



Pensions Committee

8 January 2014

Time 1.30pm
Finance

Public meeting? YES

Type of meeting

Venue Civic Centre, St Peter's Square, Wolverhampton WV1 1SH
Room Committee Room 3 (3rd floor)

*A buffet lunch will be provided for members
of the committee from 12.30pm.*

Membership

Chair Cllr Bert Turner (Lab)

Vice-chair Cllr Zahid Shah (Lab)

Labour

Cllr Peter Bilson

Cllr Steve Evans

Cllr Andrew Johnson

Cllr Lorna McGregor

Cllr John Reynolds

Cllr Sandra Samuels

Cllr Tersaim Singh

District members

Cllr Muhammad Afzal (Birmingham City Council)

Cllr Zahid Ali (Walsall Metropolitan Borough Council)

Cllr Damian Gannon (Coventry City Council)

Cllr Rachel Harris (Dudley Metropolitan Borough Council)

Cllr Alan Martin (Solihull Metropolitan Borough Council)

Cllr Vic Silvester (Sandwell Metropolitan Borough Council)

Conservative

Cllr Neil Clarke

Cllr Mark Evans

Liberal Democrat

Cllr Mike Heap

Trade union observers

Mr Malcolm Cantello

Mr Martin Clift

Mr Ian Smith

Quorum for this meeting will be four Councillors

Information for the Public

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

Contact Martin Fox

Tel 01902 555047

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Address Democratic Support, Civic Centre, 2nd floor, St Peter's Square,
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

Website <http://wolverhampton.cmis.uk.com/decisionmaking>

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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

Item No. *Title*

MEETING BUSINESS ITEMS:

1. **Apologies for absence**
2. **Substitute members**
3. **Declarations of interest**
4. **Minutes**
(a) Pensions Committee – 25 September 2013
[for approval]
(b) Investment advisory sub-committee – 11 December 2013
[for adoption – to be circulated at the meeting]
(c) Pensions Joint Consultative Forum – 26 November 2013
[for information]
5. **Matters arising**
[To consider any matters arising from the minutes]

DECISION ITEMS

6. **Pension administration report 1 August 2013 to 30 September 2013**

INFORMATION ITEMS

7. **Trustee Training Activity Update Report**
8. **Annual Report and Accounts 2012/13**
9. **Compliance Monitoring**
- 10 **Internal Audit Update**

EXCLUSION OF PRESS AND PUBLIC

11. 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 press and public

<i>Item No.</i>	<i>Title</i>	<i>Grounds for exemption</i>	<i>Applicable paragraph</i>
12.	Actuarial Valuation 2013 – update	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
13.	Economic and market update – September 2013	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
14.	Valuation of investments – document to be available at the meeting for inspection	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
15	Combined Governance Activity April-June 2013	Information relating to the financial or business affairs of any particular person (including the authority holding the information).	3
16	Service Plan Monitoring 2013/14	Information relating to the financial or business affairs of any	3

[NOT PROTECTIVELY MARKED]

particular person
(including the authority
holding the
information).



Pensions Committee

Minutes – 25 September 2013

Attendance

Members of the Committee (Wolverhampton)

Cllr Bert Turner (chair)
Cllr Peter Bilson
Cllr Neil Clarke
Cllr Steve Evans
Cllr Mike Heap
Cllr Lorna McGregor
Cllr Sandra Samuels
Cllr Zahid Shah
Cllr Tersaim Singh

District members

Cllr Damian Gannon (Coventry CC)
Cllr Alan Martin (Solihull MBC)
Cllr Vic Silvester (Sandwell MBC)

Trade union observers

Mr Malcolm Cantello (Unison)

Staff

Geik Drever	Director of Pensions
Mark Taylor	Assistant Director – Finance
Mark Chaloner	Assistant Director- Pensions
Nadine Perrins	Head of Pensions Administration
Claire Parlor	Head of Governance
Simon Taylor	Principal Pensions Manager
Martin Fox	Democratic Support Officer
Matthew Vins	Graduate Management Trainee

External advisers

Paul Middleman	Mercer Ltd
Jonathan Perera	Mercer Ltd

Part 1 – items open to the press and public

Item Title

No.

MEETING BUSINESS ITEMS

1. **Apologies for absence**

Apologies for absence were submitted on behalf of Cllrs Muhammad Afzal (Birmingham CC), Rachel Harris (Dudley MBC), Mark Evans, Andrew Johnson and John Reynolds, and Martin Cliff and Ian Smith (Trade union observers).

2. **Substitute members**

Cllr Silvester attended the meeting on behalf of Cllr Eling (Sandwell MBC).

3. **Declarations of interest**

No interests were declared.

4. **Minutes**

(a) Pensions committee (26 June 2013)

Resolved:

That the minutes of the meeting held on 26 June 2013 be approved as a correct record and signed by the Chair.

(b) Investment advisory sub- committee (3 July 2013)

Resolved:

That the minutes of the meeting held on 3 July 2013 be adopted.

(c) Pensions joint consultative forum (4 September 2013)

Resolved:

That the minutes of the meeting held on 4 September 2013 be received.

5. **Matters arising**

Trade union representation

The Director of Pensions indicated that, following the circulation of letters to trade union organisations, only 7 representatives had so far been appointed to fill the 11 positions on the Joint Consultative Forum.

DECISION ITEMS

6. **Pension administration report 1 June-31 July 2013**

The Head of Pensions Administration submitted a report which detailed recent work undertaken by pensions member services and other operational matters. It also detailed applications for admission to the Fund.

Resolved:

(a) That the report be noted.

(b) That the admitted bodies applications detailed in paragraph 6 of the report be approved.

(c) That, in addition, the applications from Lend Lease [EMEA] Ltd [Waverley School] and Lend lease FM [EMEA] Ltd [Sheldon Heath Academy] for admitted body status be approved.

7. **Transforming rehabilitation pensions proposal**

The Director of Pensions submitted a report which asked the committee to ratify a decision to submit a proposal to become the 'one Fund' for the Probation Service and to approve the expenses occurred in preparing the bid. It also asked the committee to ratify the decision to accept the position if selected on 20 September 2013. The Director added however that the bid had not been successful although the Fund had been shortlisted along with two other funds for the position. The committee considered the effect of this decision on the Staffordshire Probation Trust which it was noted will now be submitted to a future meeting as a disinvestment.

Resolved:

That the decisions taken regarding the bid be approved and that the outcome of the noted.

INFORMATION ITEMS

8. **Combined governance activity – April-June 2013**

The Director of Pensions submitted a report which detailed the issues being raised by the Local Authority Pension Fund Forum, as described in the minutes of the business meeting of 19 June as attached to the report. The quarterly engagement report and the summer newsletter were also attached for information.

Resolved:

That the issues being raised and discussed by the Local Authority Pension Fund Forum be noted.

9. **Service Plan monitoring 2013/14**

This report provided an update to the 2015 Medium-Term Financial Plan Along with the Fund's financial and business plan monitoring. Copies of a presentation about the Local Government Pension Scheme 2014 were tabled and a response by the Fund to the call for evidence on the future structure of the Local Government Pension Scheme had been circulated prior to the meeting.

Resolved:

That the financial monitoring information along with the Fund's key performance indicators, together with the response by the Fund to the call for evidence on the future structure of the Scheme be noted.

10. **Compliance monitoring**

Resolved:

That the report detailing the findings of the compliance monitoring programme and any other compliance issues for the period 1 April – 30 June 2013 be noted.

EXCLUSION OF PRESS AND PUBLIC

11. **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(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below:

<i>Item No.</i>	<i>Title</i>	<i>Applicable paragraph</i>
12.	Actuarial Valuation 2013 – update	3
13.	Pension Fund 2012/13 – Draft report and accounts	3
14.	Economic and market update – September 2013	3
15.	Valuation of investments	3

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

12. Actuarial Valuation 2013 – update

The Director of Pensions submitted a report which provided an update on the progress of the 2013 valuation, the consultation process and the likely outcomes/issues. The Actuary, Paul Middleman, was in attendance and gave a detailed presentation on the 2013 valuation, providing a recap of the purpose and assumptions behind actuarial valuations, details of the 2010 valuation funding plan, results and sensitivities for the 2013 valuation and considerations about possible approaches to stabilisation of contributions. He also detailed the next steps in the valuation process.

Resolved:

That the draft 2013 actuarial valuation results and the actions that will ensue be noted.

13. Pension Fund 2012/13 – Draft report and accounts

The report detailed the content of the draft 2012/13 report and accounts for the Fund.

Resolved:

(a) That the contents of the draft 2012/13 annual report and accounts be noted.

(b) That the submission of the annual report and accounts to the Fund's auditor, PwC, for review and amendment, be approved.

(c) That the publication of the 2012/13 annual report and accounts on the Fund's website after completion of audit be approved.

14. **Economic and market update – September 2013**

The Director of Pensions submitted a report prepared by the Fund's adviser, Hymans Robertson, which reviewed the conditions in the global economy.

Resolved:

That the report be noted.

15. **Valuation of investments**

The current valuation document had been made available at the meeting for inspection.

Resolved:

That the valuation be received.



Pensions Joint Consultative Forum

Minutes – 26 November 2013

Attendance

Members of the Committee (Wolverhampton)

Cllr Bert Turner (chair)
Cllr Mike Heap
Cllr John Reynolds
Cllr Tersaim Singh
Cllr Paul Sweet

Trade union observers

Mr Malcolm Cantello (UNISON)
Mr Andy Wilkins (UNISON)

District members

Cllr Rachel Harris (Dudley MBC)

Staff

Geik Drever	Director of Pensions
Simon Taylor	Employer Relationship Manager
Mandy Wylde	Pensions Operations Manager
Martin Fox	Democratic Support Officer

Part 1 – items open to the press and public

Item Title
No.

MEETING BUSINESS ITEMS

1. Apologies for absence

Apologies for absence were received from Cllrs Peter Bilson, Mark Evans and Shah (Wolverhampton City Council), Cllr Steve Eling (Sandwell MBC), Cllr Alan Martin (Solihull MBC) and

Mr Ian Smith (UNITE – retired)

2. **Substitute members**

No substitute members attended the meeting.

