionally configured approach was likely to be progressed and that the Strategic Director of Pensions would report back in further detail as soon as practicable.

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Pensions Committee

Minutes - 11 February 2016

Attendance

Members of the Pensions Committee

Cllr Jasbir Jaspal (Chair)
Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Dr Michael Hardacre
Cllr Keith Inston
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Mohammed Arif (Walsall MBC)
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Angela Sandison (Solihull MBC)
Cllr David Sparks (Dudley MBC)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Ian Smith (Unite)

Employees

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director - Pension Fund
Rachel Howe	Head of Governance - West Midlands Pension Fund
Dereck Francis	Democratic Support Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllrs Lorna McGregor and Wendy Thompson (City of Wolverhampton Council), Cllr Damian Gannon (Coventry City Council) and Victor Silvester (Trade Union representative).
- 2 Notification of substitute members**
No notification of substitutes were received for the meeting.
- 3 Declarations of interests (if any)**
No declarations of interests were made.

4 **Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business as it involves the likely disclosure of exempt information falling within paragraph 3 of Schedule 12A of the Act.

5 **Local Government Pension Scheme Investment Pooling and Consultation**

Geik Drever, Strategic Director of Pensions, presented an update report on the government's proposals regarding pooling of investments in the Local Government Pension Scheme (LGPS). The Strategic Director of Pensions also delivered a powerpoint presentation on proposals for the West Midlands Pension Fund's (WMPF's) proposed investment pooling collaboration with eight other Midlands based LGPS funds, to be known as LGPS Central; the likely pooling configurations of other LGPS Funds across the country; the timetable for implementing proposals for pooling LGPS investments; and on the Fund's stance on the consultation regarding the proposed replacement of LGPS Investment Regulations 2009.

In presenting the report the Strategic Director of Pensions also reported that legal advice was being commissioned to advise on appropriate governance arrangements and a structure for LGPS Central. It was also anticipated that FCA approval would be required, at a cost, for the proposed pooling vehicle and oversight/ management of the assets of the participating funds.

During the ensuing discussion Cllr Angela Sanderson commented that her understanding of the government's proposal was that resources would be pooled to enable investment in infrastructure projects. She also asked whether all of a Fund's assets would be transferred to the pool. Specifically, whether all of the WMPF's assets would be included in LGPS Central or whether there would be some exemptions. The Strategic Director of Pensions reported that any exemptions for WMPF had yet to be determined but that it was expected that the West Midlands Integrated Transport Authority's Buy-In would be exempt. All of the nine participating Funds in LGPS Central would need to discuss the issue of exemptions. It was anticipated all assets would be pooled subject to exemptions.

Cllr Peter Bilson commented that pooling of investments was mandatory and the WMPF needed to ensure that it influenced the discussions and that the proposals worked effectively for members.

In response to Cllr Mohammed Arif's question on how returns and costs would be agreed based on the level on investments from the participating funds, the Strategic Director of Pensions reported that the returns attributable to each Fund would be produced and then reported to Section 101 committees as appropriate, she said the set up costs for LGPS Central would be shared equally between the participating Funds. The running costs for the investment pool would be a matter for discussion between the nine Midlands based LGPS Funds.

Cllr David Sparks commented that whilst it was sensible for LGPS funds to pool resources, there needed to be proper accountability.

Mr Malcolm Cantello added that his Union's concern was that there would be an extra layer of bureaucracy with pooling of investments and that there was no mention of Trade Union involvement in the proposals.

Mr Martin Clift questioned the Governance structure of the pool. He also commented that the accountability of large big funds was a concern for him. The Strategic Director of Pensions advised that in terms of governance the Pensions Committee would still exist and would continue to set the Fund's Investment Strategy and asset allocations as currently.

Resolved:

1. That the proposed investment pooling collaboration with other Midlands based LGPS Funds as set out in this report is approved.
2. That the Fund's stance on the consultation regarding the proposed replacement of the LGPS Investment Regulations 2009 be endorsed.
3. That the draft submissions to the Government regarding investment pooling and the LGPS Regulations be approved noting the Committee's concern on accountability.

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Investment Advisory Sub-Committee

Minutes - 9 December 2015

Attendance

Members of the Investment Advisory Sub-Committee

Cllr Peter Bilson
Cllr Jasbir Jaspal (Vice-Chair) (in the Chair)
Cllr Tersaim Singh

District Members

Cllr Mohammed Arif (Walsall MBC)
Cllr Damian Gannon (Coventry City Council)
Cllr Angela Sandison (Solihull MBC)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Employees

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director - Pension Fund
Mark Taylor	Director of Finance, s151 Officer
Rachel Brothwood	Assistant Director, Actuarial and Pensions
Dereck Francis	Democratic Support Officer
Rachel Howe	Head of Governance
David Kane	Head of Finance

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllr Ian Brookfield (City of Wolverhampton Council), Cllr Sandra Hevican (Sandwell Metropolitan Borough Council) and David Sparks (Dudley Metropolitan Borough Council).
- 2 Substitute members**
No notification of substitutes were received for the meeting.
- 3 Declarations of interest (if any)**
No declarations of interests were made

4 **Minutes of last meeting (23 September 2015)**

Resolved:

That the minutes of the meeting held on 23 September 2015 be approved as a correct record and signed by the Chair.

5 **Matters arising**

With reference to minute no. 6 (Trustee Training 2016), Geik Drever, Strategic Director of Pensions reported that Trustees should have received their training spreadsheets for completion. She asked if they had not already done so, that they respond to Jane Hazeldine on how many training hours they had completed. The data would then be reported to the next meeting.

The Strategic Director of Pensions also reported that a newly appointed Communications Officer would be pulling together information for circulation to Trustees on investment matters from the Financial Times and other publications. This was in response to the request from Cllr David Sparks.

6 **Exclusion of the press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within the paragraph 3 of Schedule 12A of the Act.

Part 2 - exempt items, closed to public and press

7 **Asset allocation and investment performance - quarter three 1 July to 30 September 2015**

Mark Chaloner, Assistant Director, Investments summarised the key elements of the quarterly asset allocation and investment monitoring report for the Fund.

The Assistant Director, Investments responded to the Sub Committee's questions on performance on emerging market equities and emerging market debt and on maximising returns on cash.

Resolved:

That the contents of the asset allocation and investment monitoring report for the quarter ended 30 September 2015 be noted.

8 **West Midlands Integrated Transport Authority Pension Fund asset allocation and investment monitoring report - quarter three - 1 July to 30 September 2015**

Mark Chaloner, Assistant Director, Investments summarised the key elements of the quarterly asset allocation and investment monitoring report for the West Midlands Integrated Transport Authority (WMITA) Pension Fund.

Cllr Mohammad Arif queried why the West Midlands Pension Fund and WMITA Pension Fund quarterly monitoring reports could not be merged. Geik Drever, Strategic Director of Pensions explained that the two Funds were separate entities and so separate reporting was required.

Resolved:

That the contents of the asset allocation and investment monitoring report for the quarter ended 30 September 2015 be noted.

9 **Economic and market update - December 2015**

Mark Chaloner, Assistant Director, Investments summarised the key elements of the review of the global economy and investment markets produced by the Fund's Investment Advisers Hymans, Robertson.

Resolved:

That the global economic and market update paper prepared by the Fund's adviser, Hymans Robertson be noted.

10 **The Markets in Financial Investments Directive**

Geik Drever, Strategic Director of Pensions outlined the salient points of the report on the Markets in Financial Investments Directive (MiFID) II, designed to improve investor protection, and the Directive's potential implications for West Midlands Pension Fund.

The Strategic Director of Pensions also responded to the Sub Committee's questions on whether the Directive applied to the Fund and on the likelihood of the Fund meeting the criteria to be reclassified as a professional client under the Directive.

Resolved:

That the coming implementation of MiFID II and its implications for the West Midlands Pension Fund be noted.

11 **Cleveland planning application update**

The Committee received an update on the planning application process for up to 1,000 homes on the Fund's agricultural land in Cleveland.

Geik Drever, Strategic Director of Pensions responded to the Sub-Committee's questions on the Fund's intentions regarding taking forward development of the land if planning approval is granted.

Resolved:

That the update report be noted.

12 **Direct property investment strategy**

The Sub Committee reviewed the Fund's direct property investment strategy for 2016. In doing so it received a presentation from Mike Daggett, James Clifton-Brown and Mick Rout of CBRE Global Investors; who managed the Fund's direct property portfolio.

Resolved:

That the Fund's direct property investment strategy for 2016 be noted.

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Pensions Committee

16 March 2016

Report Title	Pensions Administration Report from 1 October to 31 December 2015	
Originating service	Pension Services	
Accountable employee(s)	Rachel Brothwood Tel Email	Assistant Director (Actuarial and Pensions) 01902 551715 Rachel.brothwood@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

Recommendations for action or decision:

The Committee is recommended to:

1. Approve the applications for admission detailed in section 6.3 of this report
2. Approve the write-offs detailed in section 8.0 of this report.

Recommendations for noting:

The Committee is asked to note:

1. The applications approved by the Strategic Director of Pensions and the Chair or Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1. Purpose

- 1.1 To inform Committee of the work undertaken by the pensions administration service during the period 1 October to 31 December 2015 for both the Main Fund and the WMITA Fund.

2. Background

- 2.1 The Fund provides a pension administration service to its stakeholders, which covers employer and member services, data management, benefit operations, payroll and systems/technical support. A report is provided to Committee on a quarterly basis to cover the activity and performance of these functions during that period.

3. Scheme Activity

3.1 Membership movement – Main Fund

- 3.1.1 The total number of scheme members in the Fund at 31 December 2015 stands at 285,693 with an overall increase since September 2015 of 2,111. The long-term trend over a 12 year period in membership is set out in (Appendix A) which illustrates a move towards a more mature profile whereby, in general, active memberships are falling and pensioners and deferred membership increasing. Over the course of the last four years, however, the number of active membership records has increased. We expect the numbers to fall as many employers continue to reduce head count but note the combination of members with multiple posts, auto enrolment and a lag in receipt of joiner information mean this is not yet reflected in Fund data.

3.2 Membership movement – WMITA Fund

- 3.2.1 The number of scheme members in the WMITA Fund in all three categories stood at 5,141 on 31 December 2015, 9% are active members, 16% are deferred and the largest group are pensioner members at 75% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below is the current information showing movements between 30 September 2015 and 31 December 2015.

	Membership as at 30th September 2015		Movements during the period				Membership as at 31st December 2015		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	497	0	510	-17	0	-17	480	0	480
Deferred Members	827	20	862	-15	-3	-18	812	17	829
Pensioner Members	3,697	116	3,784	17	2	19	3,714	118	3,832
Total Members	5,021	136	5,156	-15	-1	-16	5,006	135	5,141

3.3 **Workflow statistics – Main Fund**

- 3.3.1 The process analysis statistics (Appendix B) show details of overall workflow within the Pensions Administration Service during the period 1 October to 31 December 2015.
- 3.3.2 During the period covered by this report 32,571 administrative processes were commenced and 30,082 completed. On 31 December 2015 there were 15,882 items of work outstanding. Of this 2,812 items were in pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. Within pensions administration, 13,059 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.3.3 A detailed analysis of the key processes across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in (Appendix C).
- 3.3.4 Year to date, the Fund has received a higher volume of leavers to process (many requiring set up of deferred benefits) and has seen an increase in retirement and member data changes. Joiners are now processed in bulk. Backlog created through the delay in the 2014 Pension Regulations and additional work from the increased focus on data quality (see below) means the number of active processes remains high.

3.4 **Workflow statistics – WMITA Fund**

- 3.4.1 During the period covered by this report 453 administrative processes were commenced and 469 completed. On 31 December 2015 there were 143 items of work outstanding.

3.5 **Employer membership data**

- 3.5.1 The Main Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 16 new organisations being admitted to the Main Fund during the period 1 October 2015 – 31 December 2015. The current number of employers as at 31 December 2015 is 525. The level of on-going work being processed at the end of the period is as follows:-

- 36 admission agreements
- 20 academies
- 26 employer terminations

3.6 **Customer services**

- 3.6.1 An analysis of telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our members and employers (Appendix D). We continue to aim to provide a high quality response rate at

first point of contact for telephone calls and pension fund enquiry emails achieving our Key Performance Indicator (KPI) of 85% or above.

3.6.2 With regards to the pension fund enquiry emails received, some of these are responded to immediately by the Customer Services team as they are general enquiries or web portal queries. Some emails relate to cases that are processed by the Operational or Payroll teams, such as on-going transfers, retirement cases, refund calculations in progress etc. and those either start a new process on the UPM administrative system or are added to an existing process.

3.7 Data Quality

3.7.1 The Fund is implementing procedures to ensure good quality data is embedded within its administration system and associated member records. The Fund has always placed the retention of good quality data high on its list of priorities, however this has heightened so as to improve the effectiveness and efficiency of data exchange with employers and to comply with the Pension Regulator's (tPR) closer oversight and scrutiny in this area with effect from April 2015.

3.7.2 Following the report to Committee in December, the Fund has continued to review and action areas identified as requiring data improvement, focusing on the data queries and outstanding information the Fund needs from employers to administrator member benefits. In total, since September 2015, data analysis has been issued to 67 employers. This includes outstanding data and errors from the 2014/15 annual returns process and covers approximately 83% of the active membership and approximately 70% of the errors identified in 2015 return process.

3.7.3 The Fund has continued its programme of engagement with relevant officers at the seven district councils, and has seen progress over the past 5 months in the receipt of outstanding data items. Appendix E includes a summary of the issues by employer and an indication of progress to date, noting a significantly amount of work is on-going.

3.7.4 Overall, responses have been received to approximately 60% of the issues raised, leaving circa 13,000 issues remaining. Data improvements have been made with casual hours and home address records, where outstanding information has reduced by over 50% and 76% respectively.

3.7.5 Below details the indicative progress made with the top outstanding data issues.

Data item	Status
Outstanding Leavers	-20%
Outstanding Joiners	-19%
Missing casual hours	-51%
Missing home address	-76%

3.7.6 There are however, a number of areas (notably joiners and leavers) that still require a significant amount of further work and there are a significant number of additional queries to resolve in relation to the 2015 return. To manage the resolution of these issues project

plans have been put in place with the relevant employers and are being actively monitored, weekly in some cases.

- 3.7.7 As these outstanding items are being resolved by employers it is, in the short term, increasing the level of work to be processed by the Fund and this is expected to continue over the coming months.
- 3.7.8 There will be a time lag with the completion of these outstanding issues as the Fund analyses and processes the information received from employers, particularly given the large volume involved in some cases. Where relevant and required, an approach for resolving issues in bulk is being agreed with employers to ensure these cases can be progressed efficiently and effectively.
- 3.7.9 As noted above, progress is being closely monitored. The schedule of engagement with employers in Appendix E includes an indicative RAG rating of progress for the District Councils. We are working closely with those councils with a large number of queries outstanding and a significant amount of work to do before the 2016 end-year.
- 3.7.10 In addition, three workshops, open to all employers, were held in February 2016 on the Annual Return process. These workshops were designed to look more broadly at the “customer journey” but also provided an opportunity to discuss queries raised from the 2015 exercise. Initial analysis of the feedback is positive, identifying some improvements to the way we engage and support employers through this process. Full analysis of this feedback from these workshops is now underway and an action plan will be put in place to improve this process.

4. Internal Dispute Resolution Procedure (IDRP) casework

- 4.1 So far in the 2015/2016 financial year there are six appeals against the Fund which have been independently investigated under Stage one of the procedure. All of these cases have been dismissed. In two of these cases, the members chose to proceed to Stage two.
- 4.2 The six cases dismissed at Stage one related to the following pension issues:
- Timescale of calculating retirement and AVC benefit
 - Level of benefits deferred benefits paid
 - Incorrect transfer quote provided due to a technical issue
 - Appeal against not being allowed to transfer out a pension credit
 - Unable to convert pension to lump-sum due to guaranteed element.
- 4.3 Sixteen cases have been received for Stage 2 investigation. Two of these cases were referred back to the employer to re-consider the Stage one decision. Two cases are on-going and twelve cases have been dismissed.

4.4 The twelve cases dismissed at Stage 2 related to the following pension issues:

- Incorrect pay figure used to calculate the estimate provided by employer
- Exercise of employer discretion on the early payment of deferred benefits from age 55
- Incorrect transfer quote provided due to a technical issue

4.5 A further two cases have been received in January 2016 for Stage 2 investigation of employer decisions relating to Ill Health Retirements.

5. Death grant

5.1 So far in this financial year six cases have been referred to the Legal Department for consideration. Two cases are on-going and the other cases have successfully been resolved. No cases have been referred to the Legal Department in relation to the WMITA Fund in this financial year.

6. Application for admission body status

6.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Main Fund following Pensions Committee approving the applications. Sometimes a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Strategic Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.

6.2 The table below lists the applications received for admission to the West Midlands Pension Fund which have been approved by the Strategic Director of Pensions and either the Chair or the Vice Chair of Pensions Committee.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
Alliance in Partnership Ltd (Brownhills)	Walsall MBC	2(2) Closed	Approved
Alliance in Partnership Ltd (St Mathias)	Wolverhampton CC	4(4) Closed	Approved
Aramark Limited (Fairfax MAT)	Fairfax MAT	15(15) Closed	Approved
Aspens Services (Bartley Green School)	Bartley Green School	10(10) Closed	Approved
Aspens Services (St Peters Collegiate)	St Peters Collegiate Trust	9(8) Closed	Approved
Carillion Ltd (Heath Park Academy)	Heath Park Academy	5(5) Closed	Approved

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Carillion Ltd (St Mathias)	Wolverhampton CC	6(6) Closed	Approved
Compass Contract Services (Diocese of Coventry MAT)	Diocese of Coventry MAT	10(10) Closed	Approved
Holroyd Howe Ltd (Wolverhampton Grammar School)	Wolverhampton Grammar School	6(6) Closed	Approved
Keepmoat Regeneration Ltd	Birmingham CC	70(70) Closed	Approved
Superclean Services Wothorpe Ltd (Fordbridge Community Primary)	Solihull MBC	2(2) Closed	Approved

6.3 The table below lists the applications received for admission to the West Midlands Pension Fund for approval by Pensions Committee.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
Priory Education Services Ltd	Birmingham CC	78(78) To be confirmed	To be approved
Wates (Central West)	Birmingham CC	83(83) To be confirmed	To be approved
Wates (East)	Birmingham CC	166(166) To be confirmed	To be approved
Willmot Dixon (South)	Birmingham CC	To be confirmed To be confirmed	To be approved

7. Pensions in payment

7.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to December 2015 was £432m, of which £17.6m (£8.6m for pensions increase and £9.0m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

7.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
October 2015	71,479	30,056,951.22
November 2015	71,839	30,334,944.66
December 2015	78,627	30,828,960.95

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The December figure includes pensioners paid on a quarterly basis, but not those paid on a yearly basis.

7.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to December 2015 was £24.7m, of which £8,900 for added year's compensation was recovered from employing authorities and other bodies as the expenditure was incurred.

7.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
October 2015	3,750	1,801,615.34
November 2015	3,755	1,805,633.37
December 2015	3,812	1,821,441.09

The December figure includes pensioners paid on a quarterly basis, but not those paid on a yearly basis.

8. Write-off policy decisions

8.1 Write-off analysis

The following write-offs of pension payments are reported in line with the Fund's policy:

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	1	67.35	0	0.00
£100 - £500	13	2,668.51	0	0.00
Over £500	0	0.00	0	0.00
TOTAL	14	2,735.86	0	0.00

8.2 Write-on analysis

Individual Value	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Less than £100	4	64.23	0	0.00
£100 - £500	0	0.00	0	0.00
Over £500	0	0.00	0	0.00
TOTAL	4	64.23	0	0

9. Member and Employer Engagement

9.1 Web Portal

9.1.1 Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 39,000 members registered to use the web-portal facility with over 22,000 of those having been authenticated as at 31 December 2015. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 533

WMPF – 21,928

9.1.2 The web portal service is actively promoted via communications sent to members and employers alike. It is also promoted through scheduled events such as the Employer AGM, member presentations and various meetings to include focus groups such as the employer peer group. The service is highlighted on the Fund's website, particularly the provision of electronic annual benefit statements through this medium from 2015. In addition, posters promoting the service have been provided to the largest 25 employers (and to employers that request them), and the Fund has promoted the service via Trade Union representatives on the Local Pensions Board.

9.2 Member Services

9.2.1 In total, the Member Service Team has assisted 1,323 members with pension related information over this period through the following channels:

9.2.2 Presentations

Fund officers have continued to deliver presentations upon request from employers. The team will provide support on any pension topics that are requested by an employer for their employees. The emphasis during this reporting period has been encouraging members to sign up to Web Portal in order to view their details, run pension calculations and view their annual benefits statement, as well as supporting our members who are at risk of redundancy. A total of 13 Fund presentations were delivered to 266 attendees, these presentations were held at 11 different employers, including the district councils,

universities, schools/academies and other admitted bodies including one in the North East of England.

The feedback from these presentations was 48% of the members rated them as excellent and 52% as very good.

The Fund works in partnership with the Prudential to deliver a joint presentations covering how the Scheme works and tax efficient methods of saving towards the future. During this period 12 of these presentations were delivered across 5 Districts, 401 members attended.

9.2.3 Roadshows

In November 2015 Fund officers targeted members that are employed by the District Councils in order to offer assistance and general information on the Scheme and how it works, also to encourage members to sign up to the Fund's Web Portal function. Across the eight sites which Roadshow Events were held, 480 members attended.

As part of the Member Services Team's commitment to reach as many employees as possible, a 'Roadshow event' was held in December 2015 at 'Whittleby Depot in Coventry' - 41 members attended. The success of this event has led to delivering 'Roadshow Events' to all the Local Government Depots across the West Midlands which are due to be delivered in April 2016.

The team also attended 'Tudor Grange Academy' at Solihull in November 2015 with the Roadshow vehicle.

9.2.4 Additional Support

Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, additional support was delivered to 133 members on an individual basis.

10. Financial implications

10.1 The report contains financial information which should be noted.

10.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

11. Legal implications

11.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

12. Equalities implications

12.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

13. Environmental implications

13.1 The report contains no direct environmental implications.

14. Human resources implications

14.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

15. Corporate landlord implications

15.1 The report contains no direct corporate landlord implications.

16. Schedule of background papers

16.1 None.

17. Schedule of appendices

17.1 Appendix A: Overall membership numbers

17.2 Appendix B: Process analysis

17.3 Appendix C: Detailed process analysis

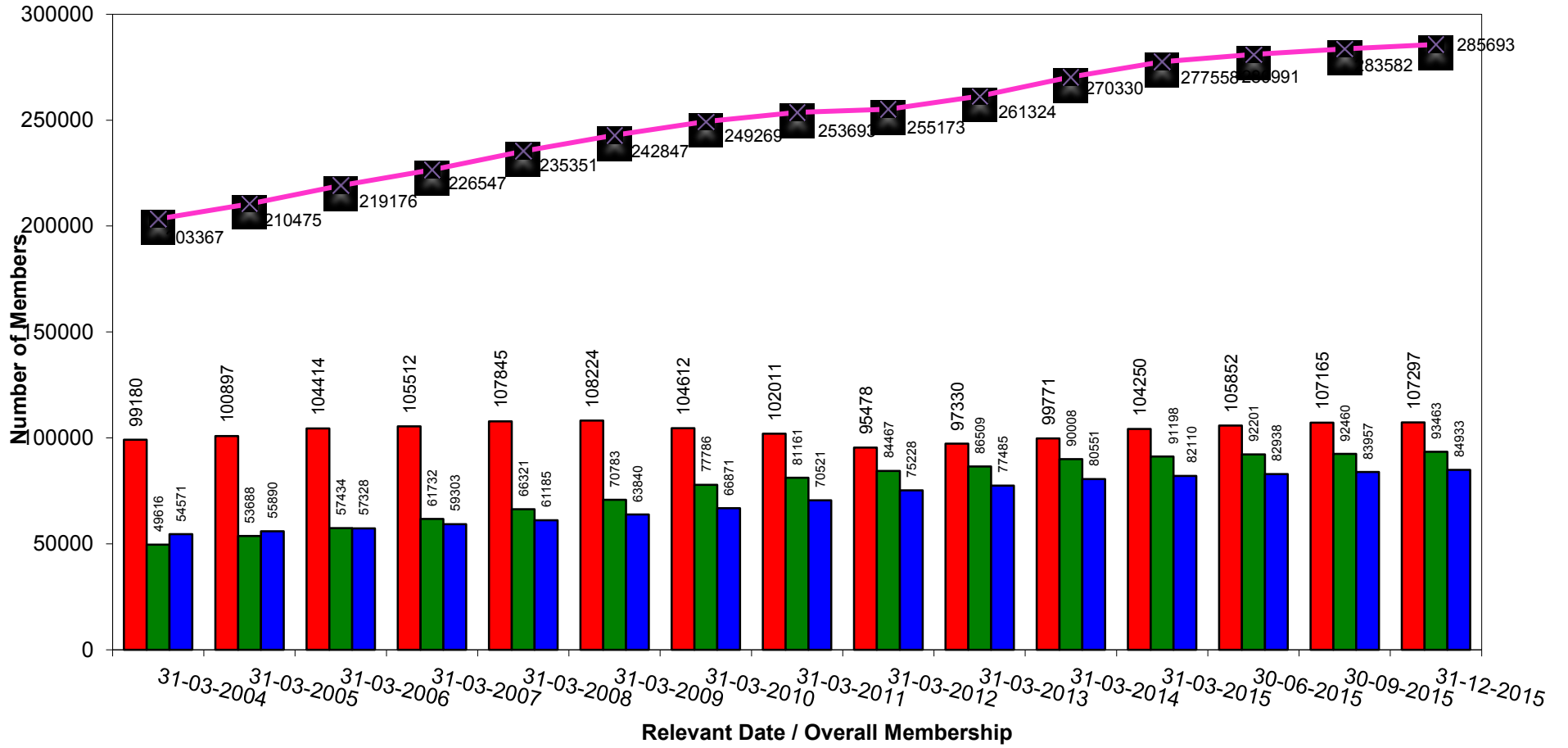
17.4 Appendix D: Customer service statistics

17.5 Appendix E: Data Quality – Schedule of Engagement with Employers

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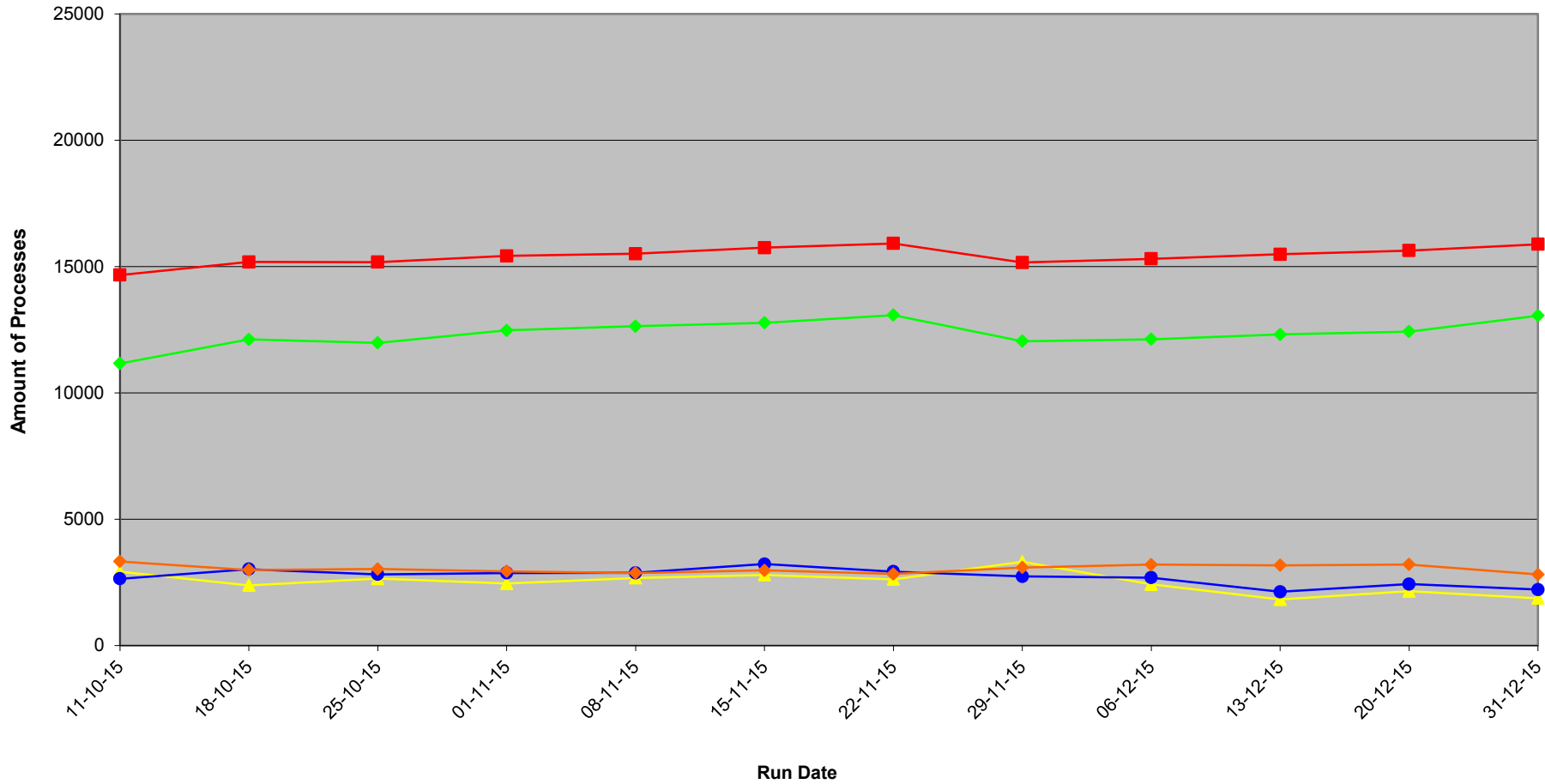
Overall Membership West Midlands Pension Fund Membership Statistics as at 31 December 2015