3. **Declarations of interest**

No interests were declared.

4. **Minutes**

Resolved:

That the minutes of the meeting held on 4 September 2013 be approved as a correct record and signed by the Chair.

5. **Matters arising**

With reference to minute 8, Trustee Training Activity, Cllr Reynolds indicated that he had not received the online training material. The Director understood that information had already been circulated but undertook to re-send the details.

6. **Item withdrawn**

INFORMATION ITEMS

7. **Service planning 2013/14**

This report provided an update to the Fund's financial and business plan monitoring arrangements. Reference was made to increased actuarial costs and the Director of Pensions referred to the difficulties of budgeting when it was not known how many organisations would be seeking admitted body status.

Resolved;

That the Fund's financial monitoring and key performance indicators be noted.

8. **Pensions administration report 1 August – 30 September 2013**

The report advised the Forum of the work undertaken by Pensions Member Services and other operational matters during the period. The report included applications received for admission to the Pension Fund which would be submitted to the Pensions Committee at its next meeting in January 2014. Reference was made to issues such as increases in workload due to voluntary/compulsory redundancies and an administrative error detailed in paragraph 8 of the report. It was noted that this was a unique case, following which safeguards had been built in to Fund processes. The Chair referred to the excellent record of the Pensions Fund in this area of activity and paid tribute to the efforts of staff.

Andy Wilkins referred to incorrect information regarding his records on the web-portal and the Director undertook to check the information on the website.

Resolved:

That the report and the applications for admission body status, as detailed in the report, be noted.

9. **Actuarial valuation 2013 – Update and presentation**

The Director of Pensions and Simon Taylor, Employer Relationship Manager, presented a report and gave a presentation about the 2013 valuation, details of which were circulated at the meeting. A discussion took place about the performance of the Fund compared to other major LGPS Funds in England and Wales. The Director also responded to a question from Cllr Reynolds about data quality from employers.

Resolved:

That the draft 2013 actuarial valuation results and the changes to the Funding Strategy Statement be noted.

10. **Democratic Support Officer**

The Chair referred to the fact that Martin Fox, Democratic Support Officer, would shortly be leaving the Council after 39 years' service. All those present joined in thanking Martin for his long service and wished him well for the future.



Pensions Committee

8 January 2014

Report Title	Pension Administration Report from 1 August 2013 to 30 September 2013	
Classification	Public	
Originating service	Pension Services	
Accountable officer(s)	Nadine Perrins Tel Email	Head of Pensions Administration 01902 55(2727) Nadine.perrins@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to:

- 1 Approve applications received for admission to the West Midlands Pension Fund in Section 7.

Recommendation(s) for noting:

- 2 The Committee is asked to note the contents of the report, in particular the additional costs of £40,000 for overtime to address the backlog of work as in section 6 of the report and the write offs/ons of over and underpayments in section 9.

1.0 Purpose

1.1 To inform the Committee of the work undertaken by the Pensions Administration Services during the period 1 August 2013 – 30 September 2013.

2.0 Scheme Activity

2.1 The number of scheme members in the Fund in all three categories stands at 264,430 with an overall increase since 31 July 2013 of 664. Of the active membership of 97,338, 48% are full-time and 52% part-time, which is a reflection of the flexible working arrangements amongst employers. The long-term trend over an 11 year period in membership is set out in (Appendix A) which illustrates a move towards a more mature profile whereby active memberships are falling and pensioners and deferred membership is increasing.

2.2 The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 August 2013 – 30 September 2013 (Appendix B).

2.3 During the period covered by this report 22,703 administrative processes were commenced and 20,077 completed. On 30 September 2013 there were 17,634 items of work outstanding. Of this 5,654 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, 11,980 processes are now either proceeding to the next stage of the process or through to final completion.

2.4 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).

2.5 The 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 fund during the period 1 August 2013 – 30 September 2013. The current number of employers as at 30 September 2013 is 399. The level of ongoing work being processed at the end of the period is as follows:-

- 46 admission agreements
- 54 academies
- 18 employer terminations

2.6 Admission bodies within the Fund cease when they no longer have any active scheme members which results in the termination of an admission agreement and can occur for a number of reasons, principally:

- The last active member of the admission agreement leaves, retires or transfers to another employer and ceases to be a member of the Fund and the employer does not wish to admit any more employees to that admission agreement.
- The contract to which the admission agreement relates, comes to an end or it is terminated prematurely.
- The employer ceases to exist, e.g. it goes into liquidation or is taken over by/merged with another organisation.

When an admission agreement terminates, the Regulations require that a termination valuation is undertaken with the purpose of determining the level of any surplus or deficit in an employer's share of the Fund as at the date of termination of the admission agreement. Payment of the exit liabilities upon termination is the responsibility of the admission body and, in the event that the admission body is unable to pay, the guarantor will pay any excess when the admission body is only able to pay part of the exit liabilities.

2.7 Both the Customer and Data Quality functions have experienced major change in the way work is processed e.g. indexing, joiner triage and microfiche records. 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 (Appendix E). The Fund experienced a high volume of calls and emails in September due to the delivery of Annual Benefit Statements (Appendix F). We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

2.8 Overall items scanned in August and September are lower due to the volume of bulk data received from major employers (Appendix D). Changes to the operational work trays now result in the correct processes being undertaken by the employer-split teams. Training for the relevant staff has been completed and performance will continue to improve. Staff within Operations and the Customer Service/Data teams have worked flexibly to ensure that service to scheme members has not been detrimented.

3. Administration performance

3.1 As part of the implementation of the new organisational restructure and the requirement to relocate staff into new functions KPI performance for processing, new KPI's have been established which have a cross-cutting benefit for all administration purposes and activities, by tracking end to end processes resulting in a more meaningful performance measurement. This will also incorporate a specific KPI related to pension scheme data records to increase quality and drive individual and team ownership for this function.

- 3.2 The Pensions Regulator has issued guidance on pension scheme record keeping which will result in Trustees and employers having precise information relating to financial liabilities at triennial valuation periods. The Regulator will set targets for completed and accurate data held by funds and the performance will be reviewed with a requirement to resolve data issues quickly or be forced to improve by the regulator.
- 3.3 The following types of data will be tested by the Regulator:-
- Common data – data which identifies a unique scheme member
 - Conditional data – scheme specific data which is required for the effective administration of the scheme.
 - Numerical Information – e.g. the numbers of the scheme members in a particular category, part-time, AVC payers.
- 3.4 The Key Performance Indicator (KPI) Framework has been developed to monitor and track performance, particularly in the aspects of quality and efficiency. The new KPIs will provide a better mechanism for effective performance monitoring, taking account of corporate priorities, continuous service improvement and enhanced accountability on the resources used.
- 3.5 Underpinning the KPIs are more detailed end to end cross-service and regulatory KPIs to monitor performance against compliance, track employer performance and identify and measure where processes move across the Operational Service from team to team. These will provide enhanced management reporting and identify where flexible resources can be utilised across the service to meet peak demands.
- 3.6 The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set, as detailed in Appendix G . With day meaning working day and disclosure targets being the regulatory requirements that the Fund is required to meet.
- 3.7 Performance of these KPIs is to be reported to SMT and Committee by the Compliance team. Pension Managers and Team leaders are to have access to run these reports regularly to monitor performance.
- 3.8 These KPIs will be reviewed as bulk electronic working is developed and in light of the new scheme.

4.0 IDR (Internal Dispute Resolution Procedure) casework

- 4.1 So far in the 2013/2014 financial year nine cases have been received. Six cases have been dismissed and three cases are in progress.

The six cases dismissed related to the following pension issues:

- Five cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- The other case related to the award of deferred benefits on the grounds of ill health rather than immediate ill health.

5.0 Death grant

5.1 In this financial year four cases have been referred to the Legal Department for consideration. Three case decisions have been made and the other case is ongoing.

6.0 Workload Statistics

6.1 Performance statistics recently increased due to the initial work of targeting backlog reduction by reviewing resources across the operational teams and identifying where the backlogs exist.

6.2 Additional hours through overtime working have been programmed for the next three months at an estimated cost of £40,000 to bring the backlog down to a reasonable level at 31 March 2014. This cost can be accommodated within the underspend of staff costs.

6.3 This has resulted in a reallocation of work across teams. Project groups have now been established to target areas of work, including business improvement reviews and policy revisions to change working practices in some areas. Discussions have also been held with other Funds to compare working practices as part of collaborative working to identify best practice. The project plan of reallocating areas of work and identifying where work exceeds capacity has created a temporary increase in workload. This is expected to reduce on a month by month basis by the end of the financial year through changes to working practices.

6.4 A significant reduction to workload has already been achieved to date. As at 16 December the workload has reduced from 25,000 - as at 1 September 2013 - to 16,267, a reduction of 8,733 casework processes so far. The intention is to reduce to less than 10,000 outstanding casework items by 31 March 2014.

7.0 Application for admission body status

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

7.2 The table below lists the applications received for admission to the West Midlands Pension Fund which have been approved by delegated power by the Director of Pensions, the Chair and Vice Chair and Pensions Committee during the intervening period and are noted for information.

There is one application awaiting approval and Pensions Committee is requested to approve the application for Compass Contract Services Ltd.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members)	Status
Lend Lease FM (EMEA) Ltd (Sheldon Heath Academy)	Sheldon Heath Academy	4 (4)	Approved
Lend Lease FM (EMEA) Ltd (Waverley School)	Birmingham CC	5 (5)	Approved
DIAL (Disablement Information and Advice Line) Solihull	Solihull MBC	3 (3)	Approved
Redcliffe Catering Ltd (Jubilee Academy Walsall)	Jubilee Academy	1 (1)	Approved
Elite Cleaning and Environmental Services Ltd	Hereward College	6 (6)	Approved
Compass Contract Services Ltd	Heartlands Academy	6 (6)	Awaiting approval

8.0 Pensions in payment

8.1 The gross annual value of pensions in payment in September 2013 was £396.2 million, of which £18.3 million (£8.6 million for pensions increase and £9.7 million for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

8.2 Monthly payroll numbers were:

August 2013	-	77,422
September 2013	-	77,563

The September figures include pensioners paid on a quarterly basis.