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Process Analysis



Processes Completed Overall Processes Outstanding Processes Originating Active Processes Outstanding Pending Processes Outstanding

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2015/16

2010/11	2011/12	2012/13	2013/14	2014/15	April	May	June	July	August	September	October	November	December	YTD 2015/16
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Active & Deferred members

Process type															
Joiners and Rejoiners (Bulk)	8,763	6,403	11,138	13,558	9,816	2,753	1,877	973	1,033	657	1,462	1,483	1,651	860	12,749
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	579	625	521	1,036	878	836	1,031	655	689	6,850
Deferments	5,939	7,818	5,741	6,728	5,664	675	992	536	454	562	608	667	835	499	5,828
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	268	187	214	234	321	245	212	178	217	2,076
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	278	263	675	266	247	291	231	247	226	2,724
Deaths of members	295	262	287	285	230	28	33	32	31	20	33	28	24	29	258

Pensioner members

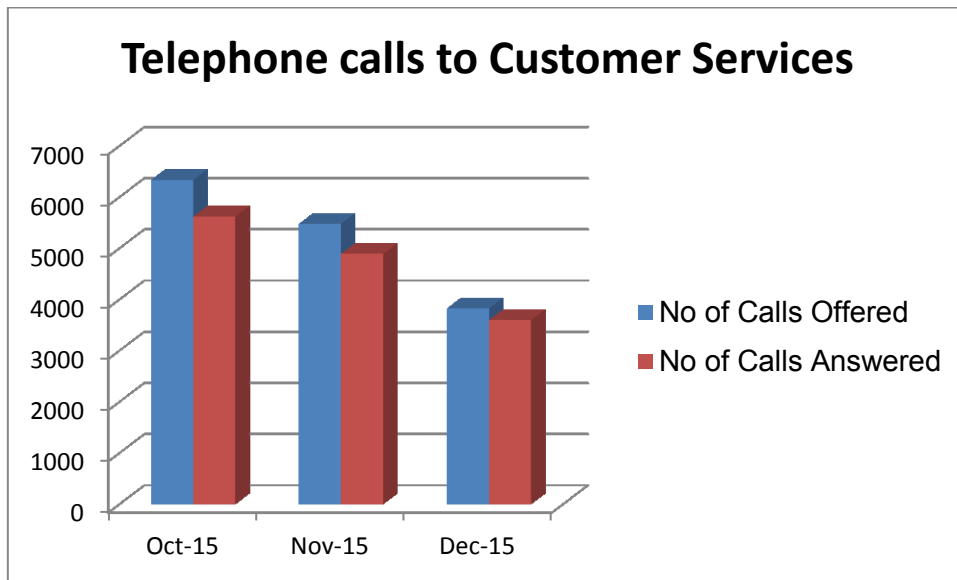
Process type															
Changes in circumstances:-															
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	314	207	337	837	1891	419	247	179	117	4,548
Changes of Address	2,420	2,681	2,131	1,732	1,733	334	252	256	288	243	245	217	222	180	2,237
Changes of Bank	2,927	2,531	2,783	3,420	3,281	154	186	207	183	154	171	195	169	154	1,573
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	230	194	202	178	175	193	174	188	168	1,702

Payroll						Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	
Actual number paid	792,724	837,189	870,804	895,018	913,864	70,295	70,398	76,992	70,868	70,971	77,655	71,479	71,839	78,627	659,124

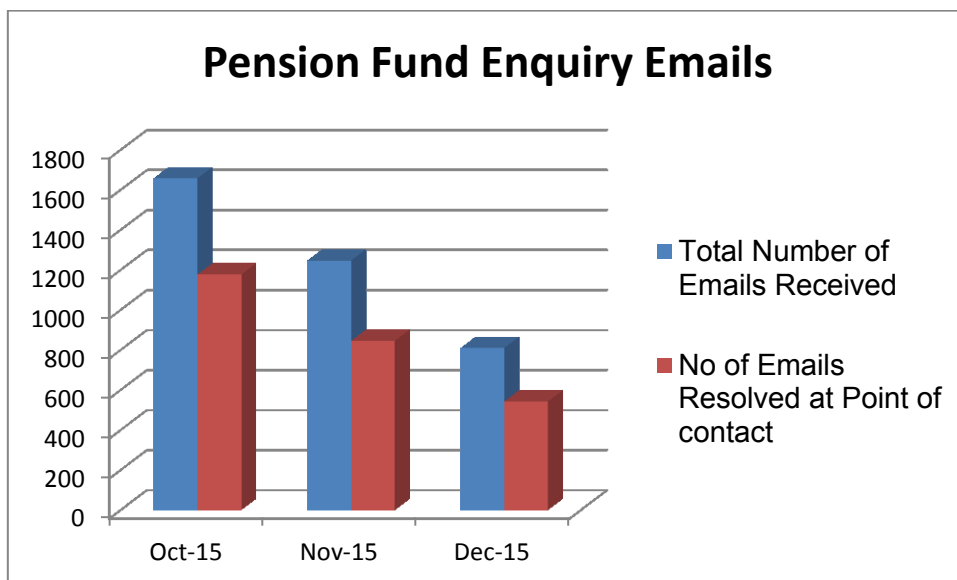
page 37

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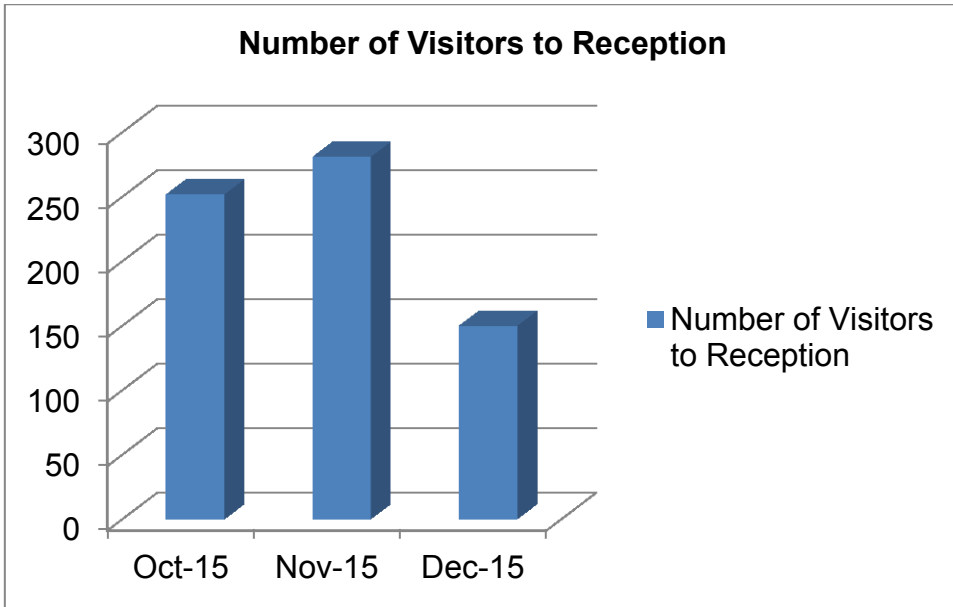
**Customer Service Statistics
1 October 2015 to 31 December 2015**



	Oct-15	Nov-15	Dec-15
Calls Offered	6337	5481	3827
Calls Answered	5623	4894	3600
Answer Rate	88.73%	89.29%	94.07%
Calls answered at first point of contact	99.10%	99.50%	99.60%



	Oct-15	Nov-15	Dec-15
Emails Received	1658	1247	812
Emails Resolved at Point of contact	1177	846	553
% of emails that started/attached to a process	29.02%	32.16%	31.90%



	Oct-15	Nov-15	Dec-15
Visitors to Reception	252	281	150

Schedule of Engagement with Employers

District Councils

Employer	Number of members	Date of meeting	Data report issued								Indicative RAG		
			Leavers	Joiners	Casuals	Null Address	Contribution Queries	Nil Contributions	2015 Annual return errors	Latest contact/follow up	% of initial errors	% of outstanding data returned to the Fund	RAG
2*	30540	22/09/2015	29/09/2015	01/12/2015	4/01/2016	5/02/2016	5/02/2016	5/02/2016	5/02/2016	9/02/2016	86%	45%	Red
3	7861	12/11/2015	19/11/2015	19/11/2015	19/11/2015	19/11/2015	18/11/2015	18/11/2015	19/11/2015	11/02/2016	1%	44%	Green
4	9109	29/10/2015	05/11/2015	10/11/2015	05/11/2015	05/11/2015	05/11/2015	05/11/2015	19/11/2015	8/02/1026	3%	5%	Yellow
5	8047	28/10/2015	10/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015	19/11/2015	19/02/2016	1%	14%	Green
6	4941	10/11/2015	13/11/2015	13/11/2015	13/11/2015	13/11/2015	13/11/2015	13/11/2015	13/11/2015		1%	25%	Green
7	7062	24/11/2015	17/11/2015	27/11/2015	-	27/11/2015	27/11/2015	27/11/2015	27/11/2015	2/03/2016	4%	18%	Red
8	7587	22/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015	27/01/2016	27/01/2016	27/01/2016	15/02/16	4%	13%	Red

*The historic data sets (pre 2014/15) were issued first while analysis of the 2014/15 errors was completed

Notes

- The RAG is an indicative status based on the % of the initial total errors, the % of issues which have been responded to and the overall volume of remaining work to be completed within the reducing timescale available until the 2016 return is due (by 30 April 2016).
- The count of outstanding data items is continually changing as the Fund receives and processes new information from employers. The Fund continues to analyse the data provided, raise further queries with employer, as required and update member records to inform progress on data gaps.

Other Employers

Employer	Number of members	Date of meeting	Data sent					
			Leavers	Joiners	Casuals	Null Address	Nil Contributions	2015 Annual return errors
84	2315	n/a	14/01/2016	14/01/2016	14/01/2016	14/01/2016	14/01/2016	14/01/2016
85	1881	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
86	1517	n/a	15/01/2016	15/01/2016	15/01/2016	15/01/2016	15/01/2016	15/01/2016
318	635	n/a	14/01/2016	14/01/2016	14/01/2016	14/01/2016	14/01/2016	14/01/2016
132	585	n/a	04/02/2016	04/02/2016	04/02/2016	04/02/2016	04/02/2016	04/02/2016
122	574	n/a	10/02/2016	10/02/2016	10/02/2016	10/02/2016	10/02/2016	10/02/2016
274	555	n/a	04/01/2016	04/01/2016	04/01/2016	04/01/2016	04/01/2016	04/01/2016
119	544	n/a	11/02/2016	11/02/2016	11/02/2016	11/02/2016	11/02/2016	11/02/2016
81	492	n/a	11/02/2016	11/02/2016	11/02/2016	11/02/2016	11/02/2016	11/02/2016
103	465	n/a	21/01/2016	21/01/2016	21/01/2016	21/01/2016	21/01/2016	21/01/2016
127	387	n/a	27/11/2015	27/11/2015	27/11/2015	27/11/2015	27/11/2015	27/11/2015
605	371	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
236	360	n/a	04/01/2016	04/01/2016	04/01/2016	04/01/2016	04/01/2016	04/01/2016
224	33	n/a	04/12/2015	04/12/2015	04/12/2015	04/12/2015	04/12/2015	04/12/2015
9	353	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
115	319	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
455	297	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
227	275	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
133	266	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
300	259	n/a	10/12/2016	10/12/2016	10/12/2016	10/12/2016	10/12/2016	10/12/2016
301	254	n/a	10/12/2016	10/12/2016	10/12/2016	10/12/2016	10/12/2016	10/12/2016
354	165	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
358	164	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
390	195	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015
391	1	n/a	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015	23/12/2015

Pensions Committee

16 March 2016

Report title	Report of the Pension Board – Data Quality	
Originating service	Pensions	
Accountable employee(s)	Rachel Brothwood	Assistant Director, Actuarial and Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk
Report to be/has been considered by	Chair of, Pensions Board	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Consider the report from Pensions Board, note the actions taken by Fund officers and then take appropriate action to address the matters raised.

1.0 Purpose

- 1.1 To highlight to Pensions Committee the issues noted by the Local Pension Board in their review of the report presented at their meeting on 19 January 2016.

2.0 Background

- 2.1 The Local Pension Board's role is to assist in the good governance of the scheme and to highlight to Pensions Committee areas that it feels need improvement in meeting the standards set by legislation and statutory guidance.
- 2.2 On 19 January 2016, the Local Pensions Board received a report "Pensions Administration - Data Quality" which highlighted the work of the Fund in improving the quality of membership data held by the Fund. The same report was presented to Pensions Committee at its December meeting (albeit further information was added to update on the engagement with employers since December). A copy of the December report is attached as Appendix 1.
- 2.3 In December 2015, Pensions Committee noted the Fund was pleased with the level of employer engagement on enhancing data quality but noted there was work still to be done and that the Fund was reliant on employers providing further information to address outstanding data issues.

3.0 The considerations noted by Pension Board

- 3.1 On review of the report presented to Pension Committee and following discussion with Fund officers at their meeting, the Local Pension Board felt that the issues the Fund is currently experiencing with data quality, and specifically, its ability to obtain "clean data" from Fund employers were more acute than reflected in the report. The Local Pension Board request Pension Committee monitor this activity and progress more closely.
- 3.2 The Local Pensions Board acknowledged the work undertaken but felt that improvements were not being made quickly enough to meet the standard set by the Pensions Regulator. The Board have called for further action and a policy of "naming and shaming" employers who fail to meet the standard required.
- 3.2 Officers of the Fund responded to questions and concerns highlighting the issues experienced over the last 12 months and noting;
- employers across the LGPS had struggled to respond to changes in data requirements driven by LGPS 2014;
 - this year was the first year employers had to provide new information on the annual return, requiring changes to payroll systems and reporting;
 - the Fund had also encountered some challenges and process changes and acknowledged it needed to clarify and help employers respond to data requests and queries more easily;
 - there had been a knock-on effect to routine data exchange; and

- the Fund was undertaking a program of engagement and support with employers to address the issues that had emerged.

3.3 Officers confirmed the Fund was in the process of issuing fines to employers (in line scheme regulations and the Pension Administration Strategy) to reflect late receipt of annual return files and charges where the quality of data had resulted in additional work and cost for the Fund.

3.4 In addition, the Fund would be undertaking a review of the fines and charges levied before the 2016 annual return and would be conducting a wider review of the Pensions Administration Strategy during 2016 to ensure financial penalties were appropriate and costs could be recovered where employer performance was poor and additional costs were incurred.

3.4 The Pension Board call on Pension Committee to consider the governance arrangements in place and ensure issues surrounding data quality are addressed.

4.0 Addressing data quality issues

4.1 Fund officers acknowledge the points made by the Local Pensions Board and welcome comments and instruction from the Pension Committee on the actions being taken to address data quality issues. At this stage, continued engagement and collaboration to enhance and improve data quality and exchange is the preferred course of action but further action will also be taken to deter and penalise areas of poor performance going forward.

4.2 The activity undertaken by the Fund to identify and act on poor data quality is listed below:

- comparison of data record keeping against the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
- review of outstanding data from large employers (top 25 prioritised) and queries from the 2015 annual return
- feedback on data quality and outstanding items and queries issued to employers
- face-to-face meetings with all district councils and other large employers who had significant errors in their annual return file, followed by agreed improvement action plans and monitoring against these for individual employers
- issue of fines for late receipt of annual return files
- issue of charges to recover costs for additional work incurred by the Fund due to poor data quality
- letter to Chief Executive Officers at 7 district councils outlining the responsibility to maintain and provide the Fund with accurate member data on a timely basis and the action required to address their outstanding data and improve data exchange (January 2016)
- early issue of an updated file format for the 2016 return request (January 2016)
- early issue of the 2016 annual return request (early February 2016)

- continuity of employer coaching sessions at the Fund offices (4 held November 2015 to February 2016, with 30 attendees representing 23 employers), covering a wide range of issue but including processes for notifying the Fund of leavers and joiners (a significant issue picked up in the annual return)
 - three annual return focused “customer journey mapping” workshops in February 2016, with “quick wins” identified to be incorporated into the 2016 process
 - discussions with employers, the administration software supplier and other LGPS funds on a move to more frequent and automated data exchange to reduce manual intervention and increase efficiency for the Fund and employers
 - offer to exchange test files with some employers to check data exchange improvements are effective in advance of the 2016 exercise
 - letter to employers to remind them of the deadline for the 2016 annual return and to confirm the fines and recharge of additional costs effective from April 2016 (early March)
- 4.3 Over the last 5 months the Fund has been analysing data and has issued queries and requested additional information to 67 employers, covering 83% of the Fund’s active membership.
- 4.4 Progress in terms of the response received from employers to queries raised and outstanding data items is being closely monitored (and an update on this is included in Appendix the Pension Administration report). For the three district councils who are status RAG rated “red”, the issues have been escalated to senior officers within the council. For two of these employers, action plans and targets are being monitored and reported on a weekly basis and a similar approach will be discussed with the third, with a view to having this in place by the date of the Committee meeting.
- 4.5 The Fund would have liked all data queries and outstanding information returned from employers and reflected in the administration system in advance of the 31 March year end. However, given the volume of work required in some cases (by employers and then the Fund) this will not be possible and some outstanding items will need to “roll-over” for review and completion alongside the review of emerging issues from the 2016 annual return exercise.
- 4.6 The officers remain pleased at the level of employer engagement on data quality issues but note this needs to translate to action. As part of the review of the Pension Administration Strategy and the fine structure within, consideration will be given to how good performance can be rewarded to incentivise and further engage action. The Fund will need to consider reporting employers who do not respond to the Pensions Regulator and propose from 2016/17 to disclose employers who do not deliver key information to the Fund on time.
- 4.7 All employers are due to return the 2016 annual return to the Fund by 31 March 2016 and the timeliness and quality of the data received this year (which will be used to assess the effectiveness of the Fund’s engagement with employers) will be reported to Committee in June, when the report against the statutory record keeping requirements will also be refreshed. In the meantime, data cleansing work will continue, with a target

date of the end of June 2016 to get membership records up to date ready for the production of annual member benefit statements and extract of data for the 2016 actuarial valuation.

5.0 Financial implications

5.1 The late receipt of membership data and/or data errors can increase the administration cost of the Fund. Scheme regulations enable the Fund to recover additional costs incurred as a result of poor employer performance.

6.0 Legal implications

6.1 The Fund has a legal duty to meet with legislation and statutory best practice, failure to do so may open the fund to challenge from the Pensions Regulator or the National Scheme Advisory Board.

6.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

7.0 Equalities implications

7.1 There are no implications contained within this report

8.0 Environmental implications

8.1 There are no implications contained within this report

9.0 Human resources implications

9.1 There are no implications contained within this report

10.0 Corporate landlord implications

10.1 There are no implications contained within this report

11.0 Schedule of background papers

11.1 West Midlands Pension Fund, Pensions Administration Strategy 2015
<http://www.wmpfonline.com/CHttpHandler.ashx?id=6944&p=0>

11.2 Public Service Pensions Act 2013
<http://www.legislation.gov.uk/ukpga/2013/25/contents>

11.3 The Pensions Regulator's code of Practice
<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

11.4 The Scheme Advisory Board's statutory guidance.
<http://www.lgpsboard.org/index.php/about-the-board/board-guidance>

12.0 Appendix 1

Report to Pensions Board 19 January 2016 'Pensions Administration – Data Quality'
<https://wolverhamptonintranet.moderngov.co.uk/documents/s19517/Pensions%20Administration%20-%20Data%20Quality.pdf>

CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Committee

9 December 2015

Report title	Pensions Administration – Data Quality	
Originating service	Pensions Administration	
Accountable employee(s)	Rachel Brothwood	Assistant Director, Actuarial and Pensions
	Tel	01902 55 1715
	Email	Rachel.brothwood@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note the on-going review of data and the actions being taken to ensure the completeness and quality of data held by the Fund.

1.0 Purpose

- 1.1 To provide Committee with an overview of how the Fund measures data against legislative record keeping requirements and the expectations of the Pensions Regulator and to summarise the plans in place to make improvements to data and the data review process.

2.0 Background

- 2.1 The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 came into force in April 2015. These set out a list of the records the Fund must keep in relation to member and beneficiaries, transactions and Pension Board meetings and decisions. The Pensions Regulator now regulates the governance and administration of public service pension schemes and will oversee compliance with the new regulations.
- 2.2 The Pensions Regulator has issued guidance to scheme managers noting that failure to hold complete and accurate records can impact a funds ability to carry out basic functions. Funds are encouraged to regularly evaluate member data and work with employers to ensure processes are in place to deliver the correct information on a timely basis. If a Fund or employer fails to act, resulting in a breach of the legislative requirement, a report may need to be made to the Pensions Regulator who has the power to issue improvement notices and fines.
- 2.3 In its guidance, the Pensions Regulator encourages a proportionate and risk-based approach to regular data monitoring, noting that significantly more data needs to be held to operate the CARE Scheme (introduced under LGPS 2014). At least annually, the Pensions Regulator expects Funds to carry out a formal data review and set a data improvement plan, to address issues with data quality within a set time period.

3.0 Fund data review process

- 3.1 The Fund has a process for reviewing data on an annual basis, as part of the Annual Return employer data submission exercise, following the production of Benefit Statements and on an on-going basis as members leave or retire. This has been developed to reflect the new legislation and guidance and extended following the 2015 Annual Return.
- 3.2 Prior to the introduction of the new legislation, the Fund was actively engaging with larger employers in relation to the gaps and inconsistencies within the data submitted to the Fund following previous Annual Return exercises and in relation to data issues causing the failure of the production of benefit statements. Fund data was also tested against the Pension Regulator's "common" and "conditional" record keeping requirements applicable to schemes in the private sector.
- 3.3 Fund data has now been tested against the new legislative requirements and this testing will develop over time, as new reporting functionality is added to the administration software system. The results (included in Appendix 1) indicate there are no material gaps or areas of concern but work is needed to ensure the accuracy of data, particularly

salary information provided by employers, following review of 2015 annual return submissions. Over time, capabilities to report against the areas specified in the regulations are expected to develop to enhance this review.

- 3.4 Actions have been identified to further review and address areas where data is incomplete or requires review. The data review will be revisited in May 2016 for monitoring purposes and to incorporate new reporting and data available at that time.

4.0 2015 annual return process – follow-up

- 4.1 As reported to Committee in September 2015, late submission and errors within the 2015 Annual Returns impacted on the Fund's ability to issue benefit statements. Since then, a number of employers (and members) have approached the Fund to alert us to errors in the salary data submitted, which will impact on the CARE pension credited for 2014/15 and their 2015 benefit statements. With a CARE scheme, it is critically important that the Fund receives and processes correct salary information each year as this will impact on the pension calculated by the Fund and significant additional time and cost will be incurred if records need reviewing and amending at a later date.

- 4.2 The Fund has and continues to take a number of actions to engage with employers and the administration software supplier to investigate and resolve issues encountered in 2015, to correct and prevent these re-occurring in 2016. These include:

- Detailed review of the errors encountered in the 2015 process
- Reporting back to individual employers on the issues with their files and data gaps for further investigation
- Review and development of the data extract specification
- Plans for wider employer briefing and coaching
- Face-to-face meetings with larger employers with regular follow-up on the actions required

- 4.2 Appendix 2 summarises the steps we are taking to engage with employers on this issue. Those employers who delivered their 2015 Annual Return late or had significant issues with their data will be fined and additional costs re-charged in accordance with the Fund's Pensions Administration Strategy.

- 4.3 We are actively working with our software supplier, employers and are collaborating with other funds to improve data exchange. We are looking to move to more frequent (monthly) exchange to alleviate some of the issues with the annual return process and to enable greater bulk and electronic working to enhance efficiency.

5.0 Financial implications

- 5.1 Problems with data are putting increased pressure on the Fund's resources. The review of the Pension Administration structure will bring a new focus on data with dedicated resources fully engaged on resolving data issues.

5.2 The Pension Administration Strategy allows the Fund to recharge additional costs incurred. This will be reviewed in 2016 and fines may be increased. The Pensions Regulator also has the powers to issue fines to the Fund and participating employers in the event of non-compliance with a written notice of improvement.

6.0 Legal implications

6.1 Failure to adequately address data issues risk breach of Record Keeping legislation and will leave the Fund open to challenge by the Pensions Regulator. The Fund is taking steps to review data and pro-actively address issues with employers but will ultimately need to rely on the information supplied by employers.

6.2 The Fund may need to report employers who do not engage or deliver the information required by the Fund to the Pensions Regulator.

7.0 Equalities implications

7.1 There are no implications.

8.0 Environmental implications

8.1 There are no implications

9.0 Human resources implications

9.1 There are no direct implications but the establishment of the Fund has been reviewed to take into account the additional work needed on Fund data.

10.0 Corporate landlord implications

10.1 There are no implications

11.0 Schedule of background papers

11.1 None

12.0 Appendices

12.1 Appendix 1 – Assessment relative to the legal requirement
Appendix 2 – Schedule of engagement with employers

Appendix 1

Assessment of Fund data relative to the requirements set out in The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

The table below summarises the results of a review of the data held by the Fund. Where reports are available to test this data ("TPR reports") they have been run. Otherwise, a review of the data held has been carried out to assess whether or not the information would be held by the Fund, based on the processes currently in place and embedded within the Fund administration system. In some cases a further review of historic records is required to confirm the likely completeness of the data for all members. A risk indicator is given to highlight potential risks or areas requiring data cleansing and/or further investigation. In line with guidance from the Pensions Regulator, a proportionate approach is being adopted to monitoring and data cleansing, with the next review planned for May 2016.

Requirement	Assessment / observation (November 2015)	Risk / result
Member and Beneficiary information		
Name	TPR report available. Minimal risk contained in this area as a forename and surname has to be provided to create a members record. They are never deleted and left blank, only replaced if they change and we are notified.	100%
Date of birth	TPR report available. Minimal risk contained in this area as a date of birth has to be given to create a members record by the employer. If the member advises us it is incorrect then we will amend upon sight of the birth certificate.	100%
Gender	TPR report available. Minimal risk contained in this area as a gender has to be given to create a members record by the employer. TPR report run will identify if the gender does not match title and they are then amended if the employer supplied them incorrectly.	100%
Last known postal address	TPR report available for address and post code held against a local identifier. Where we have received returned post and cannot locate the members new address we insert the Funds address which is not the last known address. Last known address will be held in the documents on the record.	96% (see note 1.)

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

Member's scheme identification number	It is not possible to have a pension record without a member scheme identification number within UPM. Minimal risk contained in this area. No report available to show missing identification numbers as it would be redundant.	
NI Number	TPR report available. Minimal risk contained in this area as an NI Number has to be given to create a members record by the employer. The report will show any with a temporary number, these are then fed back to the employer to amend.	Temporary NI held for 0.25% of members (see note 2.)
For active , deferred and pensioner member;		
Date of joining and leaving	TPR reports for start & leave dates available. No risk contained in these areas. Date of joining has to be present to create a new members record and in order for a member to change from an active member to other, they need to submit a leave date amongst other data.	100%
Details of employment with any employer in the scheme	TPR report for employer name held is available.	100%
Period of pensionable service in that employment	No report currently available to pull this information. However the information is held in the service & salary screen/table and also the status history screen/table. This information is held for each member who has contributed to the scheme.	
Amount of pensionable earnings in each year of that employment	No report currently available to pull this information. However the information is uploaded to the earnings and contributions screen/table each year through the annual returns process. The employers provide the information for all their employees on a schedule which is uploaded to the identified record for each member on said schedule. The quality is unknown.	(see note 3.)
In respect of each member's rights or beneficiary entitlement		
Formula used in calculating the member's or beneficiary's pension or benefit	No report currently available to pull this information. The information is not retained in a specific screen or table but is held on a document on the individual records once the calculation has been done. There will be the benefit statements each year, any provisional quotes (estimates) requested and then finally when they retire or are due a benefit from us the final calculation will be done to inform them of the pension/benefit. There is minimal risk as the information is held in the document list of the relevant record.	
The percentage to be applied in respect of revaluation for each year to the member's accrued rights	No report currently available to pull this information. Under the new 2014 regulations each members' active record has to be revaluated. The percentage can be found in the CARE table on the individual member record where it states revaluation rate. We feel there is minimal risk as revaluation takes place each year for all relevant active members.	

Any increase to be applied to the pensioner member's or beneficiary pension or benefit in payment in each year.	No report currently available to pull this information. We feel there is minimal risk as the increase is added each year for all relevant pension/beneficiary members. Before the annual run a data cleansing exercise is done. Once the run has been done a report is produced with any failures and they are then analysed and corrected individually.	
Pension debit Information relevant to calculating any reduction to the member's rights.	No report currently available to pull this information. However the information for each relevant member can be found on the Court Order screen/table. This information has to be entered as part of the Divorce Settlement process and so we feel there is minimal risk with this data.	
Pension credit Information relevant to calculating each member's rights	No report currently available to pull this information. However the information for each Deferred Ex-Spouse status can be found on the Pension History screen/table. This information has to be entered as part of the Divorce Settlement process and so we feel there is minimal risk with this data.	
Records of Transactions		
Employer or member contributions paid in relation to each active member	TPR report available for member contributions. This information is found on the earnings & contribution screen/table. There is no report for the employer contributions however from 2014/2015 this is now added to & found on the same screen/table as the member contributions. As the information is now put on the screens mentioned, through the annual returns process, there is minimal risk moving forward	96% of members have contribution history
Pension and benefit payments		
Date of payment	There isn't a report available for this area. The Lump Sum payments are held on outgoing single payments. The status history screen/table shows the date the member became a pensioner, the date they were paid pension from and on the payroll record for the member it shows the frequency and on the payroll transaction enquiry screen is shows the payment dates for pension paid. The lump sum payment details have to be retained due to the process they are done through so there is no risk of it being missing. The date of payment for pension benefits cannot be missed as this is set for all relevant eligible payees when the payroll process is started once the previous months has ended. This is a UPM process & has to be done so there is minimal risk of the data being missing.	
Payments made to any member who leaves the scheme other than on a transfer	We believe that this covers Refunds of contributions to members. There isn't a report available for the 5 areas mentioned below.	

Members name	Information can be found in the folder details. Members name has to be on a record for it to exist. There is minimal risk in this being missing.	
Leaving date	This can be found in the Status History screen/table. As part of the refund process this information has to be entered and so there is minimal risk of it being missing.	
Member's entitlement at that date	This information can be found in the Status History screen/table on the Full Refund line. As part of the refund process in UPM this information is automatically written back as part of the calculation and so we feel there is no risk associated with this.	
Method for calculating any entitlement under the scheme	This information is not found on a screen or table. It can be found in the document list as a calculation document. This is produced as part of the refund calculation and so there is no risk of it being missing.	
How the entitlement was discharged	This information is found in the Single Outgoing Payment screen/table under payment method. This is automatically added when payment is made as part of the UPM refund process and so there is minimal risk of it being missing.	
Receipt or payment of money or assets relating to the transfer of members into or out of the scheme	There isn't a report available for the 5 areas mentioned below. The information mentioned is dealt with through the Transfer In process & the Transfer Out process.	
Member's name	Information can be found in the folder details. Members name has to be on a record for it to exist. There is minimal risk in this being missing.	
Transfer terms	Information is held in the Transfer screen/table and would either depict "Occupational" or "Private".	
Name of scheme member has transferred into or out	For a Transfer In, the name can be found in the transfer screen/table. This has to be entered as part of the process and so poses minimal risk of being missed. For a Transfer Out, the name of the scheme can be found in the Single Outgoing Payments screen/table. As this is done through the process it poses minimal risk of being missing.	
Transfer date	For a Transfer In, the transfer date can be found in the transfer screen/table. This has to be entered as part of the process and so poses no risk of being missed. For a Transfer Out, the transfer date can be found in the Single Outgoing Payments screen/table. As this is done through the process it poses minimal risk of being missing.	

Date of receipt or payment of money or assets	For a Transfer In & a Transfer Out the date of receipt or date of payment can be found in the Single Incoming Payment screen/table and the Single Outgoing Payment screen/table.	
Payments made by or on behalf of the scheme manager to any person, except pension and benefit payments and payments made to members who leave the scheme (other than on a transfer)	Unclear what this may include. Our interpretation is: Death grants, balance of pension for estates or beneficiaries, Compensatory payments. There are no reports for the information required.	
Name and address of person that payment was made to	Beneficiary Details View screen/table will show death grant payments, the payee and their address can be found in the table behind the initial information held. For balance of pension payments the name and address is held on the RB2 form held in the documents and also the Balance of Payment Request form. It is not held on a screen or table. No screen specific to compensatory payments.	
Reason for payment	This can be found on the beneficiary details view screen for Death grants. The balance of pension payment reason is held on the manual calculation sheet on UPM in the document list and also identified in the coding used to upload to the ledger which is written back to Agresso when the payment is made.	
Any movement or transfer of assets from the scheme to any person	We are making an assumption that AVC retirement payments come under this section. Where either Prudential or Equitable life send us monies via cheque or Bacs to then be paid from us to the member. Further investigation into this is required but most payments go direct from Prudential to the member.	
Name and address of the person that the assets were moved or transferred to		
Reason for transaction		
Payments made to any employer participating in the scheme	We would only expect payments to fall due to an employer if an overpayment is made. In practice these are generally addressed through adjustments to subsequent payments rather than a return of monies to employers.	

Any amount due to the scheme that has been written off in the scheme's accounts	This is now done through the Agresso system. Everything is run through an action and reports can be run off for them. The reports and Accounts produced each year will also contain this information and overpayments of pension benefits are recorded manually on a spread sheet. They are then analysed and updated quarterly. There is a screen that could be utilised in UPM called Overpayment table once it is unhidden/made available. Reports could possibly then be run for them. Discussions with the managers involved suggest minimal risk with missing data.	
Any other payment to the scheme	There is potential in the future to receive payments for fast track divorce cases or multiple quotes. If this is agreed or used then the information below would need to be integrated into the UPM system when dealing with them. As of now there are no other types for this area, so for now there is no known risk.	
Name and address of the person from whom it is received		
Where a payment is made in respect of a member, name of member		

Notes:

1. Where returned post is received, the Fund contacts employers and/or uses tracing agencies to obtain up-to-date address information which is then subject to a verification process. Web portal provides members with a facility to self-serve change of address.
2. The introduction of bulk data imports (BDI) for joiners in 2014 prevents the use of temporary NI numbers so the use of temporary NI numbers is historic. The Fund will liaise with employers to cleanse this data (noting that it will not be available in all cases e.g. beneficiaries under the age of 16).
3. Missing salary information is actively being investigated as part of the review of annual return data. Post 2014, under the new scheme and salary definition the Fund is reliant on the accuracy of the salary information provided by employers each year.
4. A number of the Fund's historic records are held on microfiche. These files continue to be reviewed and scanned on to member files to enhance the Fund's electronic records.

Appendix 2

Schedule of engagement with employers

Meetings have been held with 7 of the Fund's largest employers, covering 70% of the membership and 63% of the annual return errors.

In addition, a further three meetings have been held with two employers and a payroll provider for 15 employers.

Work is underway to complete the analysis of the data errors for the remaining employers, starting with the largest 25 employers (which will increase coverage to approximately 85% of the membership), with these to be issued by the end of 2015.

Employer	Number of members	Date of meeting	Data report issued							Follow Up	
			Leavers	Joiners	Casuals	Null Address	Contribution Queries	Nil Contributions	2015 Annual return errors	1	2
2	30540	22/09/2015								26/11/2015	
3	7861	12/11/2015	19/11/2015	19/11/2015	19/11/2015	19/11/2015	18/11/2015	18/11/2015	19/11/2015		
4	9109	29/10/2015	05/11/2015	10/11/2015	05/11/2015	05/11/2015	05/11/2015	05/11/2015	19/11/2015		
5	8047	28/10/2015	10/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015	19/11/2015		
6	4941	10/11/2015	13/11/2015	13/11/2015	13/11/2015			13/11/2015	13/11/2015		
7	7062	24/11/2015	17/11/2015								
8	7587	22/11/2015	03/11/2015	03/11/2015	03/11/2015	03/11/2015				20/11/2015	

Other employers

Employer	Number of members	Date of meeting	Data report issued							Follow up	
			Leavers	Joiners	Casuals	Null Address	Contribution Queries	Nil Contributions	2015 Annual return errors	1	2
127	387	23/11/2015	30/11/2015	30/11/2015	30/11/2015	30/11/2015	30/11/2015	30/11/2015	30/11/2015		
413	87	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
440	58	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
454	82	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
460	34	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
498	25	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
575	33	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
638	65	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
719	61	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
720	17	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
721	21	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
722	24	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
723	23	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
725	17	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
881	18	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		
887	34	12/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015	20/11/2015		

Pensions Committee

16 March 2016

Report Title	Employer Covenant Update report	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor	Head of Client and Funding Management
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The report and the associated implications.
2. The appointment of covenant advisers and the associated work plan.

1. Purpose

- 1.1 To provide Committee with an outline of the planned employer covenant review aligned to the 2016 actuarial valuation and the formal appointment of Deloitte LLP and PricewaterhouseCoopers LLP as covenant advisers.

2. Background

- 2.1 At Pensions Committee, 9 December 2015, a report was provided outlining the proposal and procedure for appointment of independent covenant advisers to support the Fund with a comprehensive review and monitoring of participating employer covenants.
- 2.2 The Fund requires a robust framework for monitoring of employer covenants which will need to evolve as the employer base increases both in terms of numbers and diversity. This framework enables the Fund to proactively manage employer risk and the review undertaken by the covenant adviser will ensure that the Fund's internal framework is comprehensive whilst also bringing the skill sets of the in-house team up to date. Ultimately the LGPS is a "last man standing" scheme, so failure of an employer impacts all employers, with any outstanding liabilities falling back on the remaining participating employers.

3 Procurement of a covenant adviser

- 3.1 As outlined in previous reports, the Fund has implemented a framework for the monitoring of its participating employers with regards to covenant strength. Whilst this framework constitutes baseline data upon which to assess the high level covenant strength of each employer, there will be instances where further support is required, particularly with a view to more detailed and independent analysis.
- 3.2 The covenant adviser will also help support discussions on future contributions with participating employers which we envisage will be driven more and more by affordability.
- 3.3 As a result of this requirement for a more detailed analysis on an occasional basis, and so as to ensure the Fund continues to receive a quality and value for money service, a tender process has been completed through the ConsultancyONE Framework (operated by the Crown Commercial Service on behalf of Central Government) for the procurement of a covenant adviser.
- 3.4 Whilst completing the evaluation stage of this process it became apparent that most providers were presented with a conflict of interest in that they already had existing relationships with one or more of the Fund's participating employers. As a result it was more appropriate for a contract to be awarded to two providers rather than one and the Fund devised a work plan (Appendix 1) to avoid potentially critical conflicts of interest.
- 3.5 As a result of the decision to award two contracts, Deloitte LLP and PricewaterhouseCoopers LLP were appointed for a duration of 2 years from 1 February 2016 to 31 January 2018 with an option to extend for a further year.

3.6 Appendix 1 details the specific areas of focus for each provider and the associated timescales which has been outlined in the pricing schedules attached to their respective contract terms and conditions. This appendix also forms an overview of the planning in terms of the covenant review process for both the 2016 actuarial valuation and going forward.

4. Associated outcomes

- 4.1 Having appointed the covenant advisers, this will aid the process of implementation of security/controls to help mitigate and manage employer risk.
- 4.2 In addition, the advisers will help develop the self-sufficiency of the Fund via training and up-skilling the in-house team.
- 4.3 By way of an example of the positive influence employer covenant monitoring can have on the Fund's funding strategy, and also the associated outcomes, in 2013 the Fund was able to implement a favourable exit payment plan for an employer, which allowed for their immediate cash-flow pressures, but reflected the covenant/default risk.

5. Financial implications

- 5.1 Once an employer has entered into the formal insolvency process it is unlikely that the Fund will be able to recover all due pension liabilities. As a result, where there are no guarantors, any unfunded pension liabilities falls to all other participating employers.
- 5.2 In cases where there is a guarantor, the proactive employer covenant monitoring process seeks to mitigate the risk to which that guarantor is exposed in the event that the employer concerned should be unable to meet the unfunded pension liabilities. Any outstanding liabilities, which the employer is unable to meet, will fall to the guarantor. Some cases will involve disputes over the payment of exit liabilities and sometimes it becomes necessary to involve external parties e.g. Queens Counsel to pursue continued legal action or accountants for insolvency practice. This work will involve a cost to parties involved in the dispute.
- 5.3 There are additional financial implications contained within this report since it covers the procurement and ultimately the implementation of contracts for services

6. Legal implications

- 6.1 The Fund on behalf of the Council will enter into a legally binding contract with organisations applying to join the Local Government Pension Scheme under an admission agreement.

7. Equalities implications

- 7.1 This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.

8. Environmental implications

8.1 The report contains no direct environmental implications.

9. Human resources implications

9.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

10. Corporate landlord implications

10.1 The report contains no direct corporate landlord implications.

11. Schedule of background papers

11.1 None.

12. Schedule of appendices

12.1 Appendix 1: Covenant adviser work plan

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

Appendix 1: Covenant adviser work plan

No.	Task/exercise	Estimated timeline	Responsible Party
1.	Meetings as required with employer management boards, administrators/insolvency practitioners	As required	Deloitte LLP and PricewaterhouseCoopers LLP
2.	Review of the Fund's covenant monitoring framework covering circa 500 employers. To include suggestions for improvements to make the process more robust and manageable and to include advice of the information collated from employers (as a whole and according to level of covenant risk)	March/April 2016	Deloitte LLP (details of the Fund's monitoring framework will also be shared with PricewaterhouseCoopers LLP for information and any comment)
3.	Enhance self-sufficiency of the Fund in terms of development of internal staff (approximately 6-10 officers)	From February 2016 to August 2016 but with continued support as required	Deloitte LLP
4.	Desktop review of certain employers as advised by the Fund to provide baseline data and risk assessment (Note that in practice this could be for a specific sector of employers or based on security such as supporting guarantor). These cases are likely to be those flagged as "high risk" in the monitoring framework.	As required	Deloitte LLP
5.	Provision of any online tools to assist with monitoring of covenant	As required	Deloitte LLP and PricewaterhouseCoopers LLP
6.	Review of covenant strength aligned to funding strategy and associated affordability for Fund participating employers as part of the 2016 actuarial valuation. To include a range of advice from the information collated from employers (as a whole and according to level of covenant risk) to options for enhancing security where cash is limited. Note this is likely to include general sector-specific advice and individual affordability assessments for a range of employers (charity to district council).	From February 2016 to December 2016	PricewaterhouseCoopers LLP
7.	Assist the Fund with consultation/negotiation with employers with regards to covenant strength and the associated outcomes as part of the 2016 valuation process	October 2016 to March 2017	PricewaterhouseCoopers LLP
8.	Ad-hoc review of critical cases, for instance employers who have severe affordability concerns or at risk of insolvency	Ad-hoc basis	Deloitte LLP
9.	Detailed covenant analysis for WMITA employers (National Express and Preston Bus Limited) as part of the 2016 actuarial valuation process This is expected to include a review of existing security and guarantees in place to support funding plans	May/June 2016	PricewaterhouseCoopers LLP

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Pensions Committee

16 March 2016

Report title	Service Plan Monitoring 2015/16 and Quarterly Accounts December 2015	
Originating service	Pension Services	
Accountable employee(s)	David Kane	Head of Finance
	Tel	01902 554423
	Email	david.kane@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	geik.drever@wolverhampton.gov.uk

Recommendation(s) for noting:

The Committee is recommended to note:

1. Performance against the Fund's key performance indicators as at the end of December 2015;
2. The forecast outturn against operating budgets as at the end of December 2015, which is an under spend of £2.4 million;
3. The quarterly accounts for the period ending 31 December 2015, which show that:
 - a. the value of West Midlands Pension Fund at this date was £11.3 billion, a decrease of £125.8 million from 31 March 2015;
 - b. the value of West Midlands ITA Pension Fund at this date was £467.3 million, a decrease of £7.6 million from 31 March 2015.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on performance against key performance indicators (KPIs), the forecast outturn for the year against operating budgets and quarterly accounts as at the end of December 2015.
- 1.2 The KPIs and operating budgets were approved by the Committee on 18 March 2015 as part of the Service Plan 2015-2020, a full copy of which can be found on the Fund's website: www.wmpfonline.com.

2.0 Performance Against Medium Term Plan

- 2.1 The eight key priorities in the Service Plan are detailed in Appendix 1, which represents a summarised update of activities. Activities against the plan continue in line with objectives. A summary of performance against KPIs is included in Appendix 2.
- 2.2 Performance against some pension administration objectives deteriorated from April 2015 due to the large increase in manual calculations required while LGPS 2014 system upgrades were being developed by our software provider. Generally, performance in these areas has now begun to improve, and this trend should continue.
- 2.3 Because the figures reported in Appendix 2 are cumulative for April to December 2015, this improvement is not fully apparent, however in some areas the in-month performance for December is significantly higher than the figure for the year: for example, Transfer Out Quotations (100% for December) and Retirement Options (83.7% for December).

3.0 Forecast Outturn Against Operating Budget 2015/16

- 3.1 The following table sets out the forecast outturn compared with the Fund's operating budget as at the end of the third quarter.

Budget Heading	Approved Budget 2015/16 £000	Forecast 2015/16 £000	Forecast Variance £000
Employees	4,797	4,329	(468)
Premises	328	308	(20)
Transport	60	50	(10)
Communications and Computing	604	549	(55)
Investment Management Costs*	9,559	7,742	(1,817)
Professional Fees	1,530	1,514	(16)
Other Supplies and Services	487	421	(66)
Support Services	458	498	40
Service development	350	350	-
Total Expenditure	18,173	15,761	(2,412)
Miscellaneous Income	(5)	(7)	(2)
Net Expenditure	18,168	15,754	(2,414)

* Note: this line includes invoiced external fees only

- 3.2 Forecasts have been made using a combination of reviewing spend to date and considering plans for the remainder of the financial year. A prudent approach has been taken in forecasting the cost of those plans, and the figures set out above are therefore likely to be subject to change by year-end.
- 3.3 The forecast under spend on staffing budgets (£356,000) is due to posts being vacant, or in the process of being recruited to, during the year to date. Recruitment has been difficult. The Fund is looking to develop its own staff in-house, including through the recruitment of Trainees. In addition, the structure of the Administration team has been reviewed and recruitment to the new structure is currently underway.
- 3.4 The maximum net increase in staffing costs arising from the review of the Administration function can be met from the service development budget, and these forecasts assume that it will be funded from that budget. The exact cost will depend on the timing of the changes and the individuals involved.
- 3.5 There are forecast savings across a range of other headings, reflecting the inclusion of up-to-date information and forecasts.
- 3.6 As at the end of December 2015, invoiced investment management fees are forecast to be £1.8 million under budget, reflecting the on-going work to streamline portfolio management arrangements. However, since these are heavily influenced by market movements and investment performance, this is particularly subject to change during the remainder of the year.
- 3.7 Taking into account internal investment management costs and fees and other costs deducted at source by fund managers, total investment management costs are forecast to be £79.0 million, as follows:

	Forecast 2015/16 £000
External Costs:	
- Invoiced	7,742
- Deducted at Source	69,258
Internal Investment Management Costs	2,041
Total Investment Management Costs	79,041

- 3.8 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out the forecast cost-per-member compared to budget, using the three standard headings specified by CIPFA. These figures are stated for West Midlands Pension Fund only, reflecting the £150,000 recharge to the ITA Fund. The forecast cost-per-member is lower than budgeted for each of the three headings.

	2015/16 Budget	2015/16 Forecast
Total Administration Costs (£000)	3,621	3,493
Administration Cost per Member (£)	12.83	12.23
Total Oversight and Governance Costs (£000)	2,422	2,349
Oversight and Governance Cost per Member (£)	8.58	8.22
Number of Members	282,258*	285,674**
Total Administration, Oversight and Governance Cost per Member (£)	21.41	20.45
Total Investment Management Costs (£000)	N/A	79,041
Investment Management Cost per Member (£)	N/A	276.68
Investment Management Cost as a Percentage of Investment Assets	N/A	0.69%

* As estimated for purpose of 2015/16 budget preparation.

** As at 31 December 2015

3.9 The Fund, like all public sector bodies, continues to be cost-conscious, and keeps its operating costs and procedures under continuous review.

4.0 Quarterly Accounts – West Midlands Pension Fund

4.1 Appendix 3 provides a Fund Account for the nine months ending 31 December 2015, and a Net Assets Statement as at 31 December 2015.

4.2 The Net Assets Statement provides a value for the Fund at 31 December 2015 of £11.3 billion. This is a decrease of £125.8 million from the 31 March 2015 value.

4.3 These quarterly accounts have been prepared using a number of key assumptions, which are set out below:

- Past Service Deficit Contributions for the year have been recognised in full in the first quarter (meaning that the contributions income shown in the Fund Account is significantly more than three quarters of the total amount that will be due for the year);
- Management expenses have been calculated on an accruals basis, being equal to three quarters of the forecast net cost for the year.
- Investment income has been calculated based on income due for the period.

4.4 The main reason for the reduction in the value of the Fund during the quarter is the general fall in markets, the net fall in the value of investment assets over the period being £227.6 million.

4.5 It should be noted that the figure for current liabilities at 31 December 2015 is much higher than the 31 March 2015 equivalent: this is almost entirely due to early payment of contributions, recognised as receipts in advance. Of the £73.1 million current liabilities, £27.6 million is receipts in advance; of this, £14.5 million is represented by four councils. Over the remainder of the financial year, this will unwind and current liabilities will reduce.

5.0 Quarterly Accounts – West Midlands ITA Pension Fund

5.1 Appendix 4 provides a Fund Account for the nine months ending 31 December 2015, and a Net Assets Statement as at 31 December 2015.

5.2 The Net Assets Statement provides a value for the Fund at 31 December 2015 of £467.3 million. This is a decrease of £7.6 million from the 31 March 2015 value.

5.3 As with West Midlands Pension Fund, the main reason for the reduction in the value of the Fund during the quarter is the general fall in markets, the net fall in the value of investment assets over the period being £7.3 million.

6.0 Financial implications

6.1 The financial implications are discussed in the body of the report.

7.0 Legal implications

7.1 This report contains no direct legal implications for the Authority.

8.0 Equalities implications

8.1 This report has no equalities implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 The report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

12.0 Schedule of background papers

- Service Plan 2015-20, Report to Pensions Committee, 18 March 2015

13.0 Appendices

Priorities and Implementation Targets Monitoring

1. Key Performance Indicator Monitoring
2. West Midlands Pension Fund Quarterly Accounts 31 December 2015
3. West Midlands ITA Pension Fund Quarterly Accounts 31 December 2015

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WMPF Service Plan 2015-20
Priorities and Implementation Targets

Activity	Benchmark Measurement	Target	Frequency	Comments
Quality procedures and practices				
a) Maintain Quality Accreditations	Investors in People (IIP), Investors in Excellence (IIE), Customer Service Excellence (CSE), CIPFA mark of governance and shortlisting in industry awards	Reaccreditation/shortlisting for awards	Annually	IIP silver award granted on first attempt. The standard is changing over the next six months and the Fund is in the process of training officers to ensure it understands the new requirements before full assessment in March 2016. The Fund was successful in achieving the CIPFA Mark of Governance Excellence having undertaken in-house assessment during April 2015 and has gained accreditation as an ACCA-approved employer for continuous professional development. The Fund has been shortlisted for all of the eight awards for which it has applied, having won two.
b) Respond to best practice and legislative change	Through updates to SMT Legislative requirement	Improvements to be identified and reported on regularly Compliance with legislation	Quarterly	All changes are monitored through email updates and alerts and are reviewed and implemented in an efficient and timely manner.
c) Data quality	Performance against key indicators	Data is accurate and updated on a timely basis	Continuous with quarterly reports	Bulk data validation consistently maintained and reviewed. A number of learning points are being identified through the Annual Return process. The Fund will continue to work with its software provider and develop its on-going engagement with employers on data issues and electronic exchange, including consideration of a potential requirement for more frequent returns. In future, it is anticipated that there will be an annual process for reviewing data on the back of the Annual Return/Annual Benefit Statement exercise. The Compliance and Risk Manager has undertaken a full review of the Fund's information governance arrangements, implementing all processes required by the City of Wolverhampton Council, and leading an information governance working party to assess the process of information handling in the fund.

Activity	Benchmark Measurement	Target	Frequency	Comments
Drive progress through performance improvement				
a) Improve data quality standards to meet regulatory requirements	Review of performance against specific targets set by the regulator in respect of completeness and accuracy of data	Achieve targets set by the regulator	Ongoing/annual	An initial assessment of Fund data relative to new public sector record keeping requirements, introduced in April 2015, has been completed and actions identified. These, together with required improvements identified as part of the 2015 annual return process, are being addressed with each employer (individual improvement plans), targeting those with most members first. Fines have been issued for late and poor quality annual return data. Going forward, the Fund is stepping up the monitoring of employer performance against the administration strategy and will increase fines to cover the costs of additional work incurred by poor data submission.
	Outcome of reviews by the regulator and internal audit	Positive reports by review bodies	Ongoing/annual	Reviews to be considered as and when appropriate. An internal audit will take place during 2016/17.
b) Develop cross-cutting key performance indicators focused on service priorities	Performance against new key performance indicators (KPIs)	The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set	Monthly	KPIs were last reviewed and amended in January 2015 and have evolved since then. A review is currently underway, with any revisions to be documented in the Service Plan. Emphasis will continue to be given to ensuring that the focus remains on these KPIs at the same time as managing the overall workload and quality of work. Standards are being met in the majority of cases, although performance has been below target in some areas of pension administration following the implementation of LGPS 2014. Expansion of the pension administration function, together with a wider review of processes, is underway and this will enable the backlog and actions to enhance data quality to be addressed.

Activity	Benchmark Measurement	Target	Frequency	Comments
Develop and implement customer engagement strategies				
a) Develop, review and consult upon and implement engagement strategies	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	The Fund is due to review its customer engagement strategy for presentation to Pensions Committee in June 2016 and there is a data-gathering exercise currently being undertaken to feed into this. The Fund has also moved to an electronic model of working with the web portal facility available for members together with electronic benefit statements. The fund actively seeks reviews and feedback on the presentations and resources it provides to member and employers and uses Survey Monkey to input those results, creating a benchmark for comparison going forward. Recent questionnaires indicate that 88% of members believe the Fund provides a service that is satisfactory or better, with 37% rating it excellent. The fund has also devised a customer engagement strategy to incorporate customer journey mapping, the second session of which, looking at Annual Returns, is set for February 2016.
b) Hold AGM and mid-year reviews annually for employers	Events held in summer and winter each year and are favourably received	Two events per year with 90% of respondents to feedback stating event was either good or excellent	Report to SMT following event	The Fund's AGM 2015 was a success with positive feedback on all aspects, including the venue. 94% of attendees rated the event as good or excellent. The mid-year review for 2016, due to be held in July 2016, will focus on the actuarial valuation.
c) Develop communications with stakeholders' needs in mind	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	In addition to those things mentioned in (b) above, the Fund hosts an Employer Peer Group and regularly provides employer briefing notes to representatives. The Pensions Board is a useful source of new ideas and assisting with communication.
d) Implement and review customer journey mapping (CJM) programme	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly	The CJM program is well underway with a session held on Annual Returns in February. Two further sessions are planned: pensioner newsletter in March/April 2016, and the website in May/June 2016.

Activity	Benchmark Measurement	Target	Frequency	Comments
Management of risk strategies				
a) Regular risk management reviews	Annual risk review	To have an action plan for the most significant risks	Annual/quarterly monitoring	The risk register has recently undergone a full review, not only in risks noted but also in the way the register is created. The risk register will run as an active document with the compliance testing working alongside those risks highlighted as the top ten by individual teams. The annual risk workshop was held with members of both Pensions Committee and Pensions Board in July 2015, and the risk register was updated to reflect members' views. It is reported to SMT on a monthly basis, and to Pensions Committee quarterly.
b) Review of major changes and new activities of business	Review/approval from Pensions Committee	All Fund risks are adequately managed	Ongoing/quarterly reviews of risk register	The risk register underwent a full review through the previous quarter and was approved by Pensions Committee in June 2015. It is reviewed on a quarterly basis by the management team to ensure all risks are updated in line with their impact and probability.
c) Develop and maintain risk management approach in order to give annual assurance statement	Review/approval from Pensions Committee	All Fund risks are adequately managed	Annual review	The risk management of the Fund is constantly being reviewed: as well as the things mentioned in (a) above, regular testing is conducted with regards to performance and compliance monitoring. Exception reporting is taken to Pensions Committee, and where necessary action points highlighted.
d) Develop and implement business continuity planning	Review/approval from SMT	Full test of business continuity plan to be completed by Q2 2015	Annual review	The business continuity plan was reviewed and updated in March 2015, with a full annual review to be completed each year. From March 2016, it is proposed that the annual test will become an online module for staff to complete with specific face-to-face testing with responsible officers. The plan will be tested with City of Wolverhampton Council resources this year.

Review and implement investment strategy				
a) Review of investment strategy	Annual asset allocation review/SIP	Ensure investment strategy has regard to Fund's funding position and liabilities	Annual with quarterly monitoring	Annual investment strategy review at September's Pensions Committee. Benchmarks updated and SIP revised. Investment Advisory Panel is strengthening strategic oversight.
b) Implementation of investment strategy	Review/approval by Investment Advisory Sub-Committee	Ensure changes carried out within agreed timescales and cost-effectively	Quarterly	Quarterly updates on investment strategy implementation made to IASC. Further streamlining and simplification of portfolio ongoing: exit from hedge funds and reorganisation of fixed interest portfolio.
c) Monitoring of performance and portfolio changes	Reporting to investment Advisory Sub-Committee	Ensure investment performance at least matches agreed benchmarks	Quarterly	Quarterly asset allocation and investment performance reports made to IASC. Investment Advisory Panel is monitoring performance and portfolio activity. Recent investment performance has at least matched benchmarks.
d) Voting and implementation of ESG policies	Reporting to Pensions Committee and Investment Advisory Sub-Committee/SRI Statement	Comprehensive voting programme and membership of LAPFF and other ESG initiatives	Quarterly	Dedicated Responsible Investment Officer, and quarterly Responsible Investment reports to Pensions Committee.

Activity	Benchmark Measurement	Target	Frequency	Comments
Triennial actuarial valuation				
a) Engage with employing bodies and discuss issues	Consultation programme extended to all participating employers	Meet agreed timetable	Next actuarial valuation 2016	Extensive engagement undertaken with employing bodies, particularly around the 2013 valuation. Engagement is underway to support the 2016 valuation discussions. In addition, the Fund is engaging with individual employers and groups to discuss specific funding issues (such as exit planning).
b) Collect data for valuation	Formal valuation project plan	Meet agreed timetable	Annually	Key milestones agreed with Actuary. Wider project plan being developed to cover supplier deliverables and engagement with stakeholders.
c) Communicate individual results	Actuarial contributions certified as per regulatory requirements	Meet agreed timetable	Next actuarial valuation 2016	Pending for 2016 valuation.
d) FSS to be updated accordingly to include the Fund's strategy for deficit repair	Regulatory requirements	Comprehensive and up-to-date	Next actuarial valuation 2016	A review of the strategy is underway following the change of actuary, in conjunction with planning for the 2016 valuation and following developments in SAB reviews.
e) Ongoing review of investment strategy to maintain SIP	Regulatory requirements	Comprehensive and up-to-date	Annual	SIP updated after changes in Investment strategy agreed. Reinforced with the adoption (in December 2014) of a Statement of Investment Beliefs. Further review expected in 2016 (and move to new Investment Strategy Statement) to reflect changes in investment regulations.
f) Regular employer covenant review	All employer covenants reviewed and necessary actions taken	Risk-based employer covenants	Annual	Under review ahead of 2016 valuation. Looking to develop approach and tailor to different employer groups, incorporating guidance from the Pensions Regulator.