9.0 Write off policy decisions

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

Individual Value	Number	Total
Less than £50.00	5	138.63
£50 - £100	23	1,686.77
£100 - £500	35	8,727.06
Over £500	5	5,139.75
TOTAL	68	15,692.21

9.2 Write on analysis

Individual Value	Number	Total
Less than £50.00	7	119.09
£50 - £100	1	69.30
£100 - £500	1	128.94
Over £500	0	0.00
TOTAL	9	317.33

- 9.3 A number of administrative errors since 2005 have resulted in one scheme member receiving a pension and lump sum payment to which they were not entitled. The total overpayment made to the member consisted of a lump sum payment of £12,031.60 in November 2011 and pension payments from November 2011 – March 2013 totalling £4,192.48.
- 9.4 The case was fully investigated by the Fund’s Compliance, Performance & Information Manager who identified that there were a number of avoidable errors when administrating the member’s pension record which had culminated in the over payment. The findings also highlighted that there was no opportunity for the member to prevent the overpayment being made other than the member contacting the Fund. She highlighted what she thought was a discrepancy before any payments had been made but was assured that there were no issues with the pension record. However, this was incorrect information which has now been rectified.
- 9.5 The findings of the investigation and discussions with the Citizens Advice Bureau, the scheme member’s advisor, in relation to the financial impact of repayment would cause considerable stress to the individual. At this stage the fund decided to recommend to Committee that the sum should be approved for write off and no recovery action should be taken.
- 9.6 The write off was approved in principal in a telephone conversation with the Chair of the Pensions Committee and the Head of Pensions Administration on Tuesday, 15 October 2013 and Pensions Committee is now asked to ratify the decision.
- 9.7 Following the investigation a review was carried out on all processes where the dates of birth for scheme members had been changed without documentation authorisation which was a key factor in the above case. Feedback has been provided to all staff to reiterate the importance of ensuring member data is accurate and any changes to member records are validated with appropriate evidence with the above case being used as a case study to highlight the impact of such mistakes. All data errors and breaches are treated seriously and action is taken immediately to alleviate any Fund and Wolverhampton City Council consequences.

10.0 Communications & marketing activity

10.1 Communicating with members

Presentations were held in Birmingham and Wolverhampton during July, targeting higher earners that may be affected by the annual allowance and life time allowance limits on their pension benefits. The Fund wanted to raise awareness that these limits are being reduced from 1 April 2014 by ensuring that the appropriate groups of members attended financial education sessions.

The next set of AVC presentations will be held as follows:

Date	Venue
Thursday 21 November	Civic Suite, Solihull MBC
Friday 22 November	Council House , Walsall MBC
Monday 25 November	Woodcock Street , Birmingham CC
Thursday 28 November	Council House, Coventry CC
Friday 6 December	Oldbury Council House, Sandwell MBC

10.2 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers. The communications team will provide support on any subjects that are requested by an employer for their employees, however, the emphasis is on retaining membership and educating members on the possible changes due to be implemented in 2014.

Examples of activity during the period are as follows:

Date	Venue	Presentation topic
19 August	Wolverhampton City Council – Oxley Day Centre	Redeployment presentation
2 September	High Arcal School Academy Trust	Drop-in surgery sessions
3 September	Sandwell MBC	Drop-in surgery sessions
5 September	Sandwell MBC	Health & Wellbeing Event
10 September	Walsall Housing Group	LGPS & AVC Event
16 September	Centro	LGPS & AVC Event
17 September	Sandwell MBC	Face to Face surgery sessions
19-20 September	Wolverhampton City Council	Drop-in surgery sessions
23–24 September	Black Country Consortium	Drop-in surgery sessions
24 September	Sandwell MBC	Face to Face surgery sessions

10.3 Annual General Meeting

This year, the Fund's Annual General Meeting for employers was held on Monday 9 December at the Molineux Stadium in Wolverhampton. The event focused on the 2013 Actuarial Valuation results, providing an opportunity for organisations to discuss their initial individual outcomes. The consultation on Funding Strategy will be open until the end of January 2014, and is included in a separate report on this committee's agenda.

10.4 Pensioner magazine replacement

Club Together was successfully launched to the Fund's pensioner members week commencing 19 August. As part of the first distribution, pensioners were given the option to opt-out of receiving the Club Together magazine and any marketing information connected to the group, in the future. A total of 732 pensioner members have chosen to opt out, which is approximately 1% of the total number of members that received the Club Together magazine.

10.5 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently more than 9,213 members registered to use the web-portal facility and over 248 employer accounts, representing 72 individual organisations. To encourage more take up, the Fund is considering regular prize draws for those signing up.

11.0 Financial implications

11.1 The report contains financial information which should be noted.

11.2 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.

12.0 Legal implications

12.1 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.