Activity	Benchmark Measurement	Target	Frequency	Comments
Trustee and Pensions Board member training				
a) Maintain and expand the opportunities to build trustee and pension board member knowledge and understanding	CIPFA Skills and Knowledge Framework and the legislative requirements concerning the knowledge of Pensions Board members. Wide range of knowledge-building opportunities provided. Intensive off-site training when required.	Minimum of three days' provision to Committee and Board members	Ongoing/yearly report	The Fund has a programme of training which aims to develop knowledge throughout the year, developing more complex training in line with the level of experience of a trustee/pension board member. In 2015/16, trustees are expected to exceed their target once more. Pensions Committee approved the training matrix for 2015/16 at their June 2015 meeting. The Pensions Board have also approved a new training timetable with the topics and presentations delivered at a level based on a training needs analysis survey completed by board members. Induction for all new Committee and Board members has been completed.
b) Monitoring of approved training policy	Wide range of knowledge-building opportunities provided	100% target achieved	Ongoing	The Trustee Management Officer is responsible for maintaining a record of training for the members of Pensions Committee and Pensions Board, ensuring the requirements of knowledge and understanding are met by each member. Where a shortfall of training hours is identified, the Trustee Management Officer provides support and guidance on available resources, as well as offering and arranging one-to-one sessions with individual Committee/Board members. Please see (b) above.
c) Identification of training needs and development of training plan	Wide range of knowledge-building opportunities provided	Training needs identified and addressed	Ongoing	Please see (b) above.
d) To ensure trustees meet TPR competency requirements	TPR framework and standards and training needs analysis	Compliance with CIPFA Knowledge and Skills requirements	Ongoing	Please see (b) above.

Activity	Benchmark Measurement	Target	Frequency	Comments
Developing people				
a) Ensure a skilled, flexible and professional workforce	Staff induction, training plan and appraisal	22 hours' training per annum and appraisals for all staff	Ongoing	The fund has in place a training program for all officers at the Fund enabling all to undertake training and development relevant to their area. The Business Support Officer monitors the performance of each team, providing reports to SMT to monitor their team's training hours, and identifying where there are shortfalls. The fund aims to have 75% of its staff qualified by 2017/18.
b) Measure and improve competency levels through performance appraisals	Annual appraisal	All staff to have up-to-date appraisals	Annual appraisal with six-month review	Annual appraisals successfully delivered for 100% of all eligible staff with six-monthly reviews being conducted in October 2015. This process is constantly under review and the business development service are reviewing feedback and exploring ways to improve for the future.
c) Learning and development guide developed and reviewed with due attention to training needs analysis and performance appraisals	Training needs addressed with development plan created	Training needs analysis to be reviewed annually	Annual	The Fund has a training strategy in place for staff wishing to study for a degree or relevant training, with applications assessed on the basis of a business case prepared by the employee. In addition, managers are responsible for monitoring their team's development and to put in place appropriate training where identified in regular one-to-one meetings .
d) Cultivate a working environment where knowledge is shared	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing	In addition to the above, staff briefing sessions take place approximately twice a month, covering subjects that are current 'hot topics' or on developments at the Fund.

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Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration	
D	1	A	IMPROVE FUNDING LEVEL Funding level to increase from current levels of 70% (Taken from IAS26 Report)	>70%	GD	75.0%	31/03/13	75.0%	31/03/10	→ 0.0%	
C	2	TRANSFERS IN									
		M	Transfer in quotations processed within 10 days of receiving all the required information	90%	RB	79.5%	Apr 15 - Dec 15	76.0%	Apr 15 - Sept 15	↑ 3.5%	
		M	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%	RB	82.1%	Apr 15 - Dec 15	86.4%	Apr 15 - Sept 15	↓ -4.3%	
		TRANSFERS OUT									
		M	Transfer out quotations processed within 20 days	90%	RB	83.0%	Apr 15 - Dec 15	77.5%	Apr 15 - Sept 15	↑ 5.5%	
		M	Transfer out payments processed within 10 days	90%	RB	37.2%	Apr 15 - Dec 15	38.1%	Apr 15 - Sept 15	↓ -0.9%	
		RETIREMENTS									
		M	Retirement options to members within 15 days	90%	RB	27.6%	Apr 15 - Dec 15	17.7%	Apr 15 - Sept 15	↑ 9.9%	
		M	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%	RB	96.7%	Apr 15 - Dec 15	96.6%	Apr 15 - Sept 15	↑ 0.1%	
		M	New retirement benefits processed for payment following receipt of election within 5 days	90%	RB	93.0%	Apr 15 - Dec 15	93.6%	Apr 15 - Sept 15	↓ -0.6%	
		DEFERRED RETIREMENTS									
		M	Retirement options to members within 15 days	90%	RB	22.3%	Apr 15 - Dec 15	22.2%	Jun 15 - Sept 15	→ 0.1%	
		M	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%	RB	83.7%	Apr 15 - Dec 15	78.6%	Jun 15 - Sept 15	↑ 5.1%	
		M	New retirement benefits processed for payment following receipt of election within 5 days	90%	RB	89.9%	Apr 15 - Dec 15	92.3%	Jun 15 - Sept 15	↓ -2.4%	
		DEATHS									
M	Acknowledgement of a death within 5 days of receiving the notification.	90%	RB	94.2%	Apr 15 - Dec 15	93.0%	Apr 15 - Sept 15	↑ 1.2%			
M	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%	RB	54.0%	Apr 15 - Dec 15	51.7%	Apr 15 - Sept 15	↑ 2.3%			
M	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%	RB	97.8%	Apr 15 - Dec 15	97.0%	Apr 15 - Sept 15	↑ 0.8%			
A	3	EMPLOYER AND MEMBER SERVICE - CALLS									
M	85% of calls received to the customer helpline to be answered.	85%	RB	85.1%	Apr 15 - Dec 15	83.0%	Apr 15 - Sept 15	↑ 2.1%			
M	85% of calls received to the employer helpline to be answered.	85%	RB	94.6%	Apr 15 - Dec 15	94.2%	Apr 15 - Sept 15	↑ 0.4%			
C	4	CUSTOMER SATISFACTION/SURVEY									
Q	Overall member satisfaction score for employers to be 85%.	85%	RB	81.4%	Apr 15 - Dec 15	80.0%	Apr 15 - Sept 15	↑ 1.4%			
Q	Overall employer satisfaction score for employers to be 85%.	85%	RB	100.0%	Apr 15 - Dec 15	100.0%	Apr 15 - Sept 15	→ 0.0%			
B	5	INVESTMENT RETURNS/OVERALL FUND PERFORMANCE									
M	Returns to be within 2% of the benchmark (3 Yr Rolling) (West Midlands Pension Fund)	VARIANCE +/- 2%	GD/MC	BENCHMARK 6.53%	Dec-15	BENCHMARK 5.87%	Sep-15	↓ -0.16%			
				ACTUAL 8.50%		ACTUAL 8.00%					
				RELATIVE 1.97%		RELATIVE 2.13%					
C	6	BENEFIT STATEMENTS									
A	ABS issued to 90% of eligible active members by 31st August 2015 (measurement is against extended deadline following correspondence with TPR)	90%	RB	81.0%	Oct-15	83.0%	Sep-14	↓ -2.0%			
A	DBS issued to 85% of eligible deferred members by 31st August 2015	85%	RB	98.0%	Jul-15	89.0%	May-14	↑ 9.0%			
A	7	CONTRIBUTIONS RECEIVED									
M	Main Fund 98% (total value) of contributions to be received by the due date.	98%	DK	98.0%	Apr 15 - Dec 15	97.5%	Apr 15 - Sept 15	↑ 0.5%			
M	Travel Fund 98% (total value) of contributions to be received by the due date.	98%	DK	97.2%	Apr 15 - Dec 15	96.5%	Apr 15 - Sept 15	↑ 0.7%			
		CLEAN AUDIT REPORT									
		Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report	Yes	Year to	Yes	Year to				

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
A	8	A	Annual audit returns no significant findings	0 significant findings	DK	0	31/03/2015	0	31/03/2014	→ 0
			Receive an unqualified audit opinion from the Travel Funds external auditors	Clean Report		Yes	Year to 31/03/2015	Yes	Year to 31/03/2014	
			Annual audit returns no significant findings	0 significant findings		0		0		→ 0
EXTERNAL ACCREDITATION										
A	9	M	The Fund to be shortlisted for 75% of the awards in which it is entered	75%	RH	Applications	Apr 15 - Dec 15	Applications	Apr 15 - Sept 15	→ 0.0%
						8		7		
						No. Pending		No. Pending		
						0		1		
						No. Shortlisted		No. Shortlisted		
						8		6		
Percentage Shortlisted	Percentage Shortlisted									
100%	100%									
M	Retain CSE, IIP and CIPFA Governance accreditations	100%	RH	100%	Apr 15 - Dec 15	100%	Apr 15 - Sept 15	→ 0.0%		
SICKNESS ABSENCE										
A	10	M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	ALL	5.0	Apr 15 - Dec 15	3.9	Apr 15 - Sept 15	↓ 1.1
COST PER MEMBER										
A	11	Q	Administration and governance cost per member to be reduced from budgeted figure of £21.41.	£20	ALL	£20.45	Dec 15 (forecast)	£20.66	Sept 15 (forecast)	↑ -£0.21
TRAINING HOURS										
A	12	Q	Average CPD per Fund employee to be 22 hours or more.	22 hours	ALL	29.6	Sep-15	16.8	Jun-15	↑ 12.8
DATA QUALITY										
A	13	Q	Invalid or temporary NI number	0%		0.25%	Sep-15	0.25%	Jun-15	→ 0.00%
			Member has no address	0%	4.14%	1.62%		↓ 2.52%		
			Member is active but has not received contributions for 12 months	0%	0.00%	N/A		N/A		
			Non Active member with missing date of leaving	0%	0.40%	N/A		N/A		
			Active Member has no earnings in last 12 months	0%	4.64%	N/A		N/A		
			No entries in basic/pensionable/other salary	0%	1.37%	N/A		N/A		
			Member has no Contribution History	0%	4.24%	N/A		N/A		
TRUSTEE TRAINING AND PENSIONS BOARD										
A	14	M	Satisfaction rate from feedback of trustee training/pension board events to be 90%.	90%	RH	100.0%	Apr 15 - Dec 15	100.0%	Apr 15 - Sept 15	→ 0.0%
			Attendance rate of trustees/board members at training events.	85%		59.7%	Apr 15 - Dec 15	57.9%	Apr 15 - Sept 15	↑ 1.8%
			Amount of training provided to trustees/board members during the year.	22 hours		29.5	Apr 15 - Dec 15	19.5	Apr 15 - Sept 15	↑ 10.0
INFORMATION TO BE PUBLISHED QUARTERLY										
A	15	Q	Expenditure exceeding £500	One month after quarter end	DK	27-Jan-16	Dec-15	23-Oct-15	Sep-15	N/A
			Transactions on a Government Procurement Card			29-Jan-16		23-Oct-15		
			Procurement information			31-Dec-15		09-Oct-15		
			Invitations to tender for goods and/or services with a value that exceeds £5,000.					09-Oct-15		
Procurement information Contracts, commissioned activity, purchase orders, framework agreements and any other legally enforceable agreement with a value that exceeds £5,000.	31-Dec-15	09-Oct-15								
STAFF TURNOVER										
A	16	M	Staff turnover to be between 5-10% in a financial year (Calculated as no. of leavers/no. of posts at start of year)	5% - 10%	RH	12.8%	Apr 15 - Dec 15	5.20%	Apr 15 - Sept 15	↓ 7.6%
AVAILABILITY OF ONLINE SERVICES										
A	17	M	Website and web portal to be available 95% of the time (based on working hours as monitored)	95%	RH	94.2%	Jul 15 - Dec 15	91.7%	Jul 15 - Sept 15	↑ 2.5%
		M	Number of occurrences web portal is unavailable (average per month)	10 per month		12.7	Jul 15 - Dec 15	18.0	Jul 15 - Sept 15	↑ -5.3
		M	Number of members predicted to be registered on web portal by 31 March 2016	50,000		39,243	Dec-15	34,844	Sep-15	↑ 4,399

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
QUARTERLY ACCOUNTS										
A	18	Q	Days taken to prepare quarterly accounts	20 days	DK	● 29 days	Dec-15	● 33 days	Sep-15	↑ -4
QUALIFICATIONS										
A	19	Q	At least 75% of staff to hold a relevant qualification	75%	ALL	● 58.5%	Dec-15	● 56.6%	Sep-15	↑ 1.9%
COMPLAINTS MONITORING										
A	20	M	All complaints to be completed within 20 working days of receipt	100%	RH	● 90.3%	Apr 15 - Dec 15	● 92.9%	Apr 15 - Sept 15	↓ -2.6%

OBJECTIVES KEY	
A	To be a top performing fund
B	To achieve target investment returns
C	To provide excellent customer service
D	To meet our funding strategy

FREQUENCY KEY	
A	Annual
Q	Quarterly
M	Monthly

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WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE NINE MONTHS ENDING 31 DECEMBER 2015

Fund Account

2014/15 £m		Q1-3 2015/16 £m
	Contributions & Benefits	
(500.2)	Contributions Receivable	(407.6)
(9.5)	Transfers In	(8.1)
(15.7)	Other Income	(15.2)
(525.4)	Total Contributions and Other Income	(430.9)
498.3	Benefits Payable	383.6
261.5	Payments To and On Account of Leavers	21.4
0.4	Other Payments	0.2
760.2	Total Benefits and Other Expenditure	405.2
86.3	Management Expenses	63.6
	Returns on Investments	
(160.5)	Investment Income	(139.7)
(827.6)	Changes in Value of Investments	606.8
(652.6)	Profits and Losses on Disposal of Investments	(379.2)
(1,640.7)	Net Return on Investments	87.9
(1,319.6)	Net (Increase)/Decrease in the Fund During the Period	125.8
10,144.4	Net Assets of the Fund at the Beginning of the Period	11,464.0
11,464.0	Net Assets of the Fund at the End of the Period	11,338.2

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE NINE MONTHS ENDING 31 DECEMBER 2015

Net Assets Statement

31 March 2015		31 December 2015
£m		£m
	Investment Assets (at Market Value)	
185.9	Fixed Interest Securities	174.8
1,019.6	UK Equities	884.6
3,861.3	Overseas Equities	3,041.1
5,102.5	Pooled Investment Vehicles	5,896.6
656.4	Property	705.3
91.9	Foreign Currency Holdings	66.2
458.3	Cash Deposits	528.8
1.6	Other Investment Assets	-
44.3	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	34.9
11,421.8	Investment Assets	11,332.3
-	Investment Liabilities	(0.5)
11,421.8	Net Investment Assets	11,331.8
11.6	Other Long-Term Assets	6.1
54.8	Current Assets	73.4
(24.2)	Current Liabilities	(73.1)
11,464.0	Net Assets of the Fund at the End of the Period	11,338.2

WEST MIDLANDS ITA PENSION FUND ACCOUNTS FOR THE NINE MONTHS ENDING 31 DECEMBER 2015

Fund Account

2014/15 £000		Q1-3 2015/16 £000
	Contributions & Benefits	
(10,125)	Contributions Receivable	(7,653)
(4)	Transfers In	(2)
(1,991)	Other Income	(2,059)
(12,120)	Total Contributions and Other Income	(9,714)
28,364	Benefits Payable	21,535
34	Payments To and On Account of Leavers	253
4	Other Payments	947
194	Administration Expenses	95
28,596	Total Benefits and Other Expenditure	22,830
	Returns on Investments	
(17,267)	Investment Income	(12,824)
(24,113)	Profits and Losses on Disposal of Investments and Changes in Value of Investments	6,829
(18,900)	Increase/Decrease in Value of Bulk Annuity Insurance Buy-In	-
678	Investment Management Expenses	466
(59,602)	Net Return on Investments	(5,529)
(43,126)	Net (Increase)/Decrease in the Fund During the Period	7,587
431,760	Net Assets of the Fund at the Beginning of the Period	474,886
474,886	Net Assets of the Fund at the End of the Period	467,299

WEST MIDLANDS ITA PENSION FUND ACCOUNTS FOR THE NINE MONTHS ENDING 31 DECEMBER 2015

Net Assets Statement

31 March 2015		30 September 2015
£m		£m
	Investment Assets (at Market Value)	
211,418	Investment Assets	202,689
263,720	Bulk Annuity Insurance Buy-In	263,720
1,027	Current Assets	1,834
(1,279)	Current Liabilities	(944)
474,886	Net Assets of the Fund at the End of the Period	467,299



Pensions Committee

16 March 2016

Report title	Service Plan 2016-2021	
Originating service	Pension Services	
Accountable employee(s)	David Kane	Head of Finance
	Tel	01902 554423
	Email	david.kane@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	geik.drever@wolverhampton.gov.uk

Recommendation(s) for action or decision:

1. The Committee is recommended to approve the Service Plan 2016-2021 as appended, including:
 - a. The operating budget for 2016/17;
 - b. The medium term financial plan for the period to 2020/21.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Committee's approval of the Service Plan 2016-2021, which includes the operating budget for 2016/17, and medium term financial plan for the five years up to and including 2020/21.

2.0 Background

- 2.1 On 18 March 2015, the Committee approved the Service Plan 2015-2020. This has formed the basis of performance and budget monitoring during the current financial year. Over the last few months, the Service Plan has been subject to a detailed review, and updated to reflect known and anticipated changes that have occurred since March 2015.
- 2.2 Producing a Service Plan is a matter of good practice, and is the key means by which the Fund can articulate and communicate its medium term strategy to stakeholders, including members, employers, and employees. This includes a full financial evaluation of the strategy, expressed as a medium term financial plan. The approved Service Plan will be published on the Fund's website.
- 2.3 LGPS regulations allow for the costs of administering the Funds to be charged to the Funds themselves, and not directly to employers. The actuary makes provision in his valuation process for such costs.
- 2.4 Being able to demonstrate value for money is crucial for the Fund, and a key measure of this is cost per scheme member. To reflect this, the budget and forecast figures quoted in this report are also expressed in terms of cost per scheme member.
- 2.5 Regular monitoring of the budget, including the preparation of a forecast outturn, will be undertaken throughout the year, and reported to Pensions Committee at quarterly intervals.

3.0 Service Plan 2016-2021

- 3.1 The Service Plan for 2016-2021, which is attached at Appendix A, provides information on:
- a) the Fund's mission and core objectives;
 - b) the Fund's operating environment;
 - c) the Fund's corporate priorities for 2016/17 and beyond;
 - d) the key performance indicators (KPIs) that the Fund will use to measure its progress towards achieving its objectives and priorities;
 - e) the resourcing implications of the Service Plan, expressed in terms of both staffing and finances.
- 3.2 Through consideration of its on-going activities, and the drivers outlined at paragraph 3.3, the Fund has identified the following as its core objectives for the period 2016-2021:

- a) To be a leading performer in the LGPS sector;
- b) To achieve target investment returns;
- c) To provide excellent customer service;
- d) To ensure the solvency of the Fund and its ability to pay pensions

3.3 The Fund's operating environment continues to evolve rapidly. The Service Plan identifies eight opportunities and challenges that are anticipated to impact on the Fund over the medium term, and that have been the focus of the development of the Plan. These are discussed on pages 5 and 6 of the Plan, and are as follows:

- a) LGPS Pooling
- b) Pensions Reforms & Government Policy
- c) Funding Strategy
- d) The Impact of Changing Cash Flow Profile and Declining Market Returns
- e) Electronic Working
- f) Employer Diversity and Risk
- g) Information and Data quality
- h) Cost Control and Value-for-Money

3.4 The key performance indicators that the Fund will use to monitor its progress in achieving its core objectives and corporate priorities are set out on pages 9 to 14 of the Plan. These are in the main an evolution of those monitored and reported upon during the current financial year, cross-referenced to the updated corporate priorities.

4.0 Operating Budget 2016/17

4.1 The operating budget for 2016/17 has been developed to reflect the objectives and priorities set out in the Service Plan. All existing budgets have been subject to thorough review for on-going relevance and adequacy, and reduced or removed where appropriate.

4.2 The recommended operating budget for 2016/17 is £82.1 million. It should be noted that this budget includes, for the first time, the full value of investment management costs including fees from external managers that are deducted at source. As a result, the 2016/17 budget appears significantly higher than that which was approved for 2015/16. This report uses an in-year forecast for total external investment manager fees (£77.0 million) as a proxy for this line in the 2015/16 budget, to enable meaningful like-for-like comparison.

4.3 Of this total budget of £82.1 million, £81.3 million will be charged to West Midlands Pension Fund, with the remaining £750,000 charged to the ITA Fund.

4.4 Table 1 sets out the recommended budget by expenditure type, compared with the 2015/16 budget.

Table 1 – Operating Budget 2016/17

	2015/16 Budget £000	2016/17 Budget £000	Net Growth/ (Saving) £000
Employees	4,797	5,405	608
Premises	328	294	(34)
Transport	60	48	(12)
Other Supplies and Services	836	610	(226)
Professional Fees	1,529	1,823	294
Communications and Computing	604	591	(13)
Support Services	458	515	57
Income	(5)	(5)	-
Sub Total	8,607	9,281	674
External Investment Management Costs	77,000	72,800	(4,200)
Total	85,607	82,081	(3,526)
Funded by:			
West Midlands Pension Fund	84,857	81,331	(3,526)
West Midlands ITA Pension Fund	750	750	-
Total	85,607	82,081	(3,526)

4.5 The main reasons for the net reduction in the operating budget are:

- a) Savings on investment management fees resulting from portfolio restructuring and an increase in internal investment management (£4.2 million);
- b) An increase in staffing in the administration department, to manage the significant increase in workload brought about by the move to the 2014 CARE scheme (£313,000);
- c) Growth in pay costs due to pay award, increments and increases in the employer's pension contribution rate and National Insurance contributions (£196,000);
- d) Increases in the provision for professional fees (£294,000);
- e) Savings across a range of premises, transport and supplies and services budget headings (totalling £137,000);
- f) Growth to reflect the introduction of a recharge from City of Wolverhampton Council for Agresso implementation and support (£67,000).

4.6 The Fund's staffing establishment stands at 127.5 full-time-equivalent employees. This is an increase of 11 from 2014/15, of which 10 arise from the increase in the staffing of the Administration department, as referred to in the previous paragraph.

5.0 Medium Term Financial Plan

- 5.1 Table 2 (following page) sets out the Funds' forecast operating budgets for the next five years. These generally assume a continuation of existing activities, plus service development initiatives, adjusted for inflation, pay awards and other anticipated changes. Tables 3 and 4 shows the forecast cost of administration, oversight and governance per member and the cost of investment management as a percentage of net assets, which are key measures of the Funds' cost efficiency, over the medium term.
- 5.2 The forecasts reflect assumed growth of 6% per year in the value of the Funds' investment assets (inclusive of income), which causes growth in investment management and advice costs.
- 5.3 It is important to note that these operating budget forecasts essentially assume that the Funds will continue to operate in their current structure throughout the medium-term. In practice, LGPS investment pooling will impact on this, most significantly from 2018 onwards. The forecasts for the later years can therefore be considered as an indication of a comparison point, against which cost savings will be required as a result of pooling. The budget does, however, make provision for the set-up costs associated with putting the pooling arrangements in place.
- 5.4 Tables 5 and 6 provide forecasts for all Fund activities from 2016/17 to 2020/21. There are some important caveats concerning these forecasts which are discussed at paragraph 5.6.

Table 2 – Forecast Operating Budgets 2015/16 to 2020/21

	2015/16 Budget £000	2016/17 Budget £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000
Employees	4,797	5,405	5,497	5,652	5,796	5,934
Premises	328	294	299	304	309	315
Transport	60	48	49	50	51	52
Other Supplies and Services	836	610	617	624	631	638
Professional Fees	1,529	1,823	1,605	1,637	1,935	1,708
Communications and Computing	604	591	604	617	630	643
Support Services	458	515	525	535	545	555
Income	(5)	(5)	(5)	(5)	(5)	(5)
Sub Total	8,607	9,281	9,191	9,414	9,892	9,840
External Investment Management Costs	77,000	72,800	76,609	80,488	84,459	88,523
Total	85,607	82,081	85,800	89,902	94,351	98,363
Funded by:						
West Midlands Pension Fund	84,857	81,331	85,050	89,152	93,601	97,613
West Midlands ITA Pension Fund	750	750	750	750	750	750
Net Budget	85,607	82,081	85,800	89,902	94,351	98,363

Table 3 – Cost per Scheme Member and Investment Costs as a Percentage of Net Assets (WMPF)

	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2019/20 Forecast
Total Administration, Oversight and Governance Costs (£000)	6,043	6,766	6,628	6,787	7,213	7,108
Cost of Administration, Oversight and Governance per Member (£)	21.41	23.56	22.77	23.00	24.11	23.44
Total Investment Management Costs (£000)	78,814	74,566	78,423	82,364	86,388	90,504
As Percentage of Total Net Assets	0.69%	0.62%	0.62%	0.62%	0.62%	0.62%

Table 4 – Cost per Scheme Member and Investment Costs as a Percentage of Net Assets (WMITAPF)

	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2019/20 Forecast
Total Administration, Oversight and Governance Costs (£000)	120	120	120	120	120	120
Cost of Administration, Oversight and Governance per Member (£)	23.34	23.34	23.34	23.34	23.34	23.34
Total Investment Management Costs (£000)	630	630	630	630	630	630
As Percentage of Total Net Assets	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%

Table 5 – Medium Term Forecasts (WMPF)

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
Contributions Receivable	(490.5)	(512.0)	(517.0)	(525.8)	(534.9)	(540.6)
Other Income	(15.9)	(15.9)	(16.2)	(16.5)	(16.8)	(17.1)
Benefits Payable	511.3	526.2	551.9	578.4	605.8	634.0
Other Payments	0.4	0.4	0.4	0.4	0.4	0.4
Net Cost of Pensions	5.3	(1.3)	19.1	36.5	54.5	76.7
Investment Income	(159.9)	(158.7)	(166.9)	(175.3)	(183.9)	(192.7)
(Gains)/Losses in Value of Investments	159.9	(521.3)	(548.4)	(576.0)	(604.3)	(633.1)
Return on Investments	-	(680.0)	(715.3)	(751.3)	(788.2)	(825.8)
Management Expenses	84.9	81.3	85.1	89.2	93.6	97.6
Net (Increase)/Decrease in the Fund	90.2	(600.0)	(611.1)	(625.6)	(640.1)	(651.5)
Opening Fund Balance	11,464.0	11,373.8	11,973.8	12,584.9	13,210.5	13,850.6
Closing Fund Balance	11,373.8	11,973.8	12,584.9	13,210.5	13,850.6	14,502.1

Table 6 – Medium Term Forecasts (WMITAPF)

	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
Contributions Receivable	(10.2)	(10.3)	(10.4)	(10.6)	(10.8)	(10.9)
Other Income	(2.7)	(2.8)	(2.8)	(2.9)	(2.9)	(2.9)
Benefits Payable	28.7	29.0	29.9	30.8	31.7	32.7
Other Payments	0.9	-	-	-	-	-
Net Cost of Pensions	16.7	15.9	16.7	17.3	18.0	18.9
Investment Income	(17.1)	(16.5)	(16.9)	(17.2)	(17.6)	(18.0)
(Gains)/Losses in Value of Investments	17.1	(11.0)	(11.2)	(11.5)	(11.7)	(12.0)
Return on Investments	-	(27.5)	(28.1)	(28.7)	(29.3)	(30.0)
Management Expenses	0.8	0.8	0.8	0.8	0.8	0.8
Net (Increase)/Decrease in the Fund	17.5	(10.8)	(10.6)	(10.6)	(10.5)	(10.3)
Opening Fund Balance	474.9	457.4	468.2	478.8	489.4	499.9
Closing Fund Balance	457.4	468.2	478.8	489.4	499.9	510.2

5.5 Table 7 provides the key assumptions used in preparing the medium term forecasts.

Table 7 – Key Assumptions

	2016/17	2017/18	2018/19	2019/20	2020/21
Pay Award	1.0%	1.0%	2.0%	2.0%	2.0%
Consumer Price Inflation (September of preceding year)	0.0%	2.0%	2.0%	2.0%	2.0%
Increase in Total Number of Members	2.9%	2.8%	2.7%	2.6%	2.6%
Gross Growth in Investment Assets	6.0%	6.0%	6.0%	6.0%	6.0%

5.6 With regard to the medium term forecasts shown in Tables 5 and 6, it should be noted that these are highly subject to change, in particular because:

- a) Contributions for 2017/18 to 2020/21 will be influenced by the 2016 and 2019 actuarial valuations, and could be significantly different from the figures shown here;
- b) The local government sector has experienced, and will continue to experience for the foreseeable future, a combination of cost pressures and funding reductions, and it is not yet possible to quantify the extent to which this will translate into staffing reductions;
- c) Investment income and growth in asset value are very difficult to forecast, and are likely to demonstrate much greater year-on-year volatility than shown here.

6.0 Financial implications

6.1 The financial implications are discussed in the body of the report.

7.0 Legal implications

7.1 This report has no legal implications.

8.0 Equalities implications

8.1 This report has no equalities implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 The report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

12.0 Schedule of appendices

- Appendix A – Service Plan 2016-2021

13.0 Schedule of background papers

- Service Plan 2015-2020, Report to Pensions Committee, 18 March 2015

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SERVICE PLAN
2016 – 2021



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	Links to Web Portal	
	Links to Other Documents	
	Key Contact Details	

1 INTRODUCTION

1.1 | ABOUT US

Introduction to the Funds

West Midlands Pension Fund is one of the UK's largest pension funds, managing and administering the pension interests of over 285,000 members and more than 500 scheme employers, and responsible for managing over £11.0 billion of investments on behalf of its members.

The Fund also manages the West Midlands Integrated Transport Authority (ITA) Pension Fund, which has over 5,000 members and assets of approximately £0.5 billion. Financially, the ITA Fund is kept completely separate from the West Midlands Pension Fund and has its own accounts, membership, literature (where relevant) and identity. This fund is formally administered by Centro, the body currently responsible for transport strategy and policy in the West Midlands.

Both funds are part of the Local Government Pension Scheme (LGPS).

Our core mission is to ensure that our members receive their pensions when they are due. To achieve this, we collect contributions from members and their employers, and invest them to generate long-term growth and returns. Our in-house team of investment professionals manage a diversified portfolio of assets.

There are three main categories of members:

- Active members, who are currently employed by one of the Fund's employers;
- Deferred members, who worked for a scheme employer in the past, and are entitled to receive a pension from the Fund in the future; and
- Pensioners, who are receiving their pensions now.

The ITA Fund is a closed scheme, meaning that no new members are being admitted, but a number of active members continue to build up pension benefits.

The funds are administered by a Pensions Committee, which delegates certain investment matters to an Investment Advisory Sub-Committee (West Midlands Pension Fund) and Investment Strategy Panel (ITA Fund). The Fund also operates a Pensions Board, whose role is to assist in the good governance of the Fund. Day-to-day management of the Fund is delegated to the Strategic Director for Pensions and her team of officers.

The Fund is always hard at work providing a customer-focused, quality service delivered cost-effectively, with the aim of securing the future of its members' pensions.

KEY STATISTICS

	West Midlands Pension Fund	West Midlands ITA Pension Fund
Members (31 December 2015)		
- Active	107,297	480
- Deferred	93,463	829
- Pensioners	84,933	3,832
Total	285,693	5,141
Number of employers	525	2
Total assets (31 March 2015)	£11.5 billion	£474 million
Contributions received 2014/15		
- From employers	£389.6 million	£9.1 million
- From employees	£110.6 million	£1.0 million
Pension benefits paid 2014/15	£498.3 million	£28.4 million

THE SERVICES WE OFFER

The Fund's Member Services team has extensive knowledge of the LGPS and regularly delivers presentations to members along with support and guidance. This is a service for which the Fund receives significant levels of positive feedback. This support extends to presentations, one-to-one sessions and roadshows. The Fund can also tailor our existing support to provide bespoke events and adapt our approach to meet organisational and stakeholder needs. Some of the presentations we deliver include:

- LGPS & You (in partnership with Prudential)
- Introduction to the LGPS
- Taxation of Pension Savings for Higher Earners
- Pre-retirement
- Redeployment/Redundancy
- High Earners

The Fund's Employer Services team has considerable pensions experience and are well-versed in the issues facing employers across the region. The team maintains a telephone helpline specifically to support participating employers and can provide employer coaching sessions on a variety of topics including annual returns and submission of data. An employer peer group was set up in 2014 to engage with employers on topical issues and as a forum to gain their feedback. The team also facilitate the admission of new employers to the scheme and are on hand to provide support and guidance in this area.

In addition to the above services, the Customer Services team maintain a telephone helpline and email enquiry service for members and stakeholders requiring information in relation to the Fund and the LGPS. Their services extend to a drop-in facility at the Fund's offices, whereby members of the public can book an appointment to discuss pensions-related issues with a Fund officer.



MISSION STATEMENT

OUR MISSION IS TO PAY OUR MEMBERS' PENSIONS AS THEY BECOME DUE, WHILE PROVIDING THE HIGHEST STANDARDS OF SERVICE TO OUR MEMBERS AND EMPLOYERS

OUR FOUR CORE OBJECTIVES

1
To be a leading performer in the LGPS sector

2
To achieve target investment returns

3
To ensure the solvency of the Fund and its ability to pay pensions

4
To provide excellent customer service

OUR PERFORMANCE FRAMEWORK



OUR OPERATING ENVIRONMENT

2

The Local Government Pension Scheme operates in a complex and dynamic environment. There have been a number of major changes to the scheme over the last few years, and we expect the pace of change to accelerate over the medium-term.

The next few pages set out some of the key opportunities and challenges that we expect will develop in our operating environment over the period to 2021.

1) LGPS Pooling

The Government has expressed a desire for LGPS funds across the country to work together to pool their investment assets, with a view to achieving economies of scale and increasing investment in infrastructure assets. In December 2015, the Fund announced its intention to participate in an investment pool with several other Midlands-based LGPS funds. The Fund is working with its partners to set up the new investment pool, which is to be called LGPS Central, and is expected to be £35 billion in size.



2) Pensions Reforms and Government Policy

Significant changes to the governance of the Fund and of the LGPS generally took effect from April 2015. A national Scheme Advisory Board is now in place, along with a suite of KPIs and two cost control mechanisms, which will seek to monitor and contain the overall cost of the LGPS at a national level. In addition, the administration and governance of the LGPS now comes under the remit of The Pensions Regulator. Other potential changes to Government policy on pensions are anticipated over the medium-term, including changes to the taxation of pensions, early retirement terms and caps on public sector exit payments, both of which will impact on the Fund and its members.



3) Funding Strategy

The 2016 actuarial valuation will determine employer contributions from April 2017 in the context of new funding regulations, guidance and oversight. Regulations require contributions to be set at a level which will ensure both solvency and long-term cost efficiency – exactly how LGPS funds measure this will be more transparent through reporting on a standardised basis and greater disclosure of deficit recovery plans. The Government Actuary Department (GAD) will review and report on whether funds achieve the new regulatory requirement, naming funds where remedial action is required.

In the context of scheme change (the first valuation incorporating the new CARE scheme and 50:50 section), member movement (leavers, retirements and revised benefits from pensionable equal pay claims), a lower investment return outlook and pressures on employer finances (many of whom are directly and indirectly impacted by austerity measures), the 2016 valuation is expected to present significant challenge for the Fund.

4) The Impact of Changing Cashflow Profile and Declining Market Returns

At present, the Fund receives more in contributions and investment income than it pays out in benefits; however, as it continues to mature, the ratio of pensioners to actively-contributing members will increase, meaning that the cash surplus will decrease and eventually reverse. This will have profound implications for the Fund's investment strategy, which will need to adapt to reflect and accommodate the changing liquidity requirements. In addition to this, the prospects for market returns on investments are generally low, and this will impact on the maturing profile of the Fund's pension liabilities. It will be critical for the Fund to configure its investment assets in such a way as to monitor and respond to the risks associated with the changing cash flow requirements.

5) Electronic Working

The Fund is keen to increase the extent to which it uses information technology to offer an enhanced service to both members and employers, while also delivering operational efficiencies and securing improvements in data quality.

6) Employer Diversity and Risk

Given the financial constraints currently faced by the public sector as a whole, and the local government sector in particular, the risk of employers facing critical financial hardship is inevitably heightened. Monitoring, and providing support to employers, will be key to managing this risk and the impact on the Fund. Furthermore, the Fund is currently experiencing a major increase in the number of employers, primarily due to local schools converting to academy status. At the same time, this has led to a diversification in the types of employers with which we are dealing, and the nature of our interactions with them. This has resulted in additional administration requirements and complexity for the Fund, and managing these without adversely impacting on the efficiency of its activities will be a key challenge over the short- to medium-term.

7) Information and Data Quality

The Fund's operations are heavily reliant on receipt of timely and accurate information and data from employers. Employer diversity, the new Scheme and the wide variety of payroll providers and systems used to transfer information to the Fund, present a significant challenge.

To enable the Fund to demonstrate compliance with new legislative record keeping requirements and to meet the expectations of The Pensions Regulator, the Fund has an increased focus on data quality, improvement and reporting. Data cleansing is underway and, going forward, more frequent data exchange and greater employer and member self-service is planned to enhance quality and the cost efficiency of data handling.

8) Cost Control and Value-for-Money

The cost of the LGPS is coming under ever greater scrutiny from a variety of stakeholders, along with the pressure to reduce overall costs and demonstrate value-for-money. In light of these pressures, it will be even more critical for the Fund to be able to closely monitor its costs and seek out and act upon opportunities to reduce them, including recharging costs for value-added support and additional unanticipated support (for example, to enhance data quality)

CORPORATE PRIORITIES

3

Our corporate priorities for the period 2016-2021 are set out below.

CORE OBJECTIVES	WHAT WILL WE DO?	WHEN WILL WE DO IT?	HOW WILL WE MEASURE OUR SUCCESS?
3, 4	Review and implement the funding strategy, in the context of the requirement to ensure solvency and employer affordability constraints to deliver actuarial valuation 2016	2016 - 2017	<ul style="list-style-type: none"> • Delivery in line with project plan • New contribution certificate implemented by April 2017
2, 4	Implement and monitor the investment strategy	2016 - 2021	<ul style="list-style-type: none"> • Investment returns • Funding level
1, 4	Reduce the cost of managing our investments	2016 - 2017	<ul style="list-style-type: none"> • Cost of investment management as a percentage of assets
1, 4	Demonstrate cost efficiency in our dealings with members and employers, including exploring opportunities to generate revenue to reduce net administration costs	2016 - 2021	<ul style="list-style-type: none"> • Cost-per-member • Contributions received percentage • Days taken to prepare quarterly accounts
4	Develop covenant monitoring framework to support risk monitoring and enable early engagement on affordability issues and employer exit costs	2016 - 2018	<ul style="list-style-type: none"> • Covenant risk reporting • Trigger-based engagement
3	Provide the highest standards of customer care to our employers and members	2016 - 2021	<ul style="list-style-type: none"> • Customer satisfaction survey • Employer and Member Services calls • Availability of online services • IDRPs and complaints monitoring
3	Develop customer engagement with both members and employers	2016 - 2019	<ul style="list-style-type: none"> • Customer satisfaction survey
1, 3	Demonstrate achievement of the highest standards in everything that we do through external audit, accreditation and awards	2016 - 2021	<ul style="list-style-type: none"> • Reaccreditation and shortlisting for awards • Clean audit report
1, 3	Ensure that our staff, trustees and board members have access to high quality training to ensure that they have the right skills and knowledge, and are highly motivated	2016 - 2021	<ul style="list-style-type: none"> • Training hours • Qualifications • Staff sickness • Staff turnover • Trustee attendance
1, 4	Review and develop people and processes to ensure operational flexibility and efficient, high quality service delivery	2016 - 2021	<ul style="list-style-type: none"> • Skills matrix • Fund-wide briefings • Delivery to process review plan

CORE OBJECTIVES	WHAT WILL WE DO?	WHEN WILL WE DO IT?	HOW WILL WE MEASURE OUR SUCCESS?
1, 3	Continue to develop the Fund's electronic business model to continually improve data quality and ensure continued cost efficiencies	2016 - 2019	<ul style="list-style-type: none"> • Web portal registration numbers • Delivery of more frequent bulk data exchange (eg, monthly return)
3, 4	Monitor and improve membership data cleanliness, working with employers to improve the timeliness and quality of data received and reduce the number of outstanding data items	2016 - 2018	<ul style="list-style-type: none"> • Monitoring against statutory record-keeping requirements • Progress against data improvement plans • Monitoring and reporting on employer performance • Employer coaching and feedback
3	Complete, as far as possible, the process of reconciling Fund GMP data with HMRC records	2016 - 2018	<ul style="list-style-type: none"> • Delivery of phased review in line with project plan before December 2018

KEY PERFORMANCE INDICATORS

CORE OBJECTIVE 1

TO BE A LEADING PERFORMER IN THE LGPS SECTOR

Clean Audit Report

Frequency of measurement: **Annually**

Receive an unqualified audit opinion from the main Fund's external auditors

Target for 2016/17

Clean report

Forecast 2015/16

Clean report

Annual audit returns no significant findings

Target for 2016/17

0 significant findings

Forecast 2015/16

0 significant findings

Receive an unqualified audit opinion from the ITA Fund's external auditors

Target for 2016/17

Clean report

Forecast 2015/16

Clean report

Annual audit returns no significant findings

Target for 2016/17

0 significant findings

Forecast 2015/16

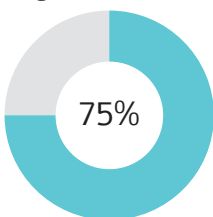
0 significant findings

External Accreditation

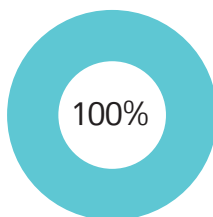
Frequency of measurement: **Monthly**

Percentage of awards entered for which the Fund is shortlisted

Target for 2016/17

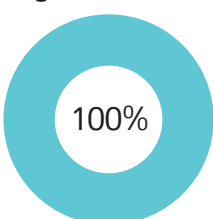


Forecast 2015/16

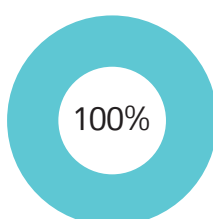


Retain Customer Service Excellence (CSE), Investors in People (IiP) and CIPFA Governance accreditations

Target for 2016/17



Forecast 2015/16



Sickness Absence

Frequency of measurement: **Monthly**

Average number of days lost to sickness per FTE member of staff.

Target for 2016/17



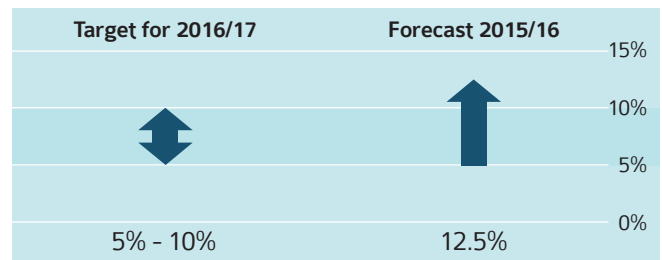
Forecast 2015/16



Staff Turnover

Frequency of measurement: **Monthly**

Staff turnover to be between 5-10% in a financial year (calculated as number of leavers/number of posts at start of year)



Training Hours

Frequency of measurement: **Quarterly**

Average CPD per Fund employee.

Target for 2016/17



Forecast 2015/16

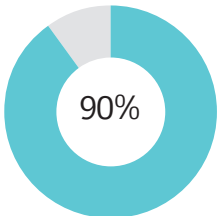


Trustee Training and Pensions Board

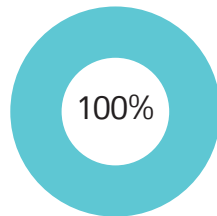
Frequency of measurement: **Monthly**

Satisfaction rate from feedback of trustee training/pensions board events to be 90%.

Target for 2016/17

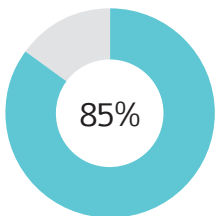


Forecast 2015/16

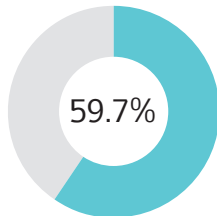


Attendance rate of trustees/board members at training events

Target for 2016/17



Forecast 2015/16



Amount of training provided to trustees/board members during the year

Target for 2016/17



Forecast 2015/16

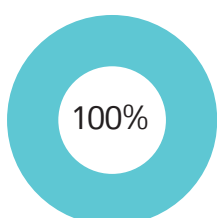


Complaints Monitoring

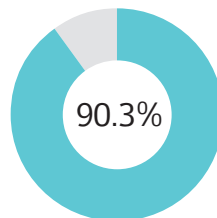
Frequency of measurement: **Monthly**

All complaints to be completed within 20 working days of receipt

Target for 2016/17



Forecast 2015/16

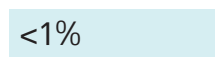


Data Quality

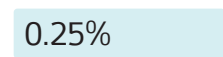
Frequency of measurement: **Quarterly**

Invalid or temporary national insurance number

Target for 2016/17

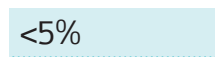


Forecast 2015/16



Member has no address

Target for 2016/17

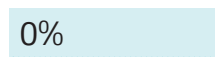


Forecast 2015/16

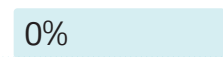


Member is active but has not made contributions for 12 months

Target for 2016/17

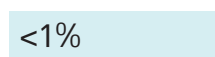


Forecast 2015/16

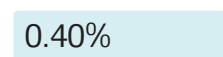


Non-active member with missing date of leaving

Target for 2016/17

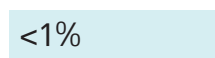


Forecast 2015/16

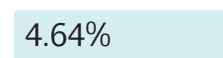


Active member has no earnings in last 12 months

Target for 2016/17

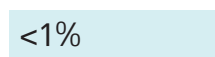


Forecast 2015/16

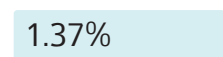


No entries in basic/pensionable/other salary

Target for 2016/17

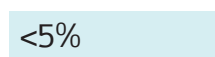


Forecast 2015/16

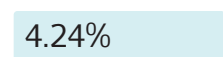


Member has no contribution history

Target for 2016/17



Forecast 2015/16



Quarterly Accounts

Frequency of measurement: **Quarterly**

Days taken to prepare quarterly accounts

Target for 2016/17



Forecast 2015/16

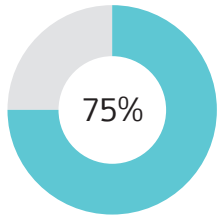


Qualifications

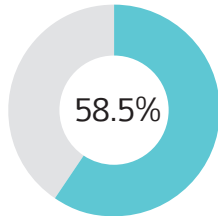
Frequency of measurement: **Quarterly**

At least 75% of staff to hold a relevant qualification

Target for 2016/17



Forecast 2015/16



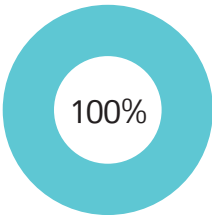
IDRP Monitoring

Frequency of measurement: **Quarterly**

New target for 2016/17

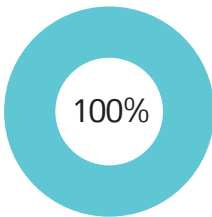
Stage 1: IDRP completed within timescales where notified

Target for 2016/17



Stage 2: IDRP decision is communicated to requestor within two months

Target for 2016/17



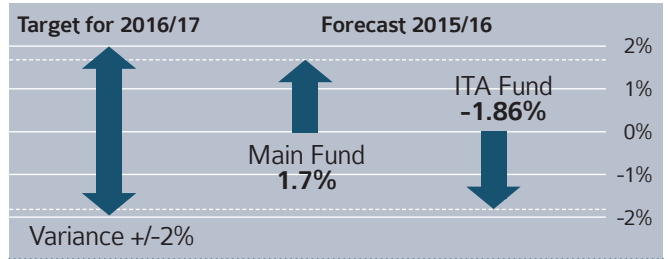
CORE OBJECTIVE 2

TO ACHIEVE TARGET INVESTMENT RETURNS

Investment Returns/ Overall Fund Performance

Frequency of measurement: **Monthly**

Returns to be within a target range of the benchmark (three-year rolling)



CORE OBJECTIVE 3

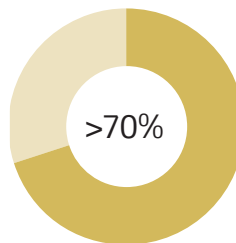
TO ENSURE THE SOLVENCY OF THE FUND AND ITS ABILITY TO PAY PENSIONS

Improve Funding Level

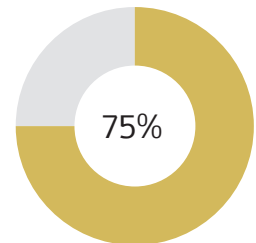
Frequency of measurement: **Annually**

Funding level to increase from current levels of 70%

Target for 2016/17



Forecast 2015/16



Cost Per Member

Frequency of measurement: **Quarterly**

Cost of administration, oversight and governance per member

Target for 2016/17



Forecast 2015/16

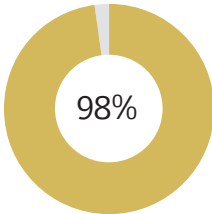


Contributions Received

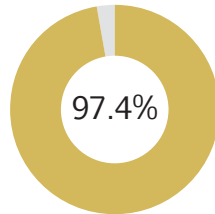
Frequency of measurement: **Monthly**

Main Fund: Contributions received by the due date (by value).

Target for 2016/17

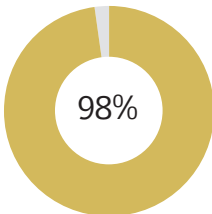


Forecast 2015/16

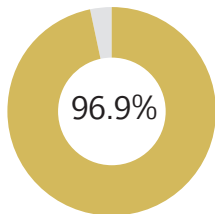


ITA Fund: Contributions received by the due date (by value).

Target for 2016/17



Forecast 2015/16



New target for 2016/17

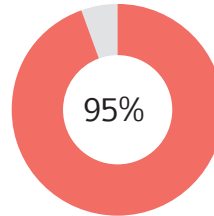
At the end of each month, the number of employers who have at least one outstanding debt more than 90 days old: Target 0%

Availability of Online Services

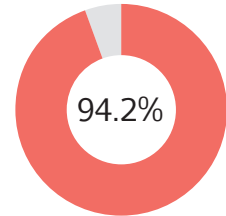
Frequency of measurement: **Monthly**

Time that website and web portal are available.

Target for 2016/17



Forecast 2015/16



Number of occurrences web portal is unavailable (per month)

Target for 2016/17



Forecast 2015/16



Number of members predicted to be registered on web portal by 31 March 2017

Target for 2016/17



Forecast 2015/16



CORE OBJECTIVE 4

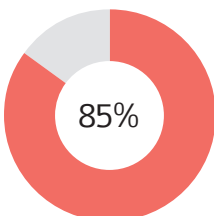
TO PROVIDE EXCELLENT CUSTOMER SERVICE

Employer and Member Service Calls

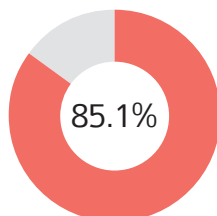
Frequency of measurement: **Monthly**

Calls to the customer helpline answered.

Target for 2016/17

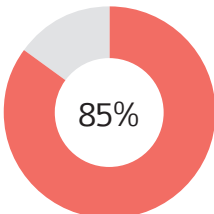


Forecast 2015/16

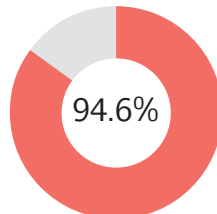


Calls to the employer helpline answered.

Target for 2016/17



Forecast 2015/16

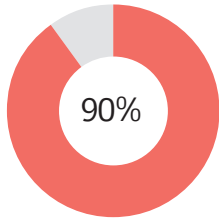


Transfers In

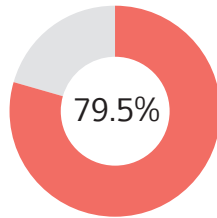
Frequency of measurement: **Monthly**

Transfer in quotations processed within ten days of receiving all the required information

Target for 2016/17

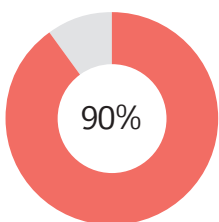


Forecast 2015/16

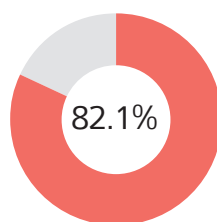


Transfer notification of transferred in membership to be notified to the scheme member within ten days of receiving payment

Target for 2016/17



Forecast 2015/16

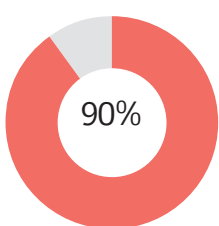


Transfers Out

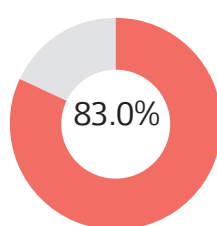
Frequency of measurement: **Monthly**

Transfer out quotations processed within 20 days

Target for 2016/17

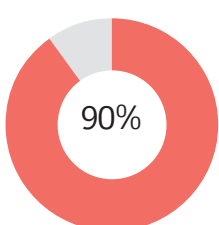


Forecast 2015/16

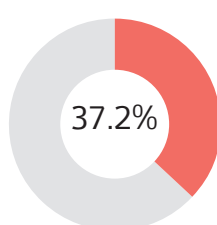


Transfer out payments processed within ten days

Target for 2016/17



Forecast 2015/16**

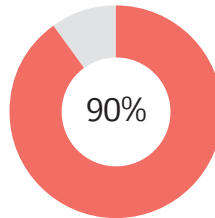


Retirements

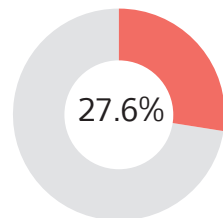
Frequency of measurement: **Monthly**

Retirement options to members within 15 days

Target for 2016/17

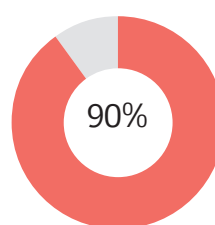


Forecast 2015/16*

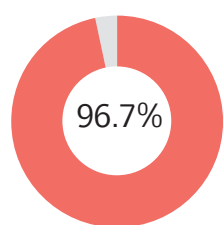


Notification of the actual retirement benefits issued to the scheme member within five days following receipt of the required information.

Target for 2016/17

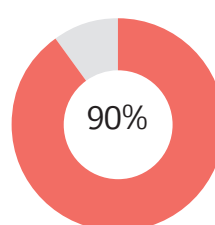


Forecast 2015/16

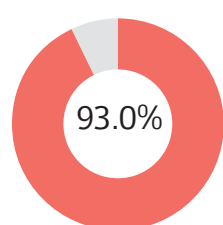


New retirement benefits processed for payment following receipt of election within five days

Target for 2016/17



Forecast 2015/16

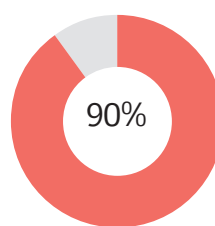


Deferred Retirements

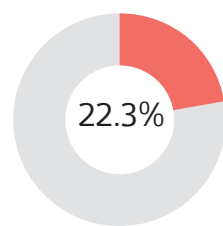
Frequency of measurement: **Monthly**

Retirement options to members within 15 days

Target for 2016/17



Forecast 2015/16***



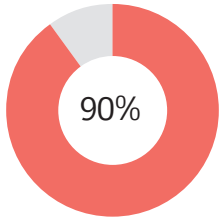
* Performance against this KPI has improved during 2015/16; in December 2015 it stood at 83.7%

** This statistic includes time when the case is with external parties and the measurement will be amended to exclude this for 2016/17

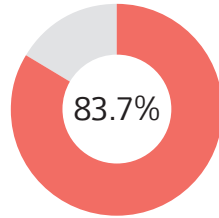
*** This statistic is based on a start date far in advance of the actual retirement date and the measurement will be amended for 2016/17

Notification of the actual retirement benefits issued to the scheme member within five days following receipt of the required information.

Target for 2016/17

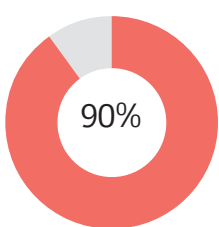


Forecast 2015/16

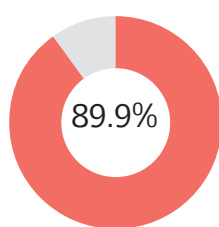


New retirement benefits processed for payment following receipt of election within five days

Target for 2016/17



Forecast 2015/16

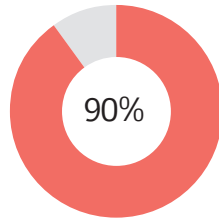


Deaths

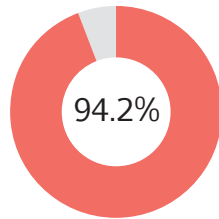
Frequency of measurement: **Monthly**

Acknowledgement of a death within five days of receiving the notification.

Target for 2016/17

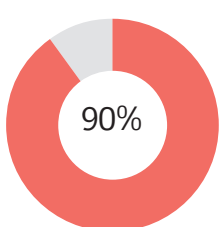


Forecast 2015/16

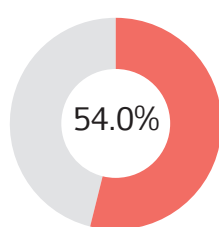


Notification of benefits payable to dependents issued within five days of receiving the required information

Target for 2016/17

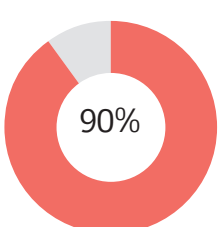


Forecast 2015/16*

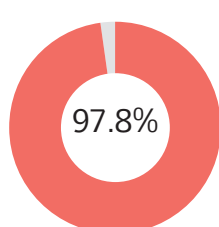


Payment of death lump-sum made within ten days of receipt of all the required information.

Target for 2016/17



Forecast 2015/16

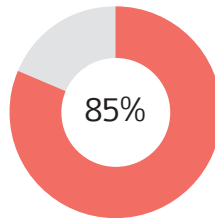


Customer Satisfaction Survey

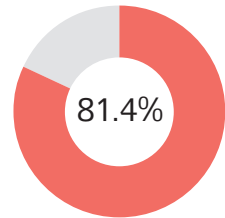
Frequency of measurement: **Quarterly**

Overall **member** satisfaction score.