13.0 Equalities implications

13.1 This report has equal opportunities implications since it deals with the pension rights of employees.

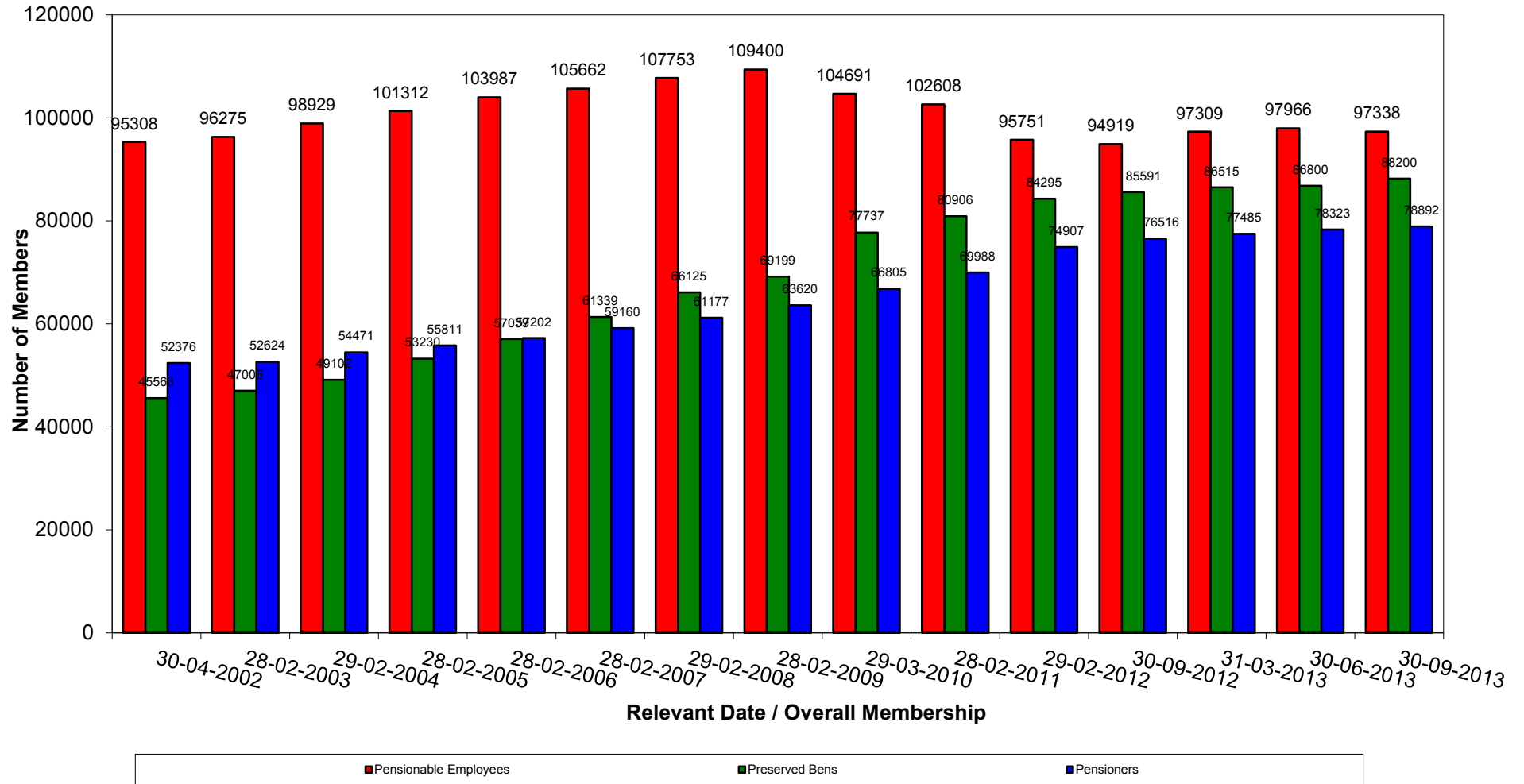
14.0 Environmental implications

14.1 The report contains no direct environmental implications.

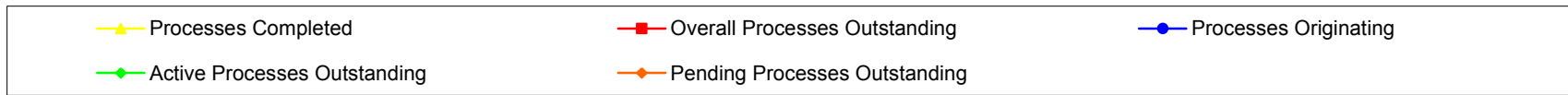
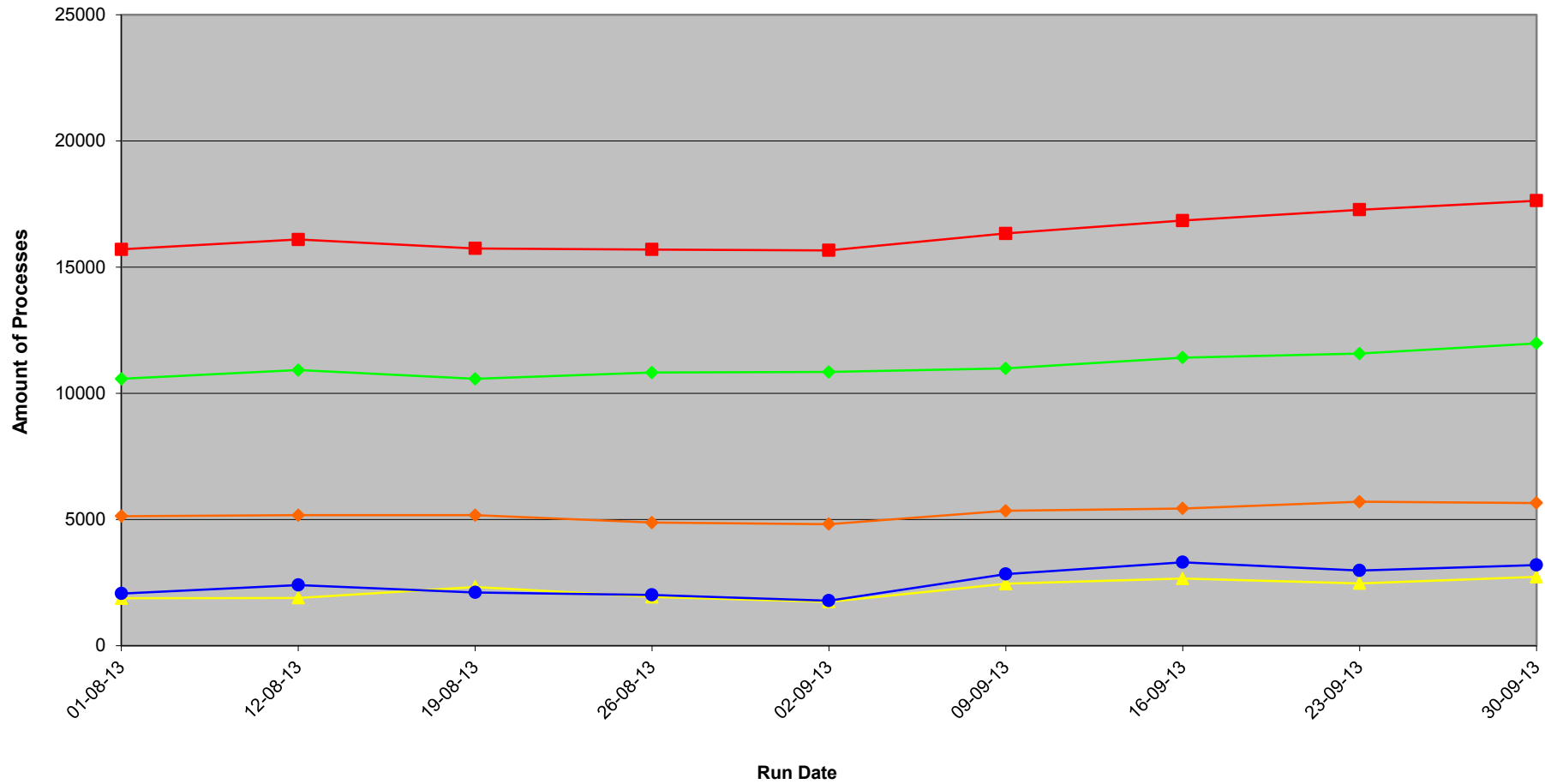
15.0 Schedule of background papers

15.1 None

Overall Membership



Process Analysis



2013/14

2009/10	2010/11	2011/12	2012/13	April	May	June	July	August	Sept	YTD 2013/14	

Active & Deferred members

Process type											
Joiners and Rejoiners	11,437	8,763	6,403	11,138	792	840	1,128	1,083	653	1,336	5,832
Changes in circumstances eg change in hours	27,341	18,759	15,303	12,385	824	1,149	765	545	1,060	993	5,336
Deferments	6,915	5,939	7,818	5,741	411	409	426	235	133	1,285	2,899
Active Retirements (Employer retirements)	2,652	3,317	3,950	2,475	237	184	163	179	142	170	1,075
Deferred Retirements	4,106	3,332	2,970	2,971	221	277	195	248	215	237	1,393
Deaths of members	253	295	262	287	18	30	19	28	27	28	150

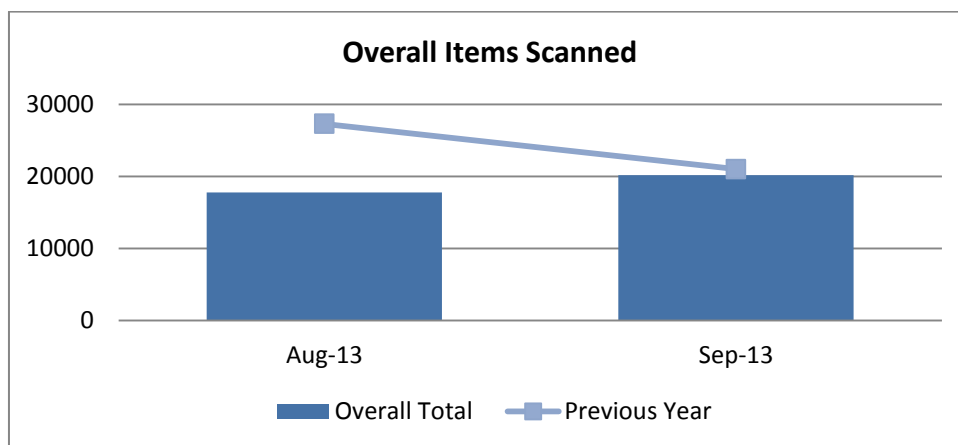
Pensioner members

Process type											
Changes in circumstances:-											
Data eg Passwords, NI Numbers	7,407	1,310	1,804	1,865	183	310	143	177	138	151	1,102
Changes of Address	2,222	2,420	2,681	2,131	193	162	135	162	143	139	934
Changes of Bank	1,125	2,927	2,531	2,783	377	198	198	253	281	287	1,594
Deaths of pensioners	2,014	2,085	2,145	2,101	208	168	181	262	341	165	1,325

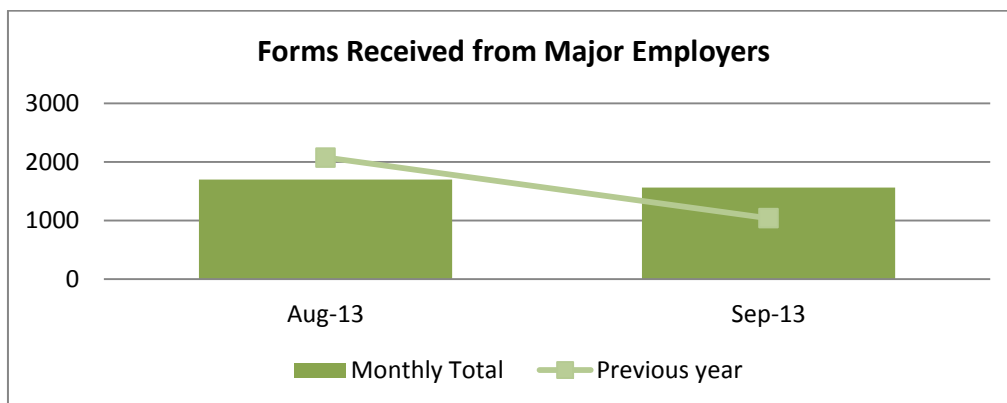
Payroll					Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	
Actual number paid	763,022	#####	#####	#####	71,143	71,360	77,069	71,736	77,422	77,563	446,293

Data Quality Statistics

1 August 2013 – 30 September 2013

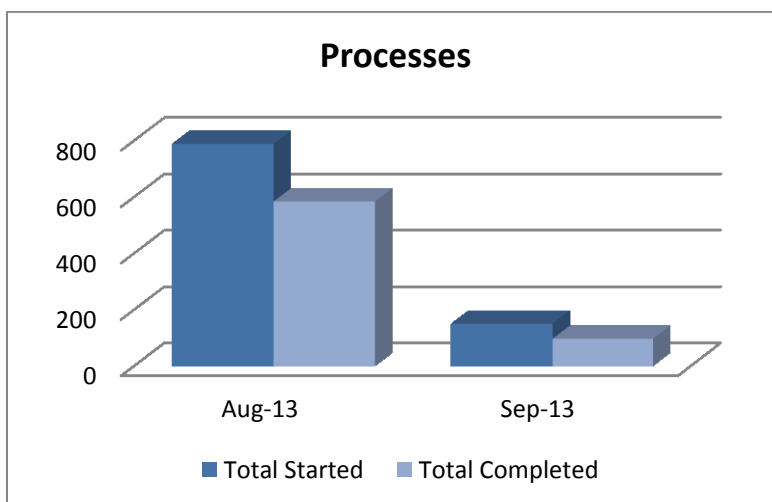


	Overall Total	Previous Year
Aug-13	17752	27287
Sept-13	20143	21002



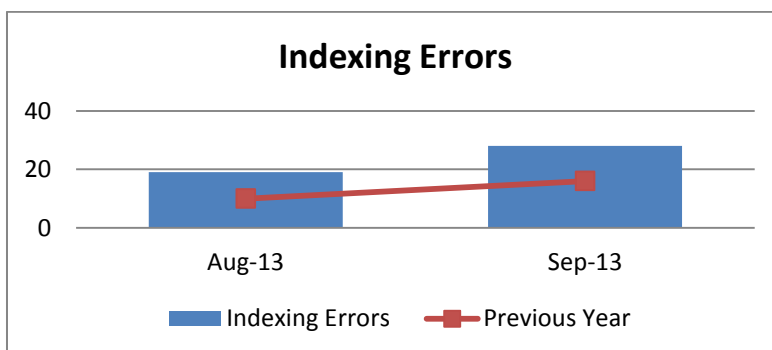
	Monthly Total	Previous year
Aug-13	1700	2074
Sept-13	1565	1040

Data Quality Statistics
1 August 2013 – 30 September 2013



	Aug-13	Sept-13
Total Started	788	150
Total Completed	584	97

*Between August and September 2013 an area of work has moved from Data Quality into the main Operational teams



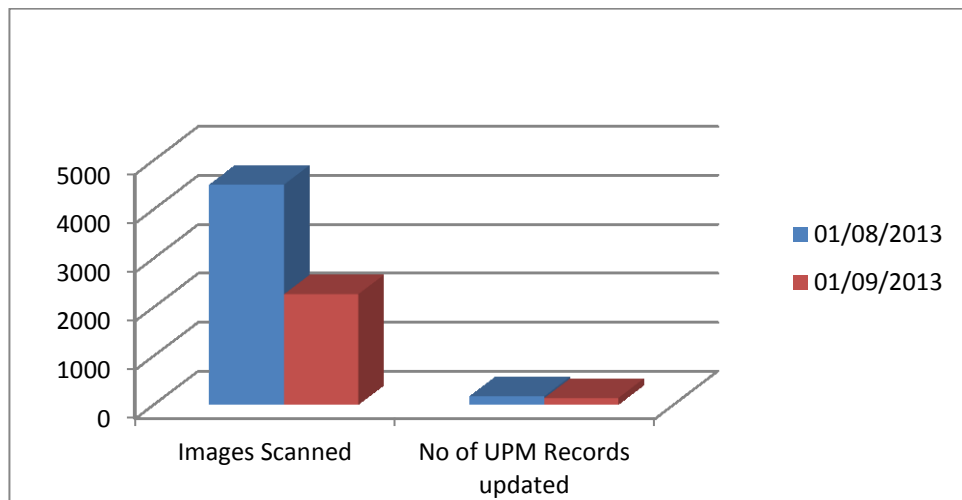
	Indexing Errors	Previous Year
Aug-13	19	10
Sept-13	28	16

Indexing errors are errors made while attaching an electronic imaged document to a member’s record. It is identified and then corrected.

	Overall Scanned	Indexing errors	%
Aug-13	17752	19	0.107
Sept-13	20143	28	0.130

The issue could range from a document going onto an incorrect record or being assigned the wrong document type.

Microfiche Statistics

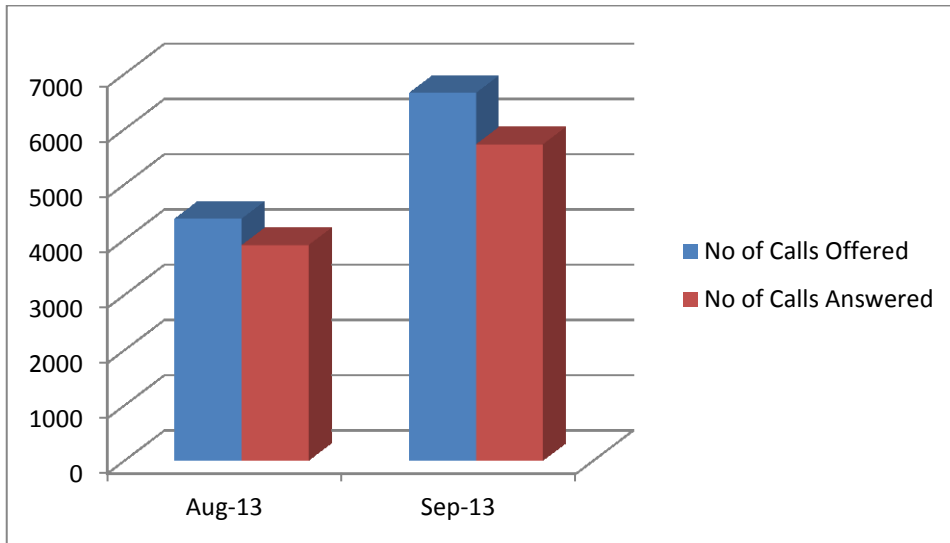


	Number of Images Scanned	No of UPM Records updated
01/08/2013	4500	170
01/09/2013	2263	134

Customer Service Statistics

1 August 2013 –30 September 2013

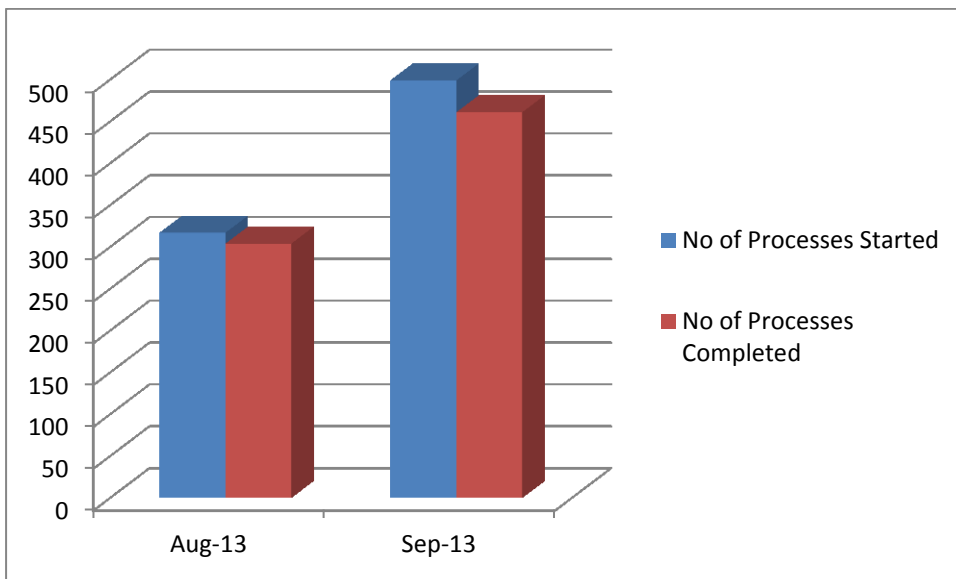
Telephone Calls to Customer Service



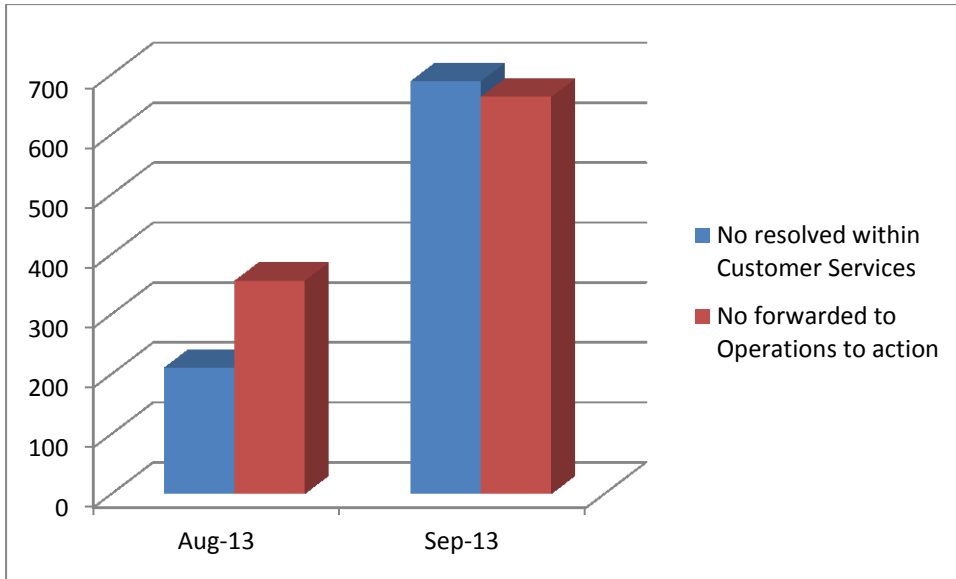
	Aug-13	Sep-13	% Answer Rate	Calls answered at first point of contact
No of Calls Offered	4383	6660	89.1%	98.6%
No of Calls Answered	3905	5730	86.0%	98.7%

Please note that the target % answer rate is currently 85%.

Processes Actioned by Customer Services



	Aug-13	Sep-13
No of Processes Started	317	499
No of Processes Completed	304	461

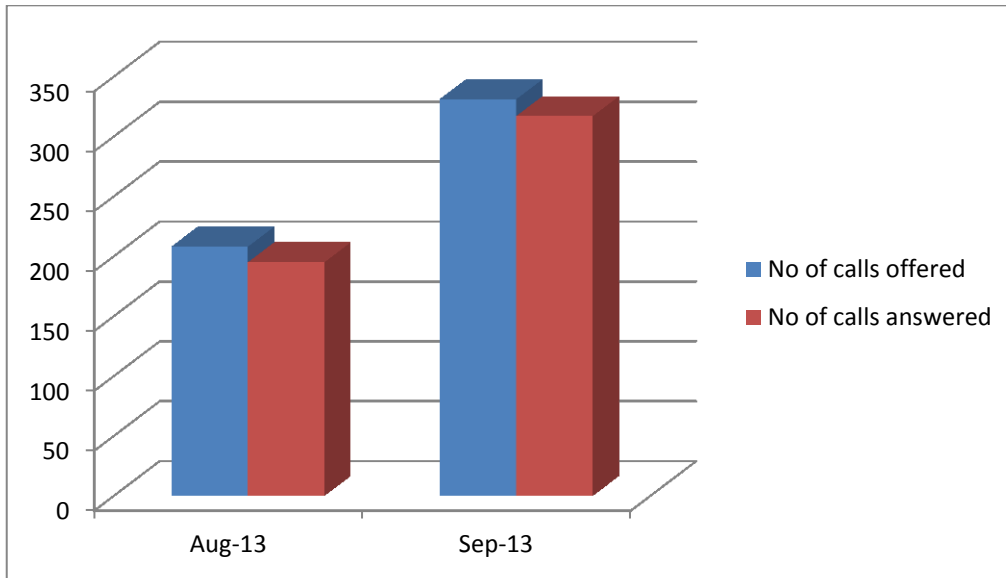


	Aug-13	Sep-13
No resolved within Customer Services	211	689
No forwarded to Operations to action	356	663