Target for 2016/17

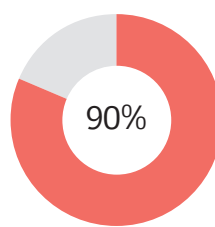


Forecast 2015/16



Overall **employer** satisfaction score

Target for 2016/17



Forecast 2015/16

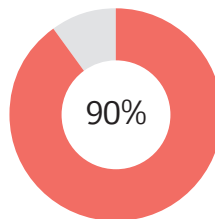


Benefit Statements

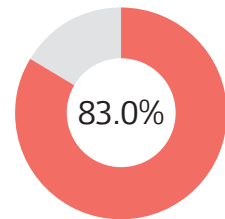
Frequency of measurement: **Annually**

Percentage of annual benefit statements issued to eligible active members by 31 August 2016

Target for 2016/17

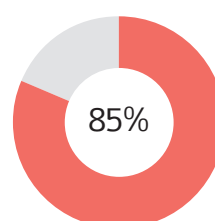


Forecast 2015/16

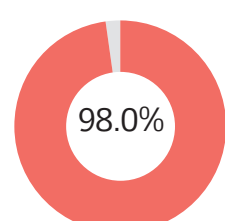


Percentage of deferred benefit statements issued to eligible deferred members by 31 August 2016

Target for 2016/17



Forecast 2015/16



RESOURCES

4

4.1 | FINANCES

The Fund's financial strategy is to hold or reduce costs in the face of increasing demands on its services. All items of expenditure are comprehensively reviewed on an annual basis, and close monitoring of the forecast outturn position with reference to the budget takes place continuously throughout the year. The Fund also forecasts its costs and income over the medium-term, reflecting the plans set out in this service plan.

The Fund's operating budget for 2016/17 is £82.1 million. Of this, £81.3 million is met by the Fund, and £750,000 by the ITA Fund. Fees paid to external investment managers are estimated at £72.8 million for the main Fund and £600,000 for the ITA Fund.

OPERATING BUDGET 2016/17 AND MEDIUM-TERM FORECASTS

	2015/16 Budget £000	2016/17 Budget £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000
Employees	4,797	5,405	5,497	5,652	5,796	5,934
Premises	328	294	299	304	309	315
Transport	60	48	49	50	51	52
Other supplies and services	836	610	617	624	631	638
Professional fees	1,529	1,823	1,605	1,637	1,935	1,708
Communications and computing	604	591	604	617	630	643
Support services	458	515	525	535	545	555
Miscellaneous income	(5)	(5)	(5)	(5)	(5)	(5)
Sub total	8,607	9,281	9,191	9,414	9,892	9,840
External investment management costs	77,000	72,800	76,609	80,488	84,459	88,523
Total	85,607	82,081	85,800	89,902	94,351	98,363
Funded by:						
- West Midlands Pension Fund	84,857	81,331	85,050	89,152	93,601	97,613
- West Midlands ITA Pension Fund	750	750	750	750	750	750
Net budget	85,607	82,081	85,800	89,902	94,351	98,363

One of the key measures for the Fund when considering the cost of administration (including oversight and governance) is the annual cost per scheme member. For 2016/17, this is estimated to stand at £23.56, an increase from the 2015/16 budgeted figure of £21.41.

COST OF ADMINISTRATION, OVERSIGHT AND GOVERNANCE PER SCHEME MEMBER

	2015/16 Budget	2016/17 Forecast	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2019/20 Forecast
Main Fund						
Total administration, oversight and governance costs (£000)	6,043	6,766	6,628	6,787	7,213	7,108
Cost of administration, oversight and governance per member (£)	21.41	23.56	22.77	23.00	24.11	23.44
ITA Fund						
Total administration, oversight and governance costs (£000)	120	120	120	120	120	120
Cost of administration, oversight and governance per member (£)	23.34	23.34	23.34	23.34	23.34	23.34

MEDIUM-TERM FORECASTS: MAIN FUND

The following table provides forecasts for the whole Fund over the medium-term, including projections for pension payments, contributions and investments in addition to the operating budgets.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Contributions and benefits						
Contributions receivable	(490.5)	(512.0)	(517.0)	(525.8)	(534.9)	(540.6)
Other income	(15.9)	(15.9)	(16.2)	(16.5)	(16.8)	(17.1)
Total contributions and other income	(506.4)	(527.9)	(533.2)	(542.3)	(551.7)	(557.7)
Benefits payable						
Benefits payable	511.3	526.2	551.9	578.4	605.8	634.0
Other payments	0.4	0.4	0.4	0.4	0.4	0.4
Total benefits and other expenditure	511.7	526.6	552.3	578.8	606.2	634.4
Net reductions from dealings with members	5.3	(1.3)	19.1	36.5	54.5	76.7
Returns on investments						
Investment income	(159.9)	(158.7)	(166.9)	(175.3)	(183.9)	(192.7)
Changes in value of investments	159.9	(521.3)	(548.4)	(576.0)	(604.3)	(633.1)
Net return on investments	-	(680.0)	(715.3)	(751.3)	(788.2)	(825.8)
Management expenses	84.9	81.3	85.1	89.2	93.6	97.6
Net increase in the Fund during the year	90.2	(600.0)	(611.1)	(625.6)	(640.1)	(651.5)
Net assets of the Fund at the beginning of the year	11,464.0	11,373.8	11,973.8	12,584.9	13,210.5	13,850.6
Net assets of the Fund at the end of the year	11,373.8	11,973.8	12,584.9	13,210.5	13,850.6	14,502.1

MEDIUM-TERM FORECASTS: ITA FUND

The following table provides forecasts for the ITA Fund over the medium-term, including projections for pension payments, contributions and investments in addition to the operating budgets.

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Contributions and benefits						
Contributions	(10.2)	(10.3)	(10.4)	(10.6)	(10.8)	(10.9)
Other employer contributions	(2.7)	(2.8)	(2.8)	(2.9)	(2.9)	(2.9)
Total contributions and other income	(12.9)	(13.1)	(13.2)	(13.5)	(13.7)	(13.8)
Benefits payable	28.7	29.0	29.9	30.8	31.7	32.7
Other payments	0.9	-	-	-	-	-
Total benefits and other expenditure	29.6	29.0	29.9	30.8	31.7	32.7
Net reductions from dealings with members	16.7	15.9	16.7	17.3	18.0	18.9
Returns on investments						
Investment income	(17.1)	(16.5)	(16.9)	(17.2)	(17.6)	(18.0)
(Gains)/losses in value of investments	17.1	(11.0)	(11.2)	(11.5)	(11.7)	(12.0)
Return on investments	-	(27.5)	(28.1)	(28.7)	(29.3)	(30.0)
Management expenses	0.8	0.8	0.8	0.8	0.8	0.8
Net increase in the Fund during the year	17.5	(10.8)	(10.6)	(10.6)	(10.5)	(10.3)
Opening Fund balance	474.9	457.4	468.2	478.8	489.4	499.9
Closing Fund balance	457.4	468.2	478.8	489.4	499.9	510.2

4.2 | PEOPLE AND SKILLS

Having the right people, with the right skills, is fundamental to our work. This applies equally to our employees and our trustees, and we have put in place a rigorous system to develop and maintain their skills and knowledge. This includes regular, structured training and briefing sessions, providing support for formal professional qualifications, and encouraging people to undertake self-directed learning and development wherever possible. In addition, we actively support our employees in complying with their relevant professional institute’s continuous professional development requirements.

The skills and knowledge framework in place at the Fund is based upon the CIPFA Knowledge and Skills Framework, which identifies six core technical requirements, as set out below. We will report on the amount of training undertaken throughout the year through our key performance indicators.

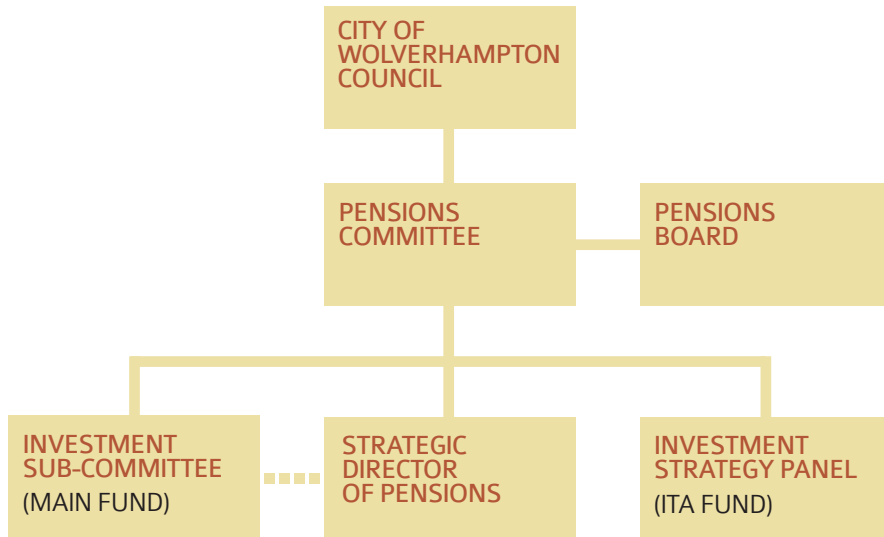
- Pensions legislation and governance context
- Pension accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

We have an approved establishment of 127.5 full-time equivalent (FTE) employees, located across four departments, as follows:

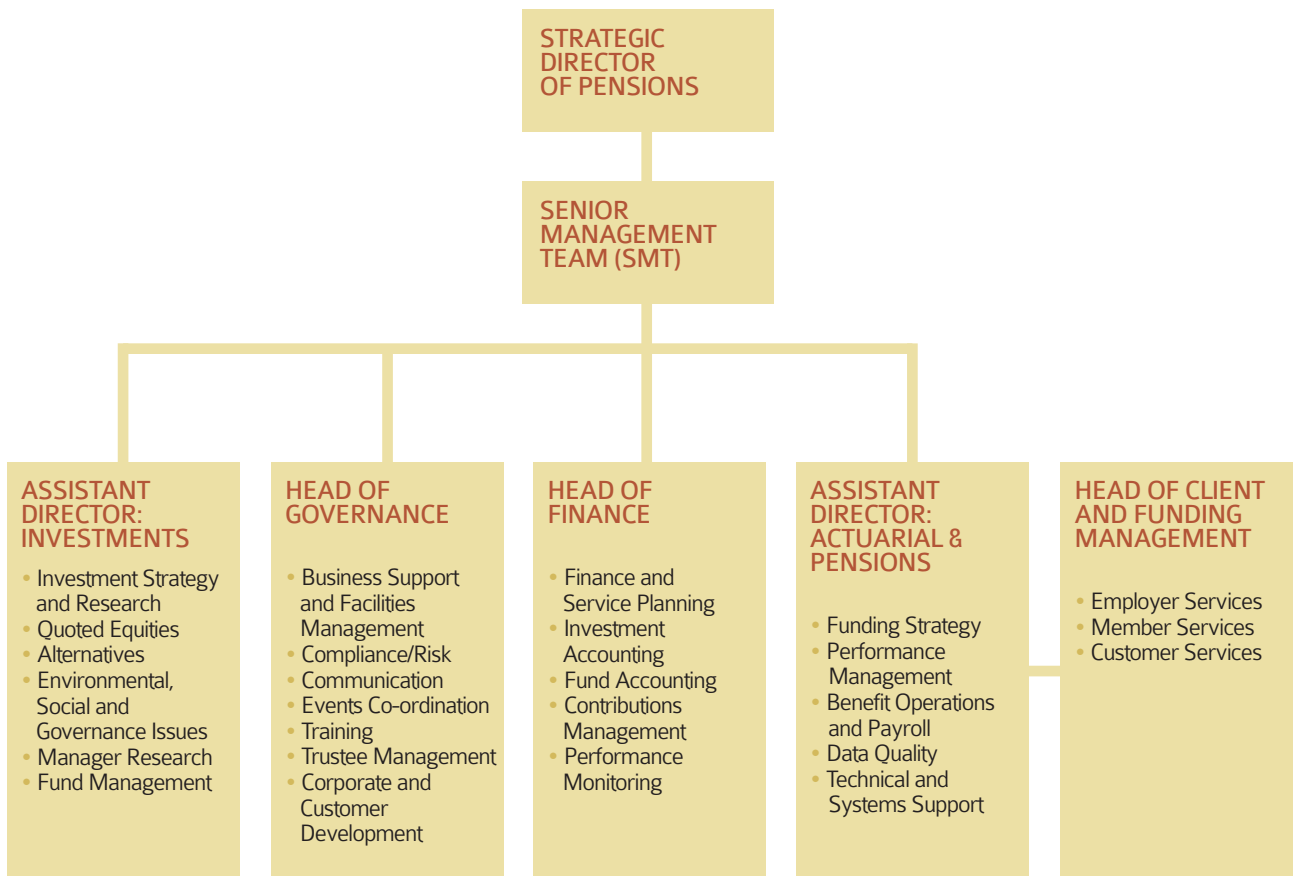
	FTE
Strategic Director	1.0
Administration	86.0
Governance	11.0
Finance	12.5
Investments	17.0
	127.5



OPERATIONAL ORGANISATION



The pensions service is structured as follows:



4.3 | RISK MANAGEMENT



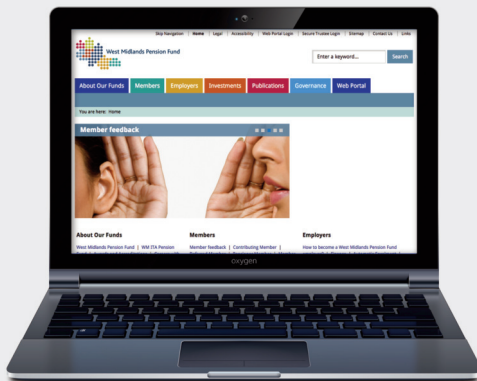
Risk management is a critical part of the Fund's work. We have a comprehensive risk register, which is reviewed on an annual basis, with detailed monitoring being carried out quarterly. It is also made available to both our internal and external auditors.

There are clear structures and accountabilities at the Fund, which feed into and support those of our administering authority. A full programme of internal audit work is agreed ahead of each financial year, and carried out throughout the year. We also have an internal compliance team, who put in place and monitor extensive internal compliance procedures.

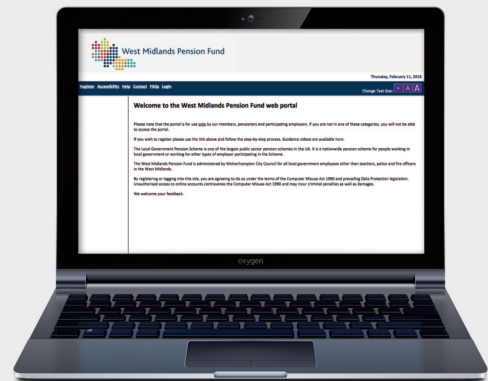
Investment risk is a particular area of focus for us, and this is managed in a number of ways, including ensuring appropriate diversification, monitoring of asset performance and risk, due diligence and monitoring of investment managers, and segregation of duties. To assist with this, the Fund operates an Investment Strategy Panel, whose role is to provide independent scrutiny and advice by qualified professionals.

OTHER INFORMATION

5



wmpfonline.com



wmpfonline.com/webportal

LINKS TO KEY DOCUMENTS

- [Annual Report](#)
- [Funding Strategy Statement](#)
- [Statement of Investment Principles](#)
- [2013 Valuation Report](#)
- [Communications Policy Statement](#)
- [Customer Engagement Strategy](#)
- [Governance Compliance Statement](#)
- [Pensions Administration Strategy](#)
- [Responsible Investment Framework](#)
- [Risk Register](#)

KEY CONTACT DETAILS

West Midlands Pension Fund

PO Box 3948
Wolverhampton
WV1 1XP

t: 0300 111 1665

e: pensionfundenquiries@wolverhampton.gov.uk

w: wmpfonline.com

@wmpfonline

CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Committee

16 March 2016

Report title	Internal Audit Plan 2016 - 2017	
Originating service	Pensions	
Accountable employee(s)	Amanda McDonald Tel Email	Client Lead Auditor 01902 550411 Amanda.mcdonald@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Committee is asked to note:

1. The internal audit plan for 2016-2017

1.0 Purpose

- 1.1 To provide Committee with the outline work programme for internal audit for 2016 – 2017.

2.0 Background

- 2.1 The purpose of internal audit is to provide the Strategic Director, Section 151 Officer and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review the risk management and governance processes.

3.0 Progress, options, discussion, etc.

- 3.1 A copy of the agreed work plan for 2016 – 2017 is attached at Appendix 1

4.0 Financial implications

- 4.1 There are no financial implications

5.0 Legal implications

- 5.1 Outlined in the report and appendix

6.0 Equalities implications

- 6.1 There are no implications

7.0 Environmental implications

- 7.1 There are no implications

8.0 Human resources implications

- 8.1 There are no implications

9.0 Corporate landlord implications

- 9.1 There are no implications

10.0 Schedule of background papers

- 10.1 None

11.0 Appendices

- Appendix 1 – Audit plan 2016 - 2017



Internal Audit Plan - 2016/17



delivered by City of Wolverhampton Council - Audit Services

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2	Assessing the effectiveness of risk management and governance	4
3	Assessing the effectiveness of the system of control	4
4	The assessment of assurance needs methodology	5
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6	Developing an internal audit plan	6
7	Considerations required of the Pensions Committee and senior management	7
8	How the internal audit service will be delivered	7
9	The internal audit plan	9

Step 1- Audit universe/auditable areas

Identify the audit universe (i.e. a list of themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) as having the potential to impact upon the Fund's ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Key Financial Systems, such as any work undertaken to assist the external auditors.
- Areas where we use auditor's knowledge, management requests and past experience etc.



Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 – Three year cycle

Consider the likely medium and high assurance need themes and/or areas for the next three years. High need themed areas will be reviewed annually, medium need usually once in a three year cycle, while a watching brief will remain on the low needs.



Step 4 – 2016/17 Plan

List the themes and where appropriate the types of work that will be undertaken in 2016/17 in the internal audit plan.

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Source: The Public Sector Internal Audit Standards

Governance

The arrangements in place to ensure that the Fund fulfils its overall purpose, achieves its intended outcomes and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Fund's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Fund and the reporting of financial management
- the performance management of the Fund and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing
- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

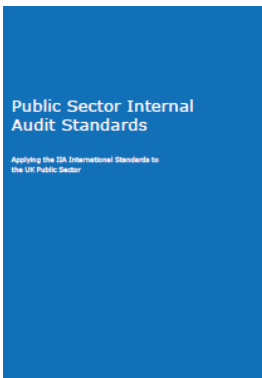
Pensions Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Fund's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team comply with the standards as laid out in the Public Sector Internal Audit Standards that came into effect on 1 April 2013.

1 Introduction

- 1.1 The purpose of internal audit is to provide the Strategic Director, Section 151 Officer and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, we are required to review the risk management and governance processes. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- 1.2 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. Wolverhampton Audit Services have an internal audit charter which was approved by the Council's Audit Committee and defines the activity, purpose, authority and responsibility of internal audit, and establishes its position within the organisation. This plan sits alongside the charter, and helps determine how the internal audit service will be developed.
- 1.3 The purpose of this document is to provide an internal audit plan, based upon an assessment of assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Fund's operations which are assessed as generating the greatest risk to the achievement of the Fund's objectives.

2 Assessing the effectiveness of risk management and governance

- 2.1 The effectiveness of risk management and governance will be reviewed when appropriate and on an individual audit basis, in order to gather evidence to support our opinion to the Pensions Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

3 Assessing the effectiveness of the system of control

- 3.1 In order to be adequate and effective, management should:

- Establish and monitor the achievement of the Fund's objectives.
- Identify, assess and manage the risks to achieving the Fund's objectives.
- Ensure the economical, effective and efficient use of resources.
- Ensure compliance with established policies, procedures, laws and regulations.
- Safeguard assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
- Ensure the integrity and reliability of information, accounts and data.

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control.

4 Assessment of assurance needs methodology

- 4.1 Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Fund and the key risks that it faces. Activities that contribute significantly to the Fund’s internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative risk value. The purpose of this approach is to enable the delivery of assurance to the Fund over the reliability of its system of control in an effective and efficient manner.
- 4.2 We have undertaken our assessment using the following process:
- We identified the core objectives of the Fund and, where available, the specific key risks associated with the achievement of those objectives.
 - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
 - We assigned risk values to the auditable themes and areas, based on the evidence we obtained.
- 4.3 The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2016/17 financial year and is detailed at the end of this document.

5 The assessment of assurance need - identifying the Fund’s objectives and the associated risks

5.1 The internal audit plan aligns to the Fund’s own business priorities as follows:

- To improve our funding level
- To provide excellent customer service
- To achieve target investment returns
- To become a top performing fund

The Fund has identified the 10 top strategic risks as potentially impacting upon its ability to achieve its objectives:

Liabilities need to be orphaned across the Fund’s remaining employers in the event of an employer failing.	Fund does not achieve investment returns
Pension benefits are calculated with inaccurate or incomplete data	Fund breaches Information Security and Data Quality regulations
The Fund does not compete the Guaranteed Minimum pension reconciliation	Lack of independence between the fund, elected members and Pensions Board representatives from their authorities
Future liabilities increase	The Fund cannot continue to operate following a disaster, IT incident or data loss.
Failure to adhere to statutory requirements	Change in government policy / LGPS reforms

Assessing the risk of auditable areas within the assurance framework

5.2 Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”

Source: Economist Intelligence Unit - Executive Briefing.

5.3 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our consideration for each auditable area and are based on the following factors:

- Materiality
- Business impact
- Audit experience
- Risk
- Potential for fraud

5.4 In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

6 Developing an internal audit plan

6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Fund's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.

6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year.

7 Considerations required of the Pensions Committee and Senior Management

- Are the objectives and key risks identified consistent with those recognised by the Fund?
- Does the plan include all the themes which would be expected to be subject to internal audit?
- Does the plan cover the key risks as they are recognised?
- Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?

8 How the internal audit service will be delivered

Communication of results

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

Staffing

The internal audit service is provided by the City of Wolverhampton Council's Audit Services. Its employees are recruited, trained and provided with opportunities for continuing professional development. All employees are subject to the Council's appraisal scheme, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by relevant (i.e. CIPFA, CIIA) professional standards. These arrangements are set out in the Public Sector Internal Audit Standards and require that all working papers and reports are subject to thorough review by professionally qualified accountancy (CCAB) staff.

The City of Wolverhampton Council internal audit team

The City of Wolverhampton Council and Sandwell Metropolitan Borough Council have entered into a unique shared service arrangement for their internal audit, risk, fraud and related services. The shared service has a wide and varied customer base including the two local authorities, West Midlands Fire Service, West Midlands Pension Fund, Sandwell Leisure Trust, a number of school academy convertors and a new mutual organisation. We have also entered into a new partnership arrangement with Centro. Our aim is to add real benefits to our customers in their key areas of audit, governance, control, counter fraud and risk.

Our current customer base includes:



CITY OF
WOLVERHAMPTON
COUNCIL



Sandwell
Metropolitan Borough Council



WEST MIDLANDS FIRE SERVICE



West Midlands Pension Fund



centro
transforming public transport



We can provide a range of services including:

- internal audit
- fraud and corporate investigations service
- risk management
- assurance mapping
- partnership governance
- consultancy/advice
- targeted training
- insurance services
- health and safety service

9 Internal Audit Plan – 2016/17

The following planned audit reviews have been discussed with senior management and are predominantly based on the key risks identified in the latest risk register. More detailed scoping of each review will take place prior to its commencement. There is also the opportunity to undertake any additional audit work as requested on a consultancy basis.

ANA = assessment of audit need (high, medium or low)

Pensions Administration	ANA
Covenant Monitoring - A review of arrangements to ensure that covenants are obtained in accordance with established procedures and appropriately monitored.	high
Review of Pensions Administration Strategy (PAS) – A review to ensure that the Fund adheres to conditions set out in the PAS.	high
Data Quality – A review of the processes to ensure the accurate receipt and processing of member information.	high
Internal Disputes Resolution Procedure – A review of the effectiveness of systems established to progress and resolve disputes.	high
Pensions Investments	
External Managers Reporting Arrangements - A review of procedures for the receipt, monitoring and evaluation of internal control reports from external managers.	medium
Transition Arrangements - Pooled investments (this will be dependent on project progress / timescales).	high
Governance	
Pensions Board – A review of governance arrangements.	high
Safeguarding – A review of current procedures and assistance in the development of a policy regarding the Fund’s responsibility for ensuring vulnerable members are transferred to appropriate services.	high (manager request)
Finance	
Agresso Operations – A review of the new finance systems – accounts payable and receivable, general ledger, access arrangements, processing and reporting routines.	high
Debt Monitoring Arrangements – A review of procedures for the progression and recovery of outstanding debts.	high
Key Financial Systems – Annual assurance audits to confirm that key controls within systems have been operating satisfactorily throughout the year. This includes payroll, members’ contributions, employers’ contributions, benefit calculations, income and expenditure controls (settlements procedures).	annual reviews

Corporate Activities	
Counter Fraud	In accordance with the Cabinet Office requirements, we also lead on the National Fraud Initiative's data matching exercise. Also, if required we can undertake investigations into areas of suspected fraudulent activity and undertake a series of organisation wide pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity, maintenance of a fraud risk register, completing returns and benchmarking for national anti-fraud drives etc.
Recommendation - Follow up	The follow up review of key audit recommendations made in 2015/16.
Contingency and Consultancy (as and when required)	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Pensions Committee	Preparation and presentation of papers for committee, and providing technical updates, advice and training to committee members as and when required.
Management	Day to day management of the internal audit service, quality control, client and External Audit liaison and preparation for, and attendance at various senior officer meetings.



Pensions Committee

16 March 16

Report title	Risk and compliance monitoring 1 October 2015 – 31 December 2015	
Originating service	Pension Services	
Accountable employee(s)	Emma Bland Tel Email	Compliance and Risk Manager 01902 554387 emma.bland@wolverhampton.gov.uk
Report has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to:

1. Note the top ten risks for West Midlands Pension Fund.
2. Note the compliance issues that have arisen during the quarter and resolutions put in place.

1.0 Purpose

- 1.1 To provide the Pensions Committee with the Fund's top ten risks and feedback on the quarterly compliance monitoring programme.

2.0 Risk register

- 2.1 The Fund's top ten risks are shown in Appendix 1. Detailed risk registers are separately maintained for each department of the Fund by Compliance.
- 2.2 The Fund's risks are assessed using a 5 x 5 scoring matrix to decide how likely they are to occur and how much of an impact they would have; the matrix is shown in Appendix 2.
- 2.3 Risk PA8 ("Failure to adhere to statutory requirements/LGPS regulations") has been replaced with PA9 ("Failure of electronic data and information exchange"), as it is felt that PA9 currently poses a greater risk, as our reliance on software grows. As we rely more and more on electronic data, e.g. for annual returns, the need for Web Portal to be fully functioning becomes essential. Additionally we are hugely dependent on Civica providing some programming, to enable us to extract valuation data in bulk.

3.0 Compliance monitoring programme

- 3.1 The Fund has in place a programme, which aims to ensure its internal and external operations meet acceptable standards and where possible best practice.
- 3.2 The programme is directly linked to the risk register; testing the effectiveness of the controls in place to manage and mitigate risks.
- 3.3 The results of the tests carried out for the October to December 2015 quarter are summarised below on an exception reporting basis.

3.4 Exception reporting

Out of all of the tests carried out, the following was found:-

3.4.1 Finance

One of the compliance tests is to ensure that contributions are received by the 19th of the following month for past and future service contributions.

For 2014-15 past service contributions, amounts totalling £975k are outstanding from 64 employers. (This represents 0.68% of 2014-15's total past service contributions.) We are following this up and monitoring at fortnightly intervals. Late payment of contributions is potentially reportable under The Pensions Regulator's Code of Practice; the Fund will assess whether to take this approach.

For future service contributions, finance maintains contribution monitoring sheets for each employer. To enable testing to be carried out, Compliance is working with finance to improve the monitoring of contributions including building a summary monitoring sheet, to cover all payments and supporting data. This work is still in progress and is expected to be finished by 13 May 2016.

3.4.2 Governance

There were two breaches during the quarter which involved personal data being provided to the wrong recipient. These were one-off cases due to human error and were reported to the Council in accordance with internal procedures.

3.4.3 Finance/investments

Corporate actions – 3 corporate actions were missed during the quarter. This was due to administrative error. A new electronic process has been implemented to ensure this does not happen again.

4.0 Audit against Financial Conduct Authority (FCA) Standards

4.1 The Fund is not required to be FCA registered at present but follows FCA guidance for best practice. As such, a framework has been in place for over 10 years; Deloitte assisted with its implementation and have since provided support with any changes and developments.

4.2 However, between now and 1 July 2016, Compliance will be undertaking a project to fully assess the Fund's compliance against FCA standards. Squires Patton Boggs will independently review this work to ensure there are no gaps. Following this, the Fund will be able to consider whether improvements need to be made.

5.0 Financial implications

5.1 Financial implications are outlined in the body of the report.

6.0 Legal implications

6.1 Risk management

6.1.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 12(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009*.

6.1.2 The Pensions Committee, as the body charged with governance of the administering authority's pensions operations, takes the responsibility for ensuring that there is effective risk management over those operations.