Employer Service Telephone Statistics

1 August 2013 –30 September 2013

Telephone Calls to the Employer line



EMPLOYER SERVICES

	Aug-13	Sep-13	Answer rate
No of calls offered	208	331	95.80%
No of calls answered	195	317	93.80%

Operations Revised KPI Framework

KPI		Target	Comments
Joiner	New joiners will be processed within 20 days of receiving the required data from the scheme member's employer.	90%	20 days brings us in line with other Funds and measures employer performance against queries raised. This also measures the process across both Data Services and the Operational processing team. Overall Disclosure Regulations require notification within one month for employees auto-enrolled and two months for other employees.
Deferment	Benefit notification will be issued to the member within 15 days following receipt of the required information from the scheme member's previous employer.	90%	This KPI meets industry standard for deferment cases. This KPI is part of an overall end to end KPI of 40 days which measures employer performance against queries raised for compliance with Disclosure Regulations and also includes cross service measurement between Operational teams. Disclosure Regulations require a benefit notification to be issued to the member within two months of the employer or member notification
Retirements	Notification of the estimated retirement benefits will be issued to the scheme member within 15 days following the receipt of the required information.	90%	This KPI measures favourably against other Funds. Again this KPI is part of an overall end to end KPI for the retirement process which is cross service between Data Management, Retirement and Payroll teams. The Disclosure Regulations require retirement benefit details to be issued within 24 days of the date the member left employment.
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%	n/a
	Payment of the retirement lump sum will be made and the creation of the pensioner record within 5 days of receiving the required information.	90%	n/a
Deaths	Acknowledgement of a death will be issued within 5 days of receiving the notification	90%	Individual measures will be set for each type of death, e.g. Death in Service, Death in deferment and Death in retirement
	Notification of the benefits payable to dependants will be issued within 5 days following the receipt of the required information.	90%	These KPIs combine to provide an end to end measurement of the death process. Disclosure Regulations require death benefit entitlement details to be provided within 55 days of the notification of death. This may appear to be a long time but cases often involve significant periods of time to await responses from others or deciding upon recipient of the death grant.
	Payment of the death lump sum will be made within 10 days of receipt of all the required information.	90%	

Member Changes	Changes in member details will be processed within 20 days of receipt of the required information.	90%	A number of processes will contribute to this KPI including: (Maintain Member Data, Change of Bank (new KPI to be established), Change of address, TUPE maintain member data) This an end to end KPI and includes time taken to resolve any queries with employers to measure and report against employer performance
Transfers	Transfer In - Transfer in quotes will be issued to the scheme member within 10 days of receiving all of the required information. Following receipt of the scheme member's election form and confirmation of the payment received from the scheme member's previous pension provider, notification of the transferred in membership will be issued to the scheme member within 10 days .	90%	This process requires liaison with external pensions schemes and responses from the member so has been designed to focus on the work to be completed by the Fund. There is no Disclosure Regulation target for this process however local performance indicator benchmark levels are set at 24 days to issue a transfer in notification on receipt of transfer in payment.
	Transfer Out - Transfer out quotes will be issued to the scheme member within 20 days of receipt of the required information. Transfer values will be paid within 10 days of receiving confirmation from the scheme member that the transfer is to be made and all information required to make the payment.	90%	These KPIs combine to provide an end to end measurement for the whole transfer out process. The Pensions Scheme Act 1993 requires a transfer out quotation to be provided within three months of a member's request being made and a transfer out payment to be made within six months of the transfer guarantee date. The Fund's KPI meets benchmark level reported by other Funds.
Employer & Customer Services	85% of calls received to the customer and employer helpline to be answered	85%	Report to be produced from Mitel. To be reviewed following the implementation of LGPS 2014.
Data Quality	Compliance with the TPR standard: Common Data <ul style="list-style-type: none"> • New data created after June 2010 - 100% • Legacy data (created before June 2010) – 95% Conditional Data – TBD by Trustees following baseline		



Pensions Committee

8 January 2014

Report Title	Trustee Training Activity Update Report	
Classification	Public	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever Tel Email	Director of Pensions 01902 55(2020) Geik.drever@wolverhampton.gov.uk
Report to be/has been considered by	N/A	

Recommendations for noting:

Members are requested to note the contents of the report

1.0 Purpose

- 1.1 The Pension Fund Trustee Training Policy was approved in November 2012 and as part of the policy it was agreed that training activity undertaken would be recorded and reported to Committee.

2.0 Background

- 2.1 In order to record training activity undertaken, the Fund set up a training database and populated it based on attendance at events and committees. In addition, a quarterly training return is provided to all Trustees in order to record additional activity such as online training or reading.
- 2.2 During this democratic year, returns have been distributed for completion for the periods ending June and September. In June, 8 forms were returned with four detailing additional training. In September, in order to assist members, returns were sent out showing details of known training. However, no additional training has been advised to date.

3.0 Training Activity Undertaken

- 3.1 A summary of training activity undertaken up to the end of September 2013 is included at Appendix A with the key points detailed further below:
- New and returning Trustees were invited to attend in-house induction training sessions facilitated by Pension Fund Officers. This training provides an understanding of roles and responsibilities in order to allow informed participation in decision making or scrutiny of complex pension issues. During 2013/2014, all new and returning members participated in the induction training (4 councillors and 2 observers).
 - Individual 1:1 training sessions were arranged covering “Understanding the Statement of Accounts” and “Asset Classes” for two members. Further 1:1 sessions will be facilitated as requested.
 - Structured training included presentations to Investment Advisory Sub-Committee (IASC) in September, covering “An overview of Hedge Funds” and “Insurance Linked Strategies”. Also, Risk Workshops were held on 29 October and 7 November with 4 councillors attending on the 29 October and 2 councillors and 2 observers attending on the 7 November.

- Presentations have been made to Joint Consultative Forum and IASC by both Fund Officers and external speakers as follows:

Date	Meeting	Firm & Speaker	Presentation details
3 July	IASC	Bridges Ventures represented by Michelle Giddens, Phillip Newborough & Simon Ringer Hymans Robertson represented by Graeme Johnston & William Marshall	ESG investments Review of Absolute Returns
4 Sep	JCF	Fund officers – Amy Whiles & Claire Parlor	Scheme Changes & Consultations
17 Sep	IASC	BlackRock represented by Alex Orr Credit Suisse AG represented by Serge Chiaramonte Permira represented by Philip Muelder (partner) and Michgail Zekkos (principal on the agriculture sub asset class).	Hedge Funds Insurance Linked Strategies Agriculture - Investment activity in the food & beverage industries and the wider food chain.

Training hours for these training sessions have been added to quarterly returns.

- Details of on-line tools and relevant internet sites have been circulated to members to assist with reading and research.

3.2 Feedback from all of the above training has been good with recognition of the provision of flexible training being made.

4.0 Further training

4.1 In December the LAPFF conference took place with several Trustees attending. The Fund's second AGM was held on the 9 December and a number of Trustees attended. A presentation on "Emerging Market Equities" was made to IASC in December.

4.2 The training database and distribution of quarterly returns will be dealt with by the Fund with reports to Committee on outcomes.

4.3 The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator, and accordingly, the increased emphasis on Trustee training, knowledge and understanding. By implementing and participating in the Trustee Training Policy, the Fund and its Trustees will be well placed to make better informed decisions and consequently will be able to comply with the increased requirements of the Regulator and the overarching governance requirements of the new scheme.

5.0 Financial implications

5.1 Details of the Pension Service Medium-Term Financial Plan Update and 2013/14 Operating Budget were submitted and approved by Pensions Committee in February 2013, with the costs associated with officer and Member training being incorporated into that plan.

6.0 Legal implications

6.1 The report contains no direct legal implications for the Authority

6.0 Equalities implications

6.1 This report has no equal opportunities implications.

7.0 Environmental implications

7.1 The report contains no direct implications for the Authority's Environmental Policies

8.0 Schedule of background papers

8.1 Trustee training activity Report - Pensions Committee 26 June 2013.

**Summary of recorded Trustee Training by member
1 April 2013 to 30 September 2013**

<u>Trustee Members</u>	<u>Structured Training</u>	<u>Conference / Seminar</u>	<u>Presentation to Committee</u>	<u>Reading/ Additional Development</u>	<u>Total Training Hours</u>
Councillor Alan W Martin	3.0	0.0	1.0	0.0	4.0
Councillor Andrew Johnson	0.0	0.0	0.0	0.0	0.0
Councillor Damian Gannon	4.0	0.0	0.5	0.0	4.5
Councillor John Reynolds	0.0	0.0	1.0	0.0	1.0
Councillor Lorna McGregor	6.0	0.0	0.5	0.0	6.5
Councillor Mark Evans	0.0	0.0	0.5	0.0	0.5
Councillor Mike Heap	3.0	0.0	1.5	0.0	4.5
Councillor Muhammad Afzal	1.0	0.0	0.0	0.0	1.0
Councillor Peter Bilson	3.0	0.0	1.0	0.0	4.0
Councillor Rachel Harris	5.5	0.0	1.5	0.0	7.0
Councillor Sandra Samuels	4.0	0.0	0.5	0.0	4.5
Councillor Steve Eling	0.0	0.0	0.0	0.0	0.0
Councillor Steve Evans	0.0	0.0	0.5	0.0	0.5
Councillor Tersaim Singh	0.0	0.0	0.0	0.0	0.0
Councillor TH Turner	3.0	0.0	1.5	0.0	4.5
Councillor Vic Silvester	4.5	0.0	1.5	0.0	6.0
Councillor Zahid Ali	0.0	0.0	0.5	0.0	0.5
Councillor Zahid Shah	1.5	0.0	1.0	0.0	2.5
<u>Substitute Members</u>					
Councillor Safeena Arshad	0.0	0.0	0.0	0.0	0.0
Councillor G M Allport	0.0	0.0	0.0	0.0	0.0
Councillor K Chambers	0.0	0.0	0.0	0.0	0.0
Councillor Penny Holbrook	0.0	0.0	0.0	0.0	0.0
Councillor Robert Pocock	0.0	0.0	0.0	0.0	0.0
Councillor Sucha Bains	0.0	0.0	0.0	0.0	0.0

<u>Observer/JCF</u>					
<u>Members</u>					
Councillor Paul Sweet	0.0	0.0	0.0	0.0	0.0
Martin Clift	7.5	0.0	5.5	0.0	13.0
Ian Smith	3.0	0.0	1.0	0.0	4.0
Malcolm Cantello	3.0	0.0	1.0	26.0	30.0
Mr A Phillips	0.0	0.0	0.0	0.0	0.0
Mr A Wilkins	2.0	0.0	0.5	0.0	2.5
Mr D Harrison	0.0	0.0	0.0	0.0	0.0
Mr S Parker	0.0	0.0	0.0	0.0	0.0
Wendy Bond	4.0	0.0	0.0	0.0	4.0
Total	64.0	0.0	21.0	26.0	105.0



Pensions Committee

8 January 2014

Report Title	Annual Report and Accounts 2012/13	
Classification	Public	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	Geik.drever@wolverhampton.gov.uk
Report to be/has been considered by	N/A	

Recommendations for noting:

The Committee is asked to note:

1. Members are requested to note the contents of the 2012/2013 Annual Report and Accounts, which is available on the website www.wmpfonline.com and the Annual Audit report for the West Midlands Pension Fund attached at Appendix 1.

1.0 Purpose

- 1.1 Members are requested to note the contents of the 2012/2013 Report and Accounts and the Annual Audit report for the West Midlands Pension Fund. The Annual report is available on the Fund's website www.wmpfonline.com and the audit report is attached at appendix 1.

2.0 Background

- 2.1 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector. The accounts are subject to significantly increased disclosure requirements as outlined in the CIPFA Example Accounts and Disclosure Checklist.
- 2.2 The accounts have been approved by the Authority's Section 151 Officer, submitted to Audit Committee and audited by the Fund's external auditors, PWC.
- 2.3 The Fund received an unqualified audit report and Muna Rowe from PwC will present the audit findings to Committee.

3.0 Financial implications

- 3.1 Financial implications are detailed above and in the 2012/2013 Annual Report and Accounts.

4.0 Legal implications

- 4.1 This report contains no direct legal implications for the Authority.

5.0 Equalities implications

- 5.1 This report has no equalities implications.

6.0 Environmental implications

- 6.1 This report has no implications for the Council's environmental policies.

7.0 Schedule of background papers

- 7.1 The draft final accounts and outturn 2012/2013 were submitted to Pensions Committee on the 26 June 2013 and approved for submission to external audit.
- 7.2 The draft annual report was submitted to Pensions Committee on 25 September 2013 and approved for submission to external audit and subsequent publication.

Government and Public Sector
West Midlands
Pension Fund
Report to the Pensions Committee
2012/13 Audit

30 September 2013

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<i>Appendix 1: Recent developments</i>	12

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

The 'Statement of responsibilities of auditors and of audited bodies' issued by the Audit Commission in April 2008 applies to our 2012/13 audit of West Midland Pension Fund under the Code of Audit Practice for Local Government Bodies issued by the Audit Commission in July 2008. A copy of the statement is available from Wolverhampton City Council, the Administering Authority for the West Midlands Pension Fund. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement and the Code of Audit Practice.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit of the accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We issue this report detailing the findings from our work and making recommendations for improvement, where appropriate.

Executive summary

The purpose of this report

This report is in respect of our audit of the financial statements of the West Midlands Pension Fund (the “Fund”) for the year ended 31st March 2013. It is designed to provide you with feedback from the work performed and to communicate any issues which have come to our attention during the audit.

This report focuses solely on the Fund’s audit. We are required to report formally to the Wolverhampton City Council under the Audit Commission’s Code of Audit Practice and International Standard of Auditing (UK & Ireland) (ISA(UK&I)) 260 - “Communication of audit matters with those charged with governance” in relation to our audit of Wolverhampton City Council as a whole (the Council), as such this report to you does not contain any matters in respect of the Council. This report was not prepared to comply fully with the Code of Practice although it contains much of the required content; it does, however, satisfy our duties under ISA (UK & I) 260 in respect of reporting to you on the Fund, to allow you to discharge your role as “those charged with governance” to the Fund.

We have completed the audit of the Fund financial statements in line with the Code of Audit Practice and International Standards on Auditing (UK & Ireland).

Our audit work during the year was performed in accordance with the plan that we presented to you in April 2013. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

We have set out in this report what we consider to be the most significant matters that we have discussed with you in the course of our work.

Status of our audit

At the time of issuing this report, we have substantially completed our audit, subject to the satisfactory resolution of the following outstanding matters we expect to issue an unqualified audit opinion:

- Completion of our work following the receipt of the full Annual Report including all relevant disclosures and investments report;
- review of subsequent events;
- approval of the Pension Annual Report by the Pensions Committee; and
- approval of the updated letter of representation by the Pensions Committee.

We would like to formally record our thanks to the officers of the Fund who have assisted us in completing our audit work.

Audit independence

We confirm that, in our professional judgment, as at the date of this document, we are independent auditors with respect to the Authority and its related entities, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit engagement leader and the audit staff is not impaired.

West Midlands Pension Fund – Report to the Pensions Committee
30 September 2013

Recent developments

A summary of recent developments in relation to Pension liberation fraud has been included in Appendix 1.

Audit scope and approach

We performed our audit in line with the audit plan which was presented to you in April 2013. We have set out for completeness the risks we highlighted in that plan and how we have discharged them with audit procedures.

Risks	Audit Response
Significant Risks	
<p>Management override of controls</p> <p>In any organisation, management may be in a position to override the financial controls that you have in place. A control breach of this nature may result in a material misstatement. For all of our audits, we are required to consider this significant risk and adapt our audit procedures accordingly.</p>	<p>We have understood and evaluated key controls and processes throughout the audit work, and have reviewed balances in the financial statements where an element of estimation is required.</p> <p>We have also undertaken journals testing at the Fund to review the appropriateness of these entries, since these entries may be subject to a greater degree of management influence.</p> <p>We have also performed appropriate procedures over any material balance which uses management judgement to check that there was no management bias.</p> <p>Our audit procedures also included unpredictable procedures which vary year on year.</p>
Other Risks	
<p>Valuation of investments</p> <p>The volatility of stock markets in recent years may impact on the valuation of investments at the end of the year and on the net assets of the Fund.</p> <p>It is also possible that there may be significant movements in investment values between the end of year and the reporting date.</p>	<p>We have carried out a range of procedures to gain assurance over the asset values, including:</p> <ul style="list-style-type: none"> • understanding the controls and procedures around the monitoring of investments, including understanding how management control and validate asset values including those which are not quoted and not actively traded; • discussed with management the procedures surrounding the valuations of the property portfolio including monitoring arrangements; • reviewing the Shareholder system, including testing reconciliations performed between the Shareholder system (ICON) and custodian and investment manager reports; • sending investment confirmations to Fund managers to obtain an independent valuation of the Fund's assets. Furthermore, we have tested the valuation of a sample of investments; and • considering the possible implications of any material market events in the period after 31 March 2013. At the time of drafting this report we are comfortable that no such events would require disclosure.
<p>Reliance on controls within asset managers</p> <p>The Pension Fund's Investment Managers operate within agreed parameters and their performance is reviewed by the pension management.</p>	<p>We have checked on a sample basis, the work performed by the Compliance team in relation to the review of investment managers' controls reports which provides an independent opinion on the controls operating at fund managers.</p>

Risks	Audit Response
<p>Contributions received from members and employers</p> <p>Local Government Pension Scheme regulations set out the annual contribution rate to be applied to a person who becomes an active member on the basis of his or her pensionable pay.</p>	<p>We have reviewed controls in operation over contributions and understood, evaluated and validated these controls where applicable.</p> <p>We have performed an analytical review of contributions compared with the prior year and review the level of contributions on a month by month basis.</p> <p>We have performed detailed testing on a sample of contributions to ensure the banding system is operating as prescribed.</p> <p>We have also reviewed the timeliness of the payment of contributions by the employers.</p>
<p>Benefits paid to beneficiaries</p> <p>Benefits must be calculated correctly in accordance with the regulations set and within relevant limits. All benefits including bulk transfers must be accounted for in the correct period and control in place should ensure pensions are only paid to bona fide pensioners.</p>	<p>We have reviewed the controls operated by the administration team and validated that these controls are operating effectively.</p> <p>We have performed an analytical review of the pensioner payroll and reviewed the results of any pension existence checks carried out during the period.</p>

Audit and accounting matters

Auditing standards require us to tell you about relevant matters related to the audit of the financial statements sufficiently promptly for you to take appropriate action. This section contains such items.

Financial statements

Our audit is substantially complete, and we expect to issue an unmodified opinion subject to appropriate resolution of the matters set out on page 5 of this report in the ‘Status of our audit’ section.

Accounting issues

We have no significant accounting issues to bring to your attention.

Misstatements and significant audit adjustments

We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. We identify all items greater than £5,000,000 as non-trivial. As auditors, we also bring to your attention misstatements which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities.

Our audit work has identified one non-trivial unadjusted error in the financial statements. This is due to updated unquoted investments valuations becoming available after the production of the draft accounts showing an increase of £25m to that recorded in the accounts. Management have represented to us, in their letter of representation, that the difference between the value in the accounts and the subsequent formal valuation is not material either individually or in aggregate to the accounts and therefore due to the complexity involved in making this adjustment the accounts have not been adjusted.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask the Pensions Committee, in its letter of representation, to represent to us that they have considered the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity’s financial statements.