6.2 Regulator's code of practice

The code of practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

7.0 Equalities implications

7.1 This report contains no direct equal opportunities implications.

8.0 Environmental implications

8.1 This report contains no direct environmental implications.

9.0 Human resources implications

9.1 The report contains no direct human resource implications.

10.0 Corporate Landlord

10.1 There are no corporate landlord implications.

11.0 Schedule of background papers

11.1 Agenda item no. 11 at the 9 December 2015 Pensions Committee: Risk and compliance monitoring 1 July 2015 to 30 September 2015, which can be found at: -
<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4826&Ver=4>

12.0 Schedule of Appendices

12.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key

PENSIONS ADMINISTRATION RISKS																	
Top 10	Objective at risk	Details of risk, including consequences			Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Risk Movement	Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating				
Top 10	To improve our funding level	Pensions Administration	PA2	Liabilities need to be orphaned across the Funds remaining employers in the event of an employer failing.	High (4)	High (4)	High (16)	1. All new employer bodies need to have a suitable guarantee/covenant in place prior to being admitted into the scheme.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)		1. Quarterly	Apr 16	Head of Client & Funding Management
								2. Monitoring is carried out on existing employers and the covenant strength is assessed and each employer is risk rated.	2. In progress	60%					2. Quarterly		Head of Pensions Administration
								3. Higher risk employers are monitored closely by the Employer Team.	3. In progress	80%					3. Quarterly		Head of Pensions Administration
								4. Where there are concerns, the Fund opens dialogue with the relevant employers and where possible, arranges face-to-face meetings to explore their situation in more detail. Once the Fund has a more detailed understanding of the situation, it will discuss the possibility of the provision of additional security by those organisations to further strengthen their covenant.	4. In progress	30%					4. Quarterly		Head of Pensions Administration
Top 10	To provide excellent customer service	Pensions Administration	PA3	Pension benefits are calculated with inaccurate or incomplete data (leading to under/overpayments)	Medium (3)	Very high (5)	High (15)	1. Robust process in place to ensure accuracy of calculations, including officer checking.	1. Implemented	100%	Medium (3)	High (4)	Medium (12)		1. Quarterly	Apr 16	Assistant Director (Actuarial & Pensions)
								2. Induction training to ensure officers are suitably skilled, as well as regular staff training to raise awareness of the importance of data quality.	2. Implemented	100%					2. On-going	N/A	
								3. Data quality reviews of common and conditional data in place and reported to Committee half yearly in line with other TPR reporting requirements.	3. Implemented	100%					3. Quarterly	Apr 16	
								4. The PAS sets out expectations and requirements of employers in relation to data quality.	4. Implemented	100%					4. Annually	Mar 16	
								5. Communication with employers at AGM to stress the importance of complete and accurate data.	5. Implemented	100%					5. Annually	Dec 16	
								6. Data validation checks undertaken:- (a) by actuary at valuation (b) through National Fraud Initiative (c) through Millennium Halo	6. (a) Implemented (b) Implemented (c) Implemented	100% 100% 100%					6. (a) Triennially (b) Every 2 years (c) Monthly	Mar 16 Mar 16 Feb 16	
								7. Web portal in place for members to input their details directly, removing employee human error.	7. Implemented	100%					7. On-going	N/A	
								8. Bulk data import in place for employers to load their joiners data straight to the Fund's system - reviewed at Employer Peer Group	8. Implemented	100%					8. Quarterly	Apr 16	
								9. Plan to move to bulk data import in progress, for employers to load their member changes data straight to the Fund's system in line with proposal for monthly returns instead of annual returns.	9. Proposed	0%					9. Quarterly	Apr 16	
								10. Individual member changes and individual early leavers data can be loaded straight to the Fund's system by employers.	10. Implemented	100%					11. Quarterly	Apr 16	
								Top 10	To provide excellent customer service	Pensions Administration					PA5	The Fund does not complete the Guaranteed Minimum Pension (GMP) reconciliation.	
2. Initial analysis has been completed - first stage completed.																	
3. The Fund engaged ITM to do more analysis to identify the gaps and a report was received from ITM end of November. The Fund is now formulating a plan.																	
4. Progress of the project is reported monthly to the Senior Management Team.																	
5. Report to Pensions Committee quarterly.																	

WEST MIDLANDS PENSION FUND RISK REGISTER

Top 10	To improve our funding level	Pensions Administration	PA7	Future liabilities increase	High (4)	High (4)	High (16)	1. The Fund undergoes a triennial valuation, in conjunction with the Fund's actuary. Although liabilities will increase, controls are put in place to ensure assets keep pace with liabilities.	1. Implemented	100%	Medium (3)	High (4)	Medium (12)		1. Triennially	Mar 16	Assistant Director (Actuarial & Pensions)
								2. Life expectancy: Although there is no life expectancy hedging, a prudent allowance is built into the actuarial assumption, for life expectancy to improve.	2. Implemented	100%					2. Triennially		
								3. Inflation and wage and salary inflation: The Fund invests in index-linked bonds and the PIP, which provides an index linked income stream.	3. Implemented	100%					3. Triennially		
								4. Interest rates: Investment returns are monitored quarterly with liabilities in mind.	4. Implemented	100%					4. Quarterly		
Top 10	To provide excellent customer service	Pensions Administration	PA9	Failure of electronic data and information exchange	High (4)	High (4)	High (16)	1. Weekly calls to Civica and weekly alerts are also provided to the Fund by Civica - through this, issues are raised and can be followed up	1. Implemented	100%	Medium (3)	Medium (3)	Medium (9)		Quarterly	Apr 16	Assistant Director (Actuarial & Pensions)
								2. LGPS funds have formed a network to share issues	2. In progress	80%							
								3. Fund to formulate a Civica service improvement strategy	3. In progress	60%							
								4. In-house resource review. Enhancing the Fund's skill set on electronic data and information exchange.	4. In progress	20%							

INVESTMENT RISKS

Top 10	Objective at risk	Details of risk, including consequences			Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)				Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating				
Top 10	To achieve target investment returns	Investments	11	Investment strategy is implemented poorly.	High (4)	Medium (3)	Medium (12)	1. Planning by staff. 2. The asset allocation/strategy are reviewed annually with reference to the FSS and SIP, to ensure that they continue to reflect each other. 3. Pensions Committee (PC), Investment Advisory Sub-Committee (IASC), Investment Advisory Panel (IAP) oversight. For the Integrated Transport Authority (ITA) - Investment Strategy Panel (ISP) oversight.	Implemented	100%	High (4)	Low (2)	Medium (8)		1. Annually 2. Annually 3. Quarterly	Jun 16 Jun 16 Jun 16	Assistant Director - Investments

GOVERNANCE RISKS

Top 10	Objective at risk	Details of risk, including consequences			Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)				Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating				
Top 10	To become a top performing fund	Governance	G1	The Fund breaches Information Security and Data Quality regulations.	High (4)	Very high (5)	High (20)	1. Continuous staff training on data protection 2. In-depth training for senior managers on information governance. 3. There is an information governance project underway in preparation for an information governance audit in December. 4. Data encryption and password protection 5. Use of file transfer protocol 6. All information security breaches are reported and any systemic issues are identified and corrected. 7. System back-up to protect against data loss. 8. A data improvement plan taken to the Dec 15 PC and Jan 16 Pensions Board (PB) 9. A dedicated data team is being set-up, as part of the Pensions Administration structure review.	1. Implemented 2. Implemented 3. Implemented 4. Implemented 5. Implemented 6. Implemented 7. Implemented 8. Implemented 9. In progress	100% 100% 100% 100% 100% 100% 100% 100% 60-70%	Medium (3)	High (4)	Medium (12)		Annually	Dec 16 Dec-16	Head of Governance/ Assistant Director (Actuarial & Pensions)

WEST MIDLANDS PENSION FUND RISK REGISTER

Top 10	To become a top performing fund	Governance	G2	Lack of independence between the Fund, elected members and pension board representatives from their authorities, resulting in poor decision making	High (4)	High (4)	High (16)	1. Full trustee induction training is provided to members on joining the Pensions Committee and Pensions Board to inform them of their duties and responsibilities.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)		Quarterly	Apr 16	Head of Governance
								2. There are sufficient numbers on the Committee to ensure that the Fund's interests are put before individual authorities.	2. Implemented	100%							
								3. Members are bound by codes of conduct.	3. Implemented	100%							
								4. Conflicts of interest policy in place for Pensions Committee and Pensions Board.	4. Implemented	100%							
								5. All districts are represented and have voting powers.	5. Implemented	100%							
								6. Clear delegation of authority within the Council and the Fund's separate constitutions, setting out the roles and responsibilities of the Fund.	6. Implemented	100%							
								7. Conflicts of interest policy in place for Pensions Committee and Pensions Board.	7. Implemented	100%							
Top 10	To provide excellent customer service	Governance	G3	The Fund cannot continue to operate and deliver its priority services following a disaster, IT incident or data loss scenario.	High (4)	Medium (3)	Medium (12)	1. Business continuity plan in place for incidents which deny access to Mander House. Includes ability to access systems from home. The plan is regularly reviewed and tested.	1. Implemented	100%	Medium (3)	Medium (3)	Medium (9)		Annually	Feb 16	Head of Governance
								2. WCC has 2 servers at a primary site (the Civic Centre) and 2 servers at a secondary site (Stafford County Council). The Fund's data is mirrored at both sites.	2. Implemented	100%							
								3. Testing of the business continuity plan by WCC is in the early stages. Compliance and Risk Team to liaise with WCC's IT department, to ensure testing takes place. WMPF to conduct live test on relocation.	3. In progress	10%							
Top 10	All objectives	Governance	G7	Change in government policy/LGPS reforms	Very high (5)	High (4)	High (20)	1. The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds.	1. Implemented	100%	High (4)	High (4)	High (16)		Monthly	Feb 16	Strategic Director of Pensions

The Fund uses a 5-point scoring system to assess the likelihood and impact of the risks it identifies.

Likelihood	Definition	Scale	Value
Very high	Extremely likely to occur	71-99% chance	5
High	Fairly likely to occur	51-70% chance	4
Medium	Possible it may occur	31-50% chance	3
Low	Low but not impossible	11-30% chance	2
Very low	Very low but not impossible	Up to 10% chance	1

Impact	Definition	Scale	Value
Very high	Cannot achieve one or more objectives	Showstopper	5
High	Large impact on objectives	Major shortfalls	4
Medium	Medium impact on objectives	Some shortfalls	3
Low	Low impact on objectives	A few shortfalls	2
Very low	Very low impact on objectives	Few shortfalls of a limited nature	1

Pensions Committee

16 March 2016

Report title	Trustee Training Update Report	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel:	01902552020
	Email:	Geik.drever@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Agree the training timetable and dates for structured training throughout 2016/17

1.0 Purpose

- 1.1 To provide Committee with information regarding Trustee's duties to undertake training and development.
- 1.2 To provide proposals for how the Fund will deliver training.

2.0 Background

- 2.1 The West Midlands Pension Fund ("The Fund") aims to achieve good standards of governance in line with or exceeding best practice built around four key elements:
 - Pensions Committee and Investment Advisory Sub Committee
 - Pension Board
 - Trade union representation and provision of information
 - Advisors and officers
- 2.2 A major factor in the governance arrangements of the Fund is to ensure that Members of its committees, the Pension Board and officers have the relevant skills and knowledge required to take decisions on behalf of members by applying the CIPFA Knowledge and Skills Framework.
- 2.3 Six areas of knowledge and skills have been identified as core technical requirements for those Members associated with LGPS pension funds:
 - pensions legislation and governance context
 - pension accounting and auditing standards
 - financial services procurement and relationship management
 - investment performance and risk management
 - financial markets and products knowledge
 - actuarial methods, standards and practices
- 2.4 It is not the intention that Members of these groups should individually become technical experts, but that collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.
- 2.5 However, training and development is a personal responsibility of all persons appointed to sit on the Pension Committees and a pension board, and this should be considered when undertaking these duties.
- 2.6 To date, Trustees have achieved a total of 541.5 hours training with the addition of 15 hours to be added to each Trustee attending the training in London at the end of the month. A breakdown of individual training hours is attached at Appendix 1.

3.0 Proposals for Trustee Training

- 3.1 The agreed Trustee Training Policy will apply to all committee members.

- 3.2 Committee Members will be expected to undertake the following training
- 1 day induction session (for new or returning members)
 - 3 days structured training
 - 1 conference/seminar per trustee
 - 1 hour training each committee
 - 20 hours minimum per annum self-reading (which may include the Fund's media roundup)
 - 1-2-1 training to be offered where Trustees are unable to attend a group session
- 3.4 Where possible training will be offered on a joint basis with the pension board to facilitate good working relationships and shared understanding.
- 3.5 The proposed training program will be reviewed in consideration of differing circumstances throughout the year, e.g. legislative changes, Trustee requests etc.
- 3.6 In addition to the training offered, Trustees are encouraged to complete the Pension Regulator's Trustee Toolkit for local government schemes and a personal training record should be maintained for each Member to enable annual reporting. These will be requested quarterly by the Trustee Management Officer.
- 3.7 Attached at Appendix 2 is the proposed timetable and dates for the structured training events to be held throughout 2016/17
- 4.0 Financial implications**
- 4.1 The budget for Trustee training is incorporated within the fund's administration budget. There are no additional implications to that budget contained within this report.
- 5.0 Legal implications**
- 5.1 The requirements for training are set out in the profession's code of practice guidelines. Pension Board members have a duty under the statutory guidance to ensure they have the required knowledge and skill to undertake their roles.
- 5.2 Failure to adhere to these duties may result in challenge from external parties. There is also the possibility of intervention from the Pensions Regulator.
- 6.0 Equalities implications**
- 6.1 None identified
- 7.0 Environmental implications**
- 7.1 None identified

8.0 Human resources implications

8.1 None identified

9.0 Corporate landlord implications

9.1 None identified

10.0 Schedule of background papers

10.1 The Pension Regulator's Trustee Toolkit is available on this link
<https://education.thepensionsregulator.gov.uk/login/index.php>

10.2 CIPFA Knowledge and Skills
<http://www.cipfa.org/policy-and-guidance/publications/p/pensions-finance-knowledge-and-skills-framework--technical-guidance-for-elected-representatives-and-nonexecutives-in-the-public-sector>

10.3 Public Service Pensions Act 2013
<http://www.legislation.gov.uk/ukpga/2013/25/contents/enacted>

11.2 Appendices

11.1 Appendix One
Individual Trustee training hours

11.2 Appendix Two
Proposed training timetable

Trustee Training individual training hours

Name	In-house/Structured	Conference	Self-Study	Total
Afzal	2	21		23
Arif	2	21		23
Bilson	3	3	7	13
Brookfield	4	9	8	21
Cantello	12	12	72	96
Clift	2	9		11
Gannon	3			3
Hardacre (from Jan 2016)	5		4	9
Hevican	11	12	1.5	24.5
Inston	16.5	21		37.5
Jaspal	17	24		41
McGregor	1			1
Page	1	21		22
Sandison	14.5	12		26.5
Singh P	12	21		33
Singh T	12	21		33
Silvester	6	21		27
Sparks	8.5	12		20.5
Smith	11	9		18
Thompson	14.5	9	37	60.5
Turner (up to Sept 2015)	4	12		16
			TOTAL	552.5

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Training Schedule and draft agendas

Date	Trustees or Pension Board	Location	Agenda	Total Hours
16 March 2016	Trustees	Committee training	Pooling Update	1.0
20 – 23 March 2016	Trustees	London	Attached	15.0
15 June 2016	Trustees	In-House	Induction Session for new Trustees	6.0
22 June 2016	Trustees	Committee Training	Pooling Update	1.0
12 July 2016	Trustees	In-House	Pooling update prior to submission	3.0
23 August 2016	Trustees and Pension Board	In-House	<ul style="list-style-type: none"> • Annual returns and data quality • Public Procurement • Covenant monitoring • Regulatory updates 	6.0
			Total Hours	32.0

TRUSTEES (minimum 22 hours)		
	<ul style="list-style-type: none">• 1 day induction session• 3 days structured training• 1 conference/seminar per trustee• 1 hour training each committee• 20 hours per annum self-reading	6 hours 18 hours 15 hours 4 hours 20 hours Total 63 hours

Pensions Committee

16 March 2016

Report title	Responsible Investment Activities	
Originating service	Pension Services	
Accountable employee(s)	Leanne Clements	Responsible Investment Officer
	Tel	01902 552086
	Email	Leanne.clements@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for decision:

The Committee is recommended to:

1. Adhere to the Fund's engagement policy and to not adopt exclusion of companies on purely ethical criteria as a matter of policy.
2. Agree for Wolverhampton City Council (WCC) to continue to be the contract holder of LAPFF's research and engagement partner.
3. Agree to sign up to the Paris Pledge which is provided in Appendix 3.

Recommendations for noting:

The Committee is asked to note:

1. The Fund's voting and LAPFF's engagement activity for the three months ending 31 December 2015 (Appendix 1).
2. The issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement>
3. The Fund has co-filed shareholder resolutions on carbon management for Anglo American, Glencore and Rio Tinto (press release – Appendix 2).
4. The Fund's review of stranded asset risk.
5. The Fund having joined a class action for automobile manufacturing company Volkswagen.

1.0 Purpose

- 1.1 To inform the Pensions Committee of the work undertaken by the Investment team regarding the responsible investment activities between the period 1 October to 31 December 2015.

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests, and challenging companies who do not meet the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment policy.
- 2.2 The Fund focuses on three main areas: voting globally, engagement through partnerships and shareholder litigation.

3.0 Responsible Investment Activities

Voting Globally

- 3.1 The Fund currently has its own bespoke UK voting policy which the voting provider, Pensions and Investments Research Consultants Ltd (PIRC), executes on our behalf. However, the Fund follows the voting advice of PIRC for European, US, Japanese and Asia Pacific region company meetings.
- 3.2 The voting activity for the quarter across markets and issues can be found in Appendix 1. During the period the Fund voted at a total of 291 company meetings –52 UK, 45 European, 48 North American, 9 Japanese, 45 Asia (excluding Japan), and the remaining 92 meetings predominantly located in Australia/New Zealand and South America. During this period there were 21 meetings where the Fund supported all the resolutions put forward by companies. Approximately 36.8% of the resolutions were not supported by the Fund.

Engagement through Partnerships

- 3.3 Our engagement program is predominantly implemented through the Fund's membership of the Local Authority Pension Fund Forum (LAPFF). LAPFF's activities are supported by the current research and engagement partner which is PIRC. LAPFF members regularly meet together to discuss environmental, social, and governance (ESG) issues and ways to promote high standards of corporate behaviour at investee companies.
- 3.4 A summary of LAPFF's engagement activities for the quarter are provided alongside the voting activity report in Appendix 1. The issues are set out in the Quarterly Engagement Report which is available on LAPFF's website:
<http://www.lapfforum.org/Publications/engagement>.

- 3.5 As reported in December 2015, the Fund was requested to conduct additional engagement with Textron to clarify its position on the production and sale of cluster munitions in light of new information. Based on the findings of the engagement program, the Fund recommends that it maintains its position of engagement over exclusion as a matter of policy.

LAPFF Contract

- 3.6 By way of background, the financial administration of LAPFF is managed through Wolverhampton City Council (WCC), with the Fund through the Strategic Director of Pensions. The financial administration would include managing the contract of PIRC, LAPFF's research and engagement partner. In practical terms, this means that WCC bears financial responsibility for the contract.
- 3.7 In order to protect WCC's financial liability, the Fund implements a strict reserves policy which is approved by LAPFF members. The policy maintains reserves at one third of gross annual expenditure, equivalent to maintaining cover for four months expenditure. This prudent policy enables LAPFF to confidently plan for the medium term, addressing any future challenges and acting upon any new initiatives which could benefit members.
- 3.8 The role of Honorary Auditor for LAPFF is important in promoting a strong financial environment. The current Auditor is Cheshire West and Cheshire Council who were appointed for a three year period commencing from the 2014/15 financial statements. An audit opinion is provided following the review of each financial year's accounts. An unqualified opinion provides LAPFF Members with assurance that strong financial arrangements are maintained by the Honorary Treasurer.
- 3.9 PIRC's contract as LAPFF's research and engagement partner is up for renewal as of June 2017, having been granted a two year extension in 2015. The LAPFF executive has endorsed the use of the LGPS National Frameworks¹ for Stewardship Services (due to be launched this year), as this will ensure a transparent and robust tendering process. The tendering process will take place throughout the latter part of 2016 until the first half of 2017.
- 3.10 The Pensions Committee via WCC as administrating authority is requested to agree to continue to be the contract holder of LAPFF's research and engagement partner.

Climate change and stranded assets

- 3.11 As the Committee is already aware, the Fund was subject to a fossil fuel divestment campaign in September 2015. The aim of the campaign was to pressurize funds into divesting from fossil fuel companies as a way to mitigate climate change (and more specifically stranded asset) risk. The Fund issued a press release in response to the campaign which can be found here:
<http://www.wmpfonline.com/CHttpHandler.ashx?id=7867&p=0>
- 3.12 Stranded assets are assets that may lose economic value before the end of their expected life primarily driven by changes in regulation and technological innovation. Proponents of the stranded assets concept argue that it will not be possible to economically exploit a large proportion of proven fossil fuel reserves if governments

¹ <http://www.nationallgpsframeworks.org/what-procurement-framework>

adhere to the Paris Agreement (called “COP21”), which sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C.² Under this scenario, current valuations of fossil fuel companies could be mispriced by the market.

Actions taken by the Fund on climate change

- 3.13 By way of background, the Fund believes that effective management of financially material environmental, social and governance risks should support the Fund’s requirement to protect returns over the long term. With regard to climate change risks, the Fund recognises that the scale of the potential impacts is such that a proactive and precautionary approach is needed in order to address them. Further information on the Fund’s climate change approach can be found in its Responsible Investment Framework³.
- 3.14 As reported in the December 2014 Committee report, LAPFF is part of the “Aiming for A” investor coalition of UK asset owners and mutual fund managers that has been engaging with the ten largest UK-listed extractives and utilities companies to assess and encourage them to make preparations for a low carbon operating environment. BP and Shell were initially selected as they have the largest carbon footprints in the FTSE 100. The Fund co-filed shareholder resolutions at BP and Shell in 2015, which received support by both the companies and were overwhelmingly passed at their respective Annual General Meetings.
- 3.15 In 2016, the Aiming for A initiative is now calling on mining giants Anglo American, Glencore and Rio Tinto to be more transparent over climate change risks and opportunities to their businesses. To continue its support of LAPFF and this initiative, the Fund has co-filed shareholder resolutions at these three companies alongside several other like-minded investors. The press release can be found in Appendix 2.
- 3.16 To further support its climate change efforts, the Fund proposes to sign the Paris Pledge⁴, which is similar to the Institutional Investors Group on Climate Change’s Global Investor Statement on Climate Change⁵, to which the Fund is already a signatory. In being a signatory to the Pledge, the Fund would explicitly support the following:
- Affirm a strong commitment to a safe and stable climate in which temperature rise is limited to under 2 degrees Celsius.
 - The Paris Agreement as previously highlighted
 - Commitment to take concrete steps now, and without waiting for the entry into force of the agreement in 2020, both individually and cooperatively, to reduce greenhouse gas emissions to a safe level and build resilience against those changes already occurring.

² More details on the Paris Agreement can be found here:

http://ec.europa.eu/clima/policies/international/negotiations/paris/index_en.htm

³ <http://www.wmpfonline.com/CHttpHandler.ashx?id=7181&p=0>

⁴ <http://www.parispledgeforaction.org/read/>

⁵ <http://www.iigcc.org/files/publication-files/11DecemberGISCC.pdf>

The Paris Pledge can be found in Appendix 3.

- 3.17 In light of the Paris Agreement, the Fund is currently re-evaluating how to address the potential financial risks posted by stranded assets in its investments. The Fund will report to the Committee on its progress in this area as and when appropriate.
- 3.18 In the interim, the Fund wishes to exercise its stewardship responsibilities in co-filing these shareholder resolutions and adopting the Paris Pledge with other like-minded LAPFF members as it believes that it is in alignment with our investment beliefs and responsible investment policy. It also publicly demonstrates our commitment to address climate change in our investment process.

Shareholder Litigation

- 3.19 Securities class actions are predominantly based on investor allegations that they were misled into buying securities of a publicly-traded company at prices that were inflated by misleading statements made to the investing public by the company's executives and directors.
- 3.20 The Fund employs a class actions administrator, Goal Group, who conduct initial alert notification of class actions, loss calculations, completion and submission of the relevant claim documentation and subsequent collection of compensation monies on its behalf.
- 3.21 In addition, the Fund, in partnership with various law firms and other like-minded investors, submits class actions where possible and where appropriate. The two law firms that the Fund currently use are Robbins Geller Rudman & Dowd and Grant & Eisenhofer. The Fund broadly applies the following preferences in their decision making process, where possible:
- Egregious corporate governance concerns;
 - No risk of incurring extra financial costs, even in the event of an order to pay costs if the case is lost;
 - Litigation in tried and tested jurisdictions having a form of class action regime;
 - Co-operation with other like-minded institutional investors who also pursue objectives other than the limitation of financial losses;
 - Low likelihood of reputational risk from being attached to the class action regime.

As reported to Committee, the Fund joined the Royal Bank of Scotland class action in 2014.

- 3.22 As it satisfied the above noted criteria, the Fund has decided to join the Volkswagen shareholder actions in Germany in which Robbins Geller is acting as the Fund's co-counsel together with German counsel, Nieding + Barth. The Committee may be aware that the company has admitted to deliberately manipulating emission control devices for millions of "clean diesel" vehicles.

4.0 Financial implications

4.1 The promotion of good corporate governance amongst companies in which the Fund invests is complementary to the Fund's objective of maximising financial returns, as it is widely believed that good corporate governance improves shareholder value in the long term.

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no equal opportunities implications.

7.0 Environmental implications

7.1 Environmental implications are addressed through the Fund's corporate governance policy.

8.0 Human resources implications

8.1 This report contains no direct human resources implications.

9.0 Corporate landlord implications

9.1 This report contains no direct corporate landlord implications.

10.0 Schedule of background papers

- LAPFF Quarterly Engagement Report October to December 2015:
<http://www.lapfforum.org/Publications/engagement>
- LAPFF's September 2015 press release on fossil fuel divestment:
<http://www.wmpfonline.com/CHttpHandler.ashx?id=7867&p=0>

11.0 Schedule of Appendices

- Appendix 1 (Voting and Engagement Activity)
- Appendix 2 (Press release on shareholder resolutions)
- Appendix 3 (Paris Pledge)

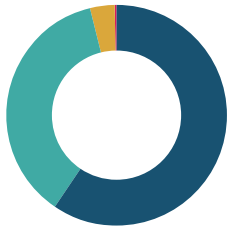


October to December 2015

Voting report

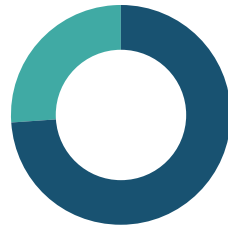
Over the last quarter, we voted at 291 meetings (2,331 resolutions). At 270 of those meetings, we opposed or abstained one or more resolutions. We supported management on all resolutions at 21 meetings.

Total
We voted at 291 meetings (2,331 resolutions) over the quarter.



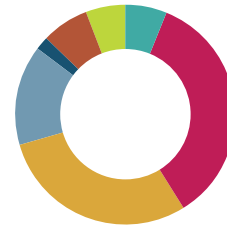
■ Total resolutions voted in favour	59.5%
■ Resolutions where voted against or abstained	36.8%
■ Non-voting	3.6%
■ Say on pay	3.6%

UK & British Overseas
We voted at 52 meetings (552 resolutions) over the quarter.



■ Total resolutions voted in favour	74.1%
■ Resolutions where voted against or abstained	25.9%

UK: votes against and abstentions by category



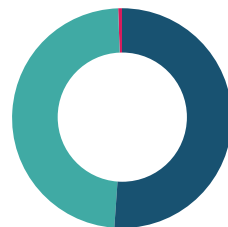
■ Remuneration	6.3%
■ Annual reports	35.0%
■ Directors	29.4%
■ Auditors	14.7%
■ Corporate donations	2.1%
■ Share capital	7.0%
■ Others	5.6%

Europe and Global EU
We voted at 45 meetings (381 resolutions) over the quarter.



■ Total resolutions voted in favour	56.7%
■ Resolutions where voted against or abstained	32.8%
■ Non-voting	10.5%

USA and Canada
We voted at 48 meetings (473 resolutions) over the quarter.



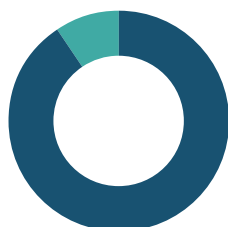
■ Total resolutions voted in favour	46.1%
■ Resolutions where voted against or abstained	53.5%
■ Say on pay	3.6%

Asia
We voted at 45 meetings (209 resolutions) over the quarter.



■ Total resolutions voted in favour	57.9%
■ Resolutions where voted against or abstained	42.1%

Japan
We voted at 9 meetings (85 resolutions) over the quarter.



■ Total resolutions voted in favour	90.6%
■ Resolutions where voted against or abstained	9.4%

Rest of the World
We voted at 92 meetings (631 resolutions) over the quarter.



■ Total resolutions voted in favour	54.8%
■ Resolutions where voted against or abstained	38.2%
■ Non-voting	7.0%

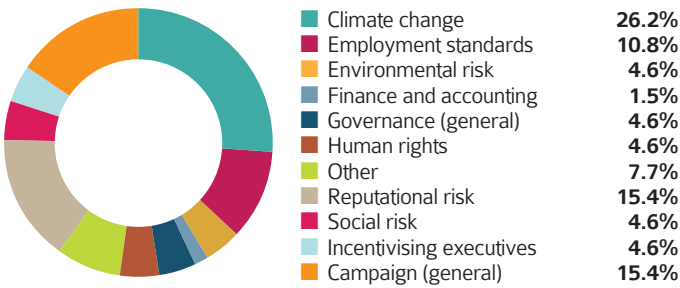


October to December 2015

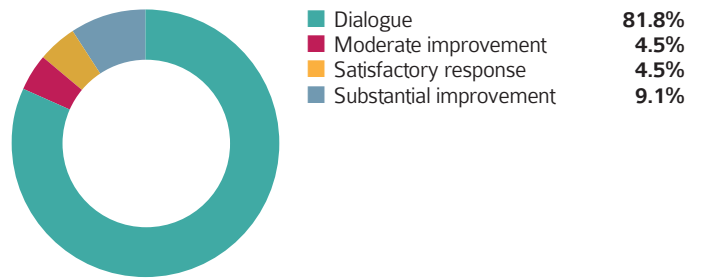
Engagement summary

Over the last quarter, the Local Authority Pension Fund Forum (LAPFF) engaged with 27 companies on a range of environmental, social and governance issues on behalf of the Fund and other members. Where applicable, LAPFF will engage with companies on more than one issue simultaneously. The engagements included in these figures are supplementary to our voting-based engagements during proxy season.

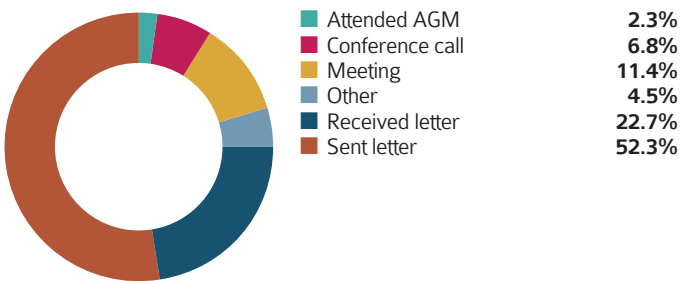
Engagement by topics



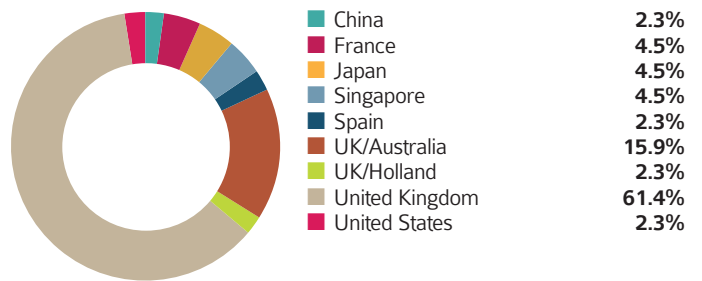
Engagement by outcomes



Engagement by activities



Engagement by domicile





NEWS RELEASE
February 15, 2016
For immediate release

West Midlands Pension Fund joins call for climate risk transparency from mining giants

West Midlands Pension Fund, as part of the “Aiming for A” investor coalition, has filed shareholder resolutions at mining giants Anglo American, Glencore and Rio Tinto, asking them to be more transparent over how their business models will remain resilient to the transition to the low carbon economy. The Fund also filed two successful similar resolutions with BP and Shell last year as part of the same initiative, both of which received unprecedented levels of investor support. The Fund was one of sixteen Local Government Pension Schemes who filed resolutions at the three mining giants.

The Fund supports the coalition’s view that carefully crafted supportive but stretching shareholder resolutions can play a positive stewardship role during the multi-decade low carbon transition. The Paris Agreement has also provided a major incentive for carbon intensive companies to assess and report on the risks and opportunities facing their organisations as a result of climate change.

Mark Chaloner, Assistant Director (Investments) for West Midlands Pension Fund, said: “The Fund supports the “Aiming for A” initiative, as it is in direct alignment with our responsible investment beliefs. Carbon intensive companies will continue to have an active role to play in the future, and thus the Fund recognises the fiduciary role it has to play to ensure that these companies successfully transition to the low carbon economy”.

ENDS

Notes to Editors

West Midlands Pension Fund

The West Midlands Pension Fund is one of the largest funds of the LGPS in England and Wales. As at 31 March 2015, it provided pension services to 277,558 current and former employees of the seven West Midlands district councils and 473 participating employers. The Fund was valued at £11.5 billion on that date and employed 116 FTE members of staff.

The West Midlands Pension Fund strives to be a best practice organisation, delivering a customer-focused service, while providing value for money to its stakeholders.

The Fund has a longstanding commitment to responsible investment (RI) and this is underpinned by our RI Framework which can be located on here:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=7181&p=0>

'Aiming for A'

'*Aiming for A*' was launched by CCLA in 2012 with backing from the Church Commissioners, the Church of England Pensions Board, CBF Church of England Funds and the Central Finance Board of the Methodist Church. One of the other five partners in this £230bn UK initiative is the Local Authority Pension Fund Forum, of which the Fund is an active member.

The 'A' within '*Aiming for A*' refers to the best A-E CDP (formerly Carbon Disclosure Project) performance band. Within the scoring methodology considerable weight is given to operational emissions management, alongside the strategic and governance issues covered in the shareholder resolutions.

The Paris Agreement

At the Paris climate conference (COP21) in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal. The agreement sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C. The agreement is due to enter into force in 2020.



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21·CMP11

Embargoed: 11 December 2015, 11:59pm CET

PARIS PLEDGE FOR ACTION

As cities, regions, businesses, investors, civil society groups, trade unions and other signatories, coming from every sector of society and every corner of the world, we realize that dangerous climate change threatens our ability and the ability of future generations to live and thrive in a peaceful and prosperous world. We also realize that taking strong action to reduce emissions can not only reduce the risks of climate change but also deliver better growth and sustainable development.

As a result, we the undersigned, affirm our strong commitment to a safe and stable climate in which temperature rise is limited to under 2 degrees Celsius.

In support of this, we welcome the adoption of a new, universal climate agreement at COP 21 in Paris, which is a critical step on the path to solving climate change. We pledge our support to ensuring that the level of ambition set by the agreement is met or exceeded.

We will do this by taking concrete steps now, and without waiting for the entry into force of the agreement in 2020, both individually and cooperatively, to reduce greenhouse gas emissions to a safe level and build resilience against those changes already occurring.

We will look back at this moment as our turning point, when the transition to a low-emission and climate resilient economy became inevitable, irreversible and irresistible. We must, we can and, together, we will solve climate change.

Join the Paris Pledge for Action at:
www.parispledgeforaction.org

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Pensions Committee

16 March 2016

Report Title	2016 Actuarial Valuation Overview and Planning	
Originating service	Pension Services	
Accountable employee(s)	Rachel Brothwood	Assistant Director (Actuarial and Pensions)
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The report and the associated preparatory work and planning for the 2016 actuarial valuation of both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1. Purpose

- 1.1 To provide Committee with an overview of the 2016 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.

2. Background

- 2.1 The actuarial valuation is carried out on the instruction of Wolverhampton City Council (the “Administering Authority”) in accordance with the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013. The next valuation is due as at 31 March 2016.

The primary aims of the actuarial valuation are to;

- Review the financial position of the Fund (assets relative to the expected cost of providing accrued pension benefits);
 - To assess the Fund’s funding position relative to its objective of being fully funded;
 - Where appropriate, and following consultation, revise the Funding Strategy Statement and Statement of Investment Principles.
 - Taking the above into account, to determine the appropriate level of employer contributions for the three year period commencing April 2017.
- 2.2 The Funding Strategy Statement (FSS) together with the Rates and Adjustments actuarial certificate and actuary’s valuation report summarise the outcome of the valuation (approach, assumptions and contribution requirement) and form the formal documentation the Administering Authority is required to put in place before 31 March 2017. Funding strategy cannot be considered in isolation – the review will incorporate an assessment of employer covenant risk and will be carried out in conjunction with the investment strategy review.
- 2.3 This report provides an outline of the Fund and regulatory changes since the 2013 valuation which will impact on funding discussions in 2016/17. Further training will be provided to Committee later this month. A timetable of proposed activity to deliver the valuation (including analysis and consultation) is included in Appendix A.

3. Main Fund 2013 actuarial valuation outcome

- 3.1 The valuation as at 31 March 2013 showed a funding shortfall of £3,275m based on the assumptions made for calculating the funding target and allowing for post valuation market changes to 31 August 2013. This represented a funding level of 75% of the Fund’s funding target.

This report is PUBLIC
(NOT PROTECTIVELY MARKED)

- 3.2 The actuary certified a Common Contribution Rate (i.e. the average employer contribution rate) of 13.3% of Pensionable Pay which allowed for 5% of existing and future members to opt for the 50:50 scheme.
- 3.3 The deficit was to be recovered through additional employer contributions as specified for each employer over the deficit recovery period in each case. At Fund level, recovery of the shortfall of £3,275m required a deficit contribution of £167m per annum increasing at 4.35% per annum for 22 years.
- 3.4 Contributions for each individual employer were levied as a combination of a percentage of payroll to cover the expected cost of active member benefit accrual and a cash lump sum amount to meet the employer's share of deficit contributions due under the recovery plan. These are recorded in the Rates and Adjustments actuarial certificate which covers contributions due to April 2017 and is legally binding.
- 3.5 Some flexibility in the timing of deficit contributions and stepping up of contribution rates from levels set in 2010/11 were agreed with employers on an individual basis.

4. WMITA Fund 2013 actuarial valuation outcome

- 4.1 The valuation as at 31 March 2013 (again allowing for post valuation market changes but to 31 December 2013) showed a funding shortfall of £86m based on the assumptions made for calculating the funding target. This represented a funding level of 84% of the Fund's funding target. A slightly different approach was adopted in setting the funding target for each of the two participating employers, West Midlands Travel Limited and Preston Bus Limited, to reflect differences in their underlying investment strategies.
- 4.2 The actuary certified a Common Contribution Rate (i.e. the average employer contribution rate) of 21.5% of Pensionable Pay.
- 4.3 The deficit was to be recovered through additional employer contributions as specified for each employer over the deficit recovery period in each case. The contributions of £350,000 per annum due from Preston Bus Limited anticipate recovery of the deficit in just over nine years from the valuation date. For West Midlands Travel Limited it was agreed that the level of deficit contributions would continue at £5.5 million per annum to 31 March 2017 as agreed on implementation of the pensioner buy-in contract in April 2012, pending review as part of the 2016 actuarial valuation and on condition that a suitable guarantee is maintained to support the employer covenant.
- 4.4 Contributions for West Midlands Travel Limited were levied as a combination of a percentage of payroll to cover the expected cost of active member benefit accrual and a cash lump sum amount to meet the deficit contributions due under the recovery plan. For Preston Bus Limited, for whom there are no remaining active members, contributions were expressed solely as a cash lump sum amount in accordance with the recovery plan. The contributions due are recorded in the Rates and Adjustments actuarial certificate which covers contributions due to April 2017 and is legally binding.

5. Developments since 2013

5.1 Changes to the employer base, membership profile and experience over the three years to 31 March 2016 will impact on the outcome of the 2016 valuation, as will changes to the regulatory environment.

Employer base

5.2 The number and profile of employers within the Main Fund has changed significantly since the 31 March 2013 valuation and this is summarised in the following table:

Employer type	Number of employers at 2013 valuation	New employers since 2013 valuation	Cessations since 2013 valuation	Number of employers at 31 January 2016
Scheduled - District	7	0	0	7
Scheduled - University/College	21	0	1	20
Scheduled - Resolution	8	2	0	10
Scheduled - Academy	143	189	2	330
Scheduled - Other	8	3	3	8
Community of Interest admission body	66	4	12	58
Transferee admission body	79	41	22	98
Total	332	239	40	531

It is notable that there has been a significant increase in the number of Academy conversions, many of whom are currently being processed by the Main Fund. There is an expectation that a further 20 known schools will convert to Academy status before the valuation date. In addition, there are a further 36 prospective admission bodies seeking participation in the Main Fund, a number of which may be active before or during the valuation period.

5.3 As the make-up of the employer-base has changed, so has the overall employer covenant and risk. Although the drivers and issues vary by sector and employer, common themes include a reduction in financial support available for pensions as

- income streams are either reducing or under greater pressure;
- many could be forced to exit (and incur an exit debt) as membership falls and insolvency risk increases; and
- the backing of perceived guarantors are tested. For example, LGA received advice in 2015 that the liabilities of HE/FE institutions would not be backed by central government in the event of employer failure.

In view of the cost pressures many employers are facing, we expect a much greater focus on employer affordability in setting contribution rates effective from 2017.

However, regulatory change (see below) will also bring greater scrutiny of comparison of LGPS employer contributions, with pressure to address funding deficit more quickly and this is expected to limit the flexibility which can be offered to employers.

Membership profile and experience

- 5.4 The membership profile of the Main Fund has developed since the 2013 valuation with an overall increase in active members and slight fall in deferred and pensioner members. The effects of automatic enrolment legislation may account for some of the increase in active members along with the processing of lagged joiners from the major employers. A summary of the change in membership profile is detailed below:

Membership Category	31 March 2013	31 January 2016	Percentage change
Active	97,330	108,037	11.00%
Deferred	86,509	93,540	8.12%
Pensioner	77,485	85,143	9.88%
Total	261,324	286,720	9.72%

Although the overall membership profile has continued to grow, we are seeing an increase in early leavers and retirements. Longer term the membership profile is expected to mature as local government headcount reduces and more members reach retirement age.

- 5.5 The membership profile of the WMITA Fund has changed significantly since the 2013 valuation with a large reduction in active members and deferred members and an increase in pensioner members. A summary of the change in membership profile is detailed below:

Membership Category	31 March 2013	31 January 2016	Percentage change
Active	744	480	-35.48%
Deferred	903	822	-8.97%
Pensioner	3,612	3,832	6.09%
Total	5,259	5,134	-2.38%

As the Fund is closed to new members and has been for some time, the membership profile is much more mature than the Main Fund and it will continue to mature at a faster rate. Differences in the maturity of the funds and the employers backing these liabilities (private companies) are key drivers for the difference in the funding and investment strategies for this Fund.

- 5.6 As part of the actuarial valuation, member movements and experience (salary growth, leavers, retirements, deaths and take-up of options such as cash and 50:50) will be reviewed and the impact on the Fund liabilities assessed to inform the 2016 approach.
- 5.7 As has been widely reported in the press, death rates in 2015 were higher than expected and this could bring some easement to the upward pressure on funding costs (although it is not expected to materially impact the results and contribution requirement).

Investment returns and changes in financial conditions and outlook

- 5.8 Investment returns and financial conditions at and around the valuation date are likely to have the most material impact on the valuation outcomes and in particular, the required employer contribution rates over the three years to 31 March 2020.
- 5.9 At the 2013 actuarial valuation, the invested assets of the Main Fund were valued at £9.8bn and at the 31st December 2015 stood at £11.3bn. Annualised returns for the period to the 31st December 2015 have been around 6%, compared to 5% per annum assumed at the 2013 valuation. However, 2016 year to date the Fund has seen negative returns and overall, based on conditions at the time of writing; the Fund is not expected to see a funding gain from excess investment return over the inter-valuation period. The outlook for future investment returns has also reduced leading to an expected increase in the Fund liability measure, funding deficit and associated contribution requirement when assessed using the same approach as adopted for the 2013 actuarial valuation.
- 5.10 At the 2013 actuarial valuation, the invested assets of the WMITA Fund were valued at £178.9m and at the 31st December 2015 stood at £203.5m (both excluding the value of the pensioner buy-in contract held by the Fund). Returns for the period to the 31st December 2015 are broadly comparable with those of the Main Fund. Similarly, the funding deficit in this Fund is expected to be adversely impacted by the market falls since 1 January 2016.

Regulatory change

- 5.11 Significant change to the regulations, associated guidance and oversight of LGPS funding valuations will impact on the funding strategy review and the approach adopted for the 2016 valuation.
- 2016 will incorporate the first valuation with benefits accrued in the CARE Scheme, set up from April 2014.
 - LGPS regulations (2013) now require the actuary to consider the solvency of the Fund in certifying contributions. For the first time, all LGPS funds will be required to report results on a standardised basis.
 - The Government Actuary Department (GAD) has been appointed by DCLG to review and report on LGPS valuations and the appropriateness of employer contributions (as required by section 13 of the Public Sector Pensions Act 2013). Four main areas under review are compliance, consistency, solvency and long term cost efficiency. The outcome (which will name funds who, in GAD's view, do not meet the standard or require further investigation) is expected to be reported by GAD mid-late 2018.
 - Scheme Advisory Board KPIs (as currently drafted) will measure funding developments and contribution strategies on a consistent and transparent basis. There is an expectation for deficit recovery periods to reduce and move to be less than 15 years.

- In addition, the consultation on changes to the LGPS investment regulations lists the GAD section 13 review as one of the triggers for the Secretary of State to intervene and direct action in relation to the Fund investment strategy.

5.12 We await further information from GAD in relation to how they will conduct their section 13 review and understand they are working closely with the Scheme Advisory Board to align with funding related KPIs. New guidance for funds on preparing the Funding Strategy Statement is expected to follow from CIPFA in April 2016.

Cost cap mechanisms

5.13 In addition to the above, and following the valuation, LGPS benefits will be assessed relative to the HMT and SAB cost cap mechanisms. As outlined in a previous report to Committee, in the LGPS in England & Wales, there will be two mechanisms used to assess the costs of the reformed scheme:

- a) the employer cost cap (ECC) process as operated by HM Treasury, and
- b) the future service cost (FSC) process as operated by the LGPS Scheme Advisory Board.

5.14 The Scheme will be assessed every three years against the cost control mechanisms using the data provided to individual actuaries for funding valuations. Importantly, both processes could lead to changes to the scheme design or to the level of members' contributions if the mechanisms demonstrate that the cost of the LGPS has moved sufficiently from the target.

5.15 The first ECC and FSC figures will be calculated by the Government Actuary Department (GAD) based on the same data produced and submitted to the Fund actuary as at 31 March 2016 for the Main Fund and WMITA valuations

5.16 Any changes to the Scheme benefits structure or to employee contribution rates made via either of the cost control processes will first be effective in the year commencing 1st April 2019.

6. Preparatory work and planning

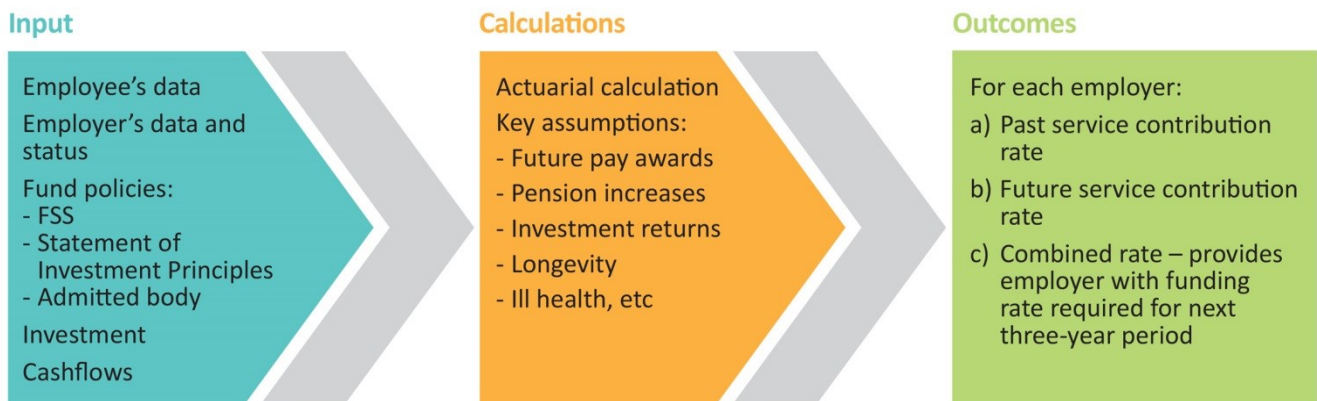
6.1 Fund officers are actively engaging with our service providers and advisers to prepare and plan for the valuation. Two critical elements to enable the valuation to progress are delivery of new valuation extract functionality by our administration software provider and on-going dialogue with employers on delivery of 2016 annual return membership data. The Universal Valuation Data extract has been agreed by all the actuarial firms and software providers but delivery is currently behind schedule. We are continuing to engage with employers on the annual return process and implement changes to address learnings from the 2015 process.

6.2 The plan in Appendix A summarises key valuation tasks and timing, highlighting the responsibilities of the Fund, participating employers and advisers. The valuation process requires the collection of data and review of the relevant Fund policies. The Fund actuary

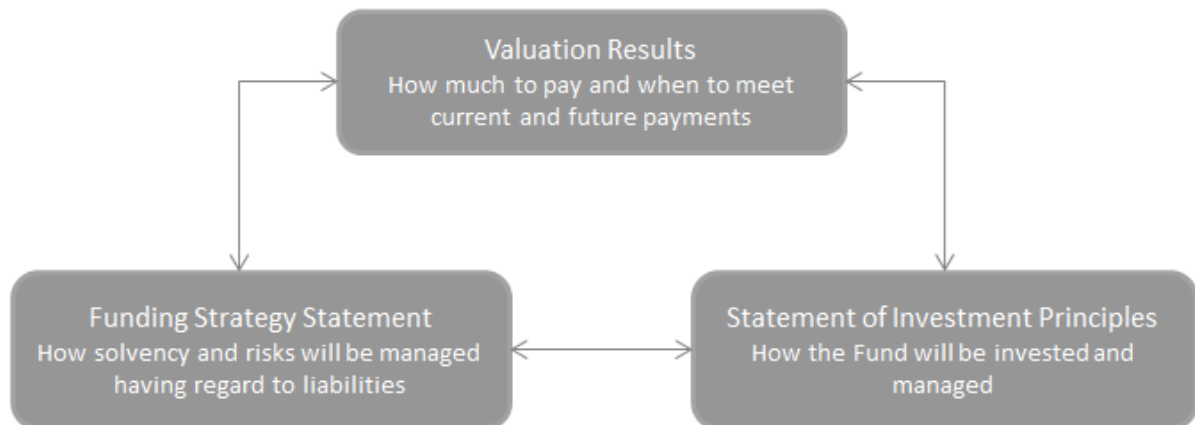
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uses this data and, based on a number of key assumptions, calculates the future benefit cashflows once the future contribution rate for the Fund as a whole and then each employing body. This can be summarised as follows:

Actuarial valuation – summary of key components



6.3 The process also links the valuation to the Fund's Funding Strategy Statement (FSS), employer covenant (solvency and risk) review and Statement of Investment Principles (SIP) with the balance of risk and mitigation of funding risks reflected in the review of these policy documents. The overview of the relationships is as follows:



6.4 Following the change in the Fund actuary to Barnett Waddingham in 2015, the funding approach and assumptions will be fully reviewed and the FSS updated based on the advice of our Actuary, Graeme Muir,

6.5 The consultation on changes to the Investment Regulations envisages preparation of a new Investment Strategy Statement (ISS) which would, in effect, replace the current SIPs. As the regulations are currently drafted, the Fund may need to put ISSs in place by October 2016.

7. Employer covenant review

- 7.1 As outlined in a separate paper for Committee, the Fund has appointed Deloitte LLP and PricewaterhouseCoopers LLP (PwC) as independent covenant advisers to supplement the framework and activity conducted in-house and to support a review of employer risk and affordability.
- 7.2 The covenant review will be aligned to the 2016 actuarial valuation and this will form a key part of the engagement with employers prior to provisional results being released.
- 7.3 In conjunction with the Fund, PwC will undertake a review of covenant strength aligned to funding strategy and associated affordability for Fund participating employers as part of the 2016 actuarial valuation. This will include a range of advice from the information collated from employers to options for enhancing security where cash is limited. It is also likely to include general sector-specific advice and individual affordability assessments for a range of employers (charity to district council).
- 7.4 In addition, PwC will assist the Fund with consultation/negotiation with employers with regards to covenant strength and the associated outcomes as part of the 2016 valuation process.
- 7.5 A detailed covenant analysis for WMITA employers (National Express and Preston Bus Limited) will be undertaken by PwC as part of the 2016 actuarial valuation process. This is expected to include a review of existing security and guarantees in place to support funding plans.

8. Consultation process

- 8.1 The Fund is required to consult with “such persons as it considers appropriate” on revision to the funding strategy. The Fund has already begun consultation with the West Midlands Finance Directors group who represent the district councils and a further meeting is scheduled for the end of April 2016.
- 8.2 Between April and June 2016, the Fund, supported by its covenant and actuarial advisers, will engage with certain employers over carrying out a covenant review and affordability assessment to inform the valuation process.
- 8.3 The April/May edition of the Employer Briefing note will provide employers with further background on the actuarial valuation to include confirmation of the underlying financial conditions and any experience analysis observed to date.
- 8.4 Participating employers will receive an invitation to group consultation meetings (to be grouped based on type of employer) around June/July 2016, which will serve as an overview of what to expect with the 2016 valuation.
- 8.5 The Fund is holding its annual Mid-Year Review at the Grand Station, Wolverhampton on 14 July 2016. At this meeting the actuarial valuation and proposed changes to the Funding Strategy Statement will be covered in more detail.

8.6 On 14 September the initial Fund-level valuation results will be reported to the Pensions Committee. From October 2016 to December 2016, individual provisional results will be disseminated to employers and the Fund will embark on a series of group consultation meetings to discuss these results. During this period the Fund will also formally consult on the revised Funding Strategy Statement (FSS).

8.7 The Fund will provide a summary of the individual results and key assumptions to Pensions Committee on 7 December 2016.

9. Financial implications

9.1 The results of the 31 March 2016 actuarial valuation may have financial implications for participating employers in setting employer contribution rates for the three years commencing April 2017

10. Legal implications

10.1 The report contains no direct legal implications.

11. Equalities implications

11.1 The report contains no direct equalities implications.

12. Environmental implications

12.1 The report contains no direct environmental implications.

13. Human resources implications

13.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

14. Corporate landlord implications

14.1 The report contains no direct corporate landlord implications.

15. Schedule of background papers

15.1 None.

16. Schedule of appendices

16.1 Appendix A: High level 2016 valuation timetable

Appendix A: Actuarial valuation 2016 – high level plan

	Responsibility	Start Date	Guideline completion Date
Stage 1 - Initial Planning & initiation		December 2015	April 2016
Years 1 & 2 cash flow analysis produced and issued to the actuary	Fund	-	December 15
Finalise replication run, to cover any data gaps, employer specifics	Actuary	-	January 2016
Production of pre-valuation pack	Actuary	-	January 2016
Meeting with Actuary to discuss: - Timetable - Funding strategy and assumptions	Fund and Actuary	-	January 2016
Completion of Universal Data Capture (UDC) extract	Civica		March 2016
Report to Pensions Committee to outline timetable and process	Fund	-	March 2016
Completion mortality experience analysis	Actuary	January 2016	April 2016
Issue the End of Year return letters	Fund	January 2016	February 2016
Pension Committee Training	Fund	-	March 2016
Review of framework for employer covenant analysis	Deloitte	-	March 2016
Covenant Monitoring Valuation Strategy paper	PwC	-	March 2016
WMITA Investment Strategy Panel meeting	Fund		16 March 2016
WM Finance Directors meeting	Fund	-	April 2016
Employer Brief	Fund	-	April 2016
Stage 2 – Data Capture & initial consultation		1 April 16	31 July 16
Employers submit financial and end of year data to the fund	Fund	-	April 2016
Finalising of Year 3 Cash Flow	Fund	April 2016	May 2016
Collation and processing of employer end of year data	Fund	April 2016	June 2016
Detailed covenant review for WMITA employers		May 2016	June 2016
Internal review of the IS, FSS, SIP	Fund	May 2016	June 2016
WMPF Valuation Data production	Fund	-	June 2016
Initial consultation meeting with employers – what to expect from the Valuation	Fund	-	June/July 2016
Pension Committee and Pension Board update	Fund	-	June 2016
Submission of data to Barnett Waddingham	Fund	-	Mid July 2016
Mid- year review – Employer update and initial consultation on FSS	Fund and Actuary	-	July 2016
Stage 4 – Initial determination by the Actuary and cash-flow to inform investment review		July 2016	August 2016
Data cleansing and provision of results	Actuary	July 2016	September 2016
Receipt of provisional results (Fund level)	Actuary	-	Mid-August
Investment cash-flow for review	Fund and Hymans		September 2016
Employer Cash-flow sign off	Fund and Actuary	-	September 2016
Stage 5 – Issuing results & on-going engagement		September 16	March 17
Report Fund level provisional results to Pensions Committee	Fund		September 2016
Provision of indicative “ball park” WM Districts results (prior to cash-flow sign off to enable budgeting in October)	Fund and Actuary	-	September 2016
AGM	Fund and Actuary	End of Nov	End of Nov
Dissemination of individual provisional results to remaining employers	Fund	October 2016	December 2016
Consultation with Employer Groups	Fund	November 2016	January 2017

Appendix A: Actuarial valuation 2016 – high level plan

December Committee meeting – Update report	Fund	-	December 2016
Pension Board update	Fund	-	January 2017
Distribution of FSS for consultation	Fund	December 2016	January 2017
Draft Valuation Report and FSS	Fund and Actuary	Early 2017	Early 2017
Dissemination of final results letters	Fund	February/ March 17	February/ March 17
Final Valuation Report and FSS reported to Committee	Fund and Actuary	March 17	March 17
Approval of Certificate and Actuarial Valuation Report	Actuary	31 March 17	31 March 17

Pensions Committee

16 March 2016

Report title	Nomination of Trade Unions to Pension Committee	
Originating service	Pensions	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever, Strategic Director of Pensions	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Receive the nominations from the Trade Unions
2. Appoint the nominations as observers on Pension Committee for the democratic year 2016/2017

1.0 Purpose

- 1.1 To provide nominations from the Trade Unions as to their representation on Pensions Committee.

2.0 Background

- 2.1 The West Midlands Pension fund values the knowledge and support it receives from the Trade Unions and has for a number of years invited them to sit as non-voting observers on our Pensions Committee.
- 2.2 Previously, the Fund sought representation from its Joint Consultative Forum which was disbanded with the creation of the Local Pensions Board. As such, this year the Fund has approached the Trade Unions direct for their nominations and we are grateful to them for working together to nominate 4 representatives.

3.0 The Nominations

- 3.1 The Fund has received nominations from the 3 Trade Unions, GMB, Unite and Unison and include one pensioner member.

- 3.2 The nominations are as follows

- UNITE the Union Ian Smith (current representative)
 Martin Clift (current representative)
- GMB Alan Phillips (previous
 representative)
- Unison Malcolm Cantello (current
 representative)

- 3.3 Committee are recommended to receive these nominations and appoint the 4 representatives as non-voting observers for the year 2016-2017

4.0 Financial implications

- 4.1 There are no financial implications

5.0 Legal implications

- 5.1 There are no legal implications

6.0 Equalities implications

- 6.1 There are no equalities implications

7.0 Environmental implications

7.1 There are no environmental implications

8.0 Human resources implications

8.1 There are no human resource implications

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications

10.0 Schedule of background papers

10.1 None

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