IFRS 7 sets out the information that an entity should disclose to enable users of the financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed to at the end of the reporting period. This includes providing disclosures around the risks arising, for example credit risk, liquidity risk and market risk, and how they have been managed by the entity. The Fund has made improved disclosures within the notes to the financial statements which set out the risks that are relevant to the Fund’s specific circumstances and reflects how the Fund monitors and controls its risk.

Judgments and accounting estimates

Significant judgments and accounting estimates were used in the preparation of the financial statements in relation to the valuation of non-listed investments. As set out in the previous section, we carried out audit procedures to satisfy ourselves that these valuations are reasonable. However, we consider it worth bringing to your attention that these balances are based on more significant judgements than other investment balances which are commonly traded: as a result, we have focused greater audit attention on these balances.

These are also the investments and balances which potentially represent the greatest risk of manipulation, and it is therefore important that members of the committee are comfortable with the suitability and carrying value of these investments.

West Midlands Pension Fund – Report to the Pensions Committee
30 September 2013

Management representations

We will be asking management to provide us with a signed representation letter to confirm information and statements they have given to us during the course of our audit.

Related parties

We have not identified any issues in performing our related party work which needs to be brought to your attention.

Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan.

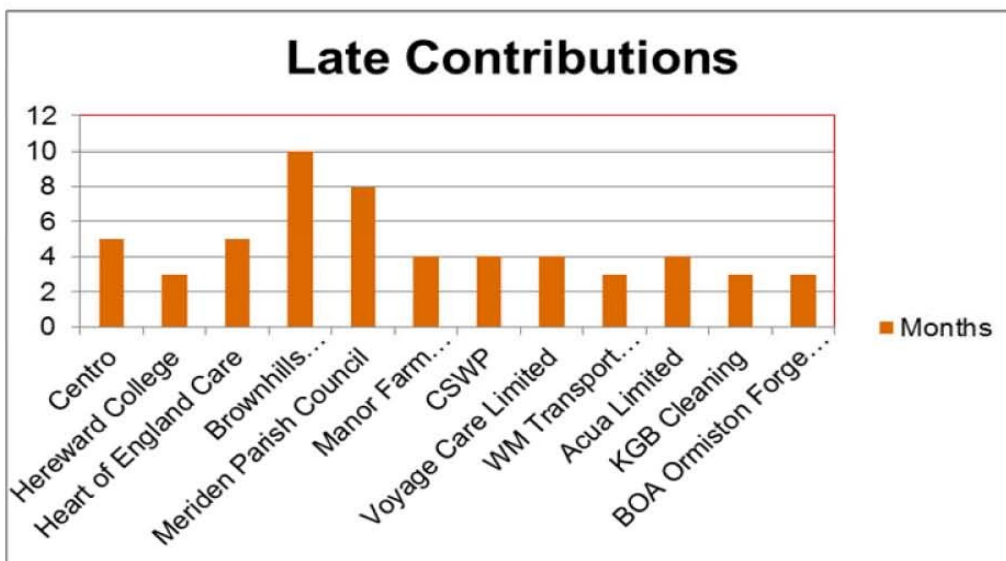
In presenting this report to you, we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Internal controls

Reporting requirements

We are required to report to management and those charged with governance any deficiencies in internal control that we have identified during the audit. We did not note any deficiencies however the following observation was made during our work.

Observation	Recommendation
<p>late contribution payments</p> <p>We noted that during the year there were 102 instances where contributions were received late by the Fund totalling approximately £3.6m. We note that the situation was similar last year and a schedule is maintained to log these late payments.</p> <p>We were not able to view evidence of how frequently contact was made to actively chase these and what actions were taken to aim to reduce these instances. Reasons for late payments were also not recorded on the schedule.</p> <p>The graph below shows the main bodies who made up over 50% of the late instances and who had 4 or more instances of late contributions in the period.</p>	<p>We recommend that management consider the controls in this area and any improvements required to reduce the instances of late contributions.</p>



Appendix 1: Recent developments

Pension liberation

Pension liberation is a transfer of a scheme member's pension savings to an arrangement that will allow them to access their funds before the age 55. In rare cases – such as terminal illness – it is possible to access funds before age 55 from a current pension scheme. For the majority of people however, promises of early cash will be bogus and are likely to result in serious tax consequences.

Pension liberation can result in tax charges and penalties of more than half the value of a member's pension savings, and those being targeted are usually not being told about these potential tax implications. An increasing number of companies are targeting savers claiming that they can help them take their pension cash early. Individuals may be targeted through websites, mass texting or through cold calls. When processing a transfer request, trustees and administrators may be in a position to identify the warning signs that suggest that pension liberation fraud is occurring.

The Regulator launched its “scorpion” campaign earlier this year and has identified some of the things to look out for:

- receiving scheme not registered, or only newly registered, with HM Revenue and Customs
- member is attempting to access their pension before 55
- member has pressurised trustees / administrators to carry out transfer quickly
- member was approached unsolicited
- member informed that there is a legal loophole
- receiving scheme was previously unknown to you, but now involved in more than one transfer request.

The Regulator has produced a useful action pack for trustees, which is available from their website, in addition to communications that can be sent to members who request transfer values, warning them of the risks. The Regulator also recommends that if anyone is concerned they contact **Action Fraud on 0300 123 2040**.

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, you will notify PwC promptly and consult with PwC prior to disclosing such report. You agree to pay due regard to any representations which PwC may make in connection with such disclosure and you shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, you disclose this report or any part thereof, you shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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Pensions Committee

8 January 2013

Report Title	Compliance Monitoring	
Classification	Public	
Originating service	Pension Services	
Accountable officer(s)	Geik Drever Tel Email	Director of Pensions 01902 55(2020) geik.drever@wolverhampton.gov.uk
Report to be/has been considered by	N/A	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Note the contents of the report and that no compliance issues have arisen in this period.

1.0 Purpose

- 1.1 As a matter of best practice, it has been agreed that a report on the findings of the quarterly Compliance Monitoring Programme together with any other compliance issues will be submitted to Members on a regular basis.

2.0 Background

- 2.1 There is in operation a Compliance Monitoring Programme for the Fund, which aims to ensure the investment management practices of the Fund, its external managers and those with whom it transacts business, follow best practice and operate to acceptable standards. The Compliance Monitoring Programme also aims to provide assurance that member benefits have been calculated and communicated correctly and that where service standards are in place, they are being achieved.
- 2.2 Members of staff having direct and indirect operational involvement with Investments and Member Services undertake the comprehensive Compliance Monitoring Programme.

3.0 Current monitoring programme

- 3.1 The Compliance Manual has been distributed to all Officers having direct and indirect operational involvement with the investments of the Fund. Confidentiality statements are completed on an annual basis and declarations of personal dealing are required half yearly.
- 3.2 A sample of approximately 5% of total purchase and sale transactions during the period have been reviewed for timely and best execution by way of comparison of internal and counterparty records and market information. A selection of expenses charged to the Fund during the period has also been reviewed for accuracy and appropriateness and in the case of external managers, adherence to individual management agreements. Also a selection of Fund stationery and documents were reviewed to ensure accurate data and contact details were present.
- 3.3 A sample of up to 5% of member transactions, including payment of pension benefits and associated transactions to the Fund's accounts, have been reviewed during the period for timely and accurate calculation and payment, along with appropriateness.
- 3.4 The Compliance Monitoring Programme for the period 1 July to 30 September 2013 is complete and no issues have arisen. All trades, invoices, payments and receipts sampled met with requirements and were recorded in line with regulatory standards.

4.0 Future reviews

4.1 The current compliance monitoring programme is being reviewed and a risk based approach is to be adopted, linking the programme to the Fund's objectives and the risk register.

5.0 Matters arising

5.1 On-going monitoring of national, international and industry press coverage is conducted as part of the Compliance Monitoring Programme to identify any developments which may have a financial impact on the Fund.

5.2 During the period no new articles or commentary was issued which may have any direct or indirect impact on the Fund.

6.0 Financial implications

6.1 This report contains no direct financial implications for the Authority.

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 implications for the Council's environmental policies.

10.0 Schedule of background papers

10.1 There were no preceding background papers.



Pensions Committee

8 January 2014

Report Title	Internal Audit Update	
Originating service	Audit	
Accountable officer(s)	Peter Farrow	Head of Audit
	Tel	01902 55(4460)
	Email	peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	N/A	

Recommendations for noting:

The Committee is asked to note:

1. The contents of the latest internal audit update.

1.0 Purpose

- 1.1 The purpose of this report is to update Committee members on the progress made against the 2013/14 Audit Plan and to provide information on recent work that has been completed.

2.0 Background

- 2.1 The Internal Audit Update Report as at 30 November 2013 contains details of the matters arising from audit work undertaken so far this year. The information included in the report will feed into, and inform the overall opinion in our Annual Internal Audit Report issued at the year end.

3.0 Progress, options, discussion, etc.

- 3.1 Regular internal audit update reports will continue to be presented to the Committee throughout the year.

4.0 Financial implications

- 4.1 There are no financial implications arising from this report.

5.0 Legal implications

- 5.1 There are no legal implications arising from this report.

6.0 Equalities implications

- 6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

- 7.1 There are no environmental implications arising from this report.

8.0 Schedule of background papers

- 8.1 Audit Services – Strategy for Internal Audit 2013/14



Internal Audit Progress Report as at 30 November 2013

Contents:

- 1. Introduction**
- 2. Summary of work completed**
- 3. Key issues arising**

Appendix A - Audit Plan to 31 March 2014





1 Introduction

The purpose of this report is to bring the Pensions Committee up to date with the progress made against the delivery of the 2013/14 Internal Audit Plan.

Internal Audit is an assurance function which provides an independent and objective opinion to the organisation on the control environment, comprising risk management, control and governance. This work update provides the Pensions Committee with information on recent audit work that has been carried out.

The information included in this progress report will feed into, and inform our overall opinion in our Internal Audit Annual Report issued at the year end. Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Substantial	<ul style="list-style-type: none">• a robust framework of controls which ensures that objectives are likely to be achieved and controls are applied continuously or with only minor lapses
Satisfactory	<ul style="list-style-type: none">• a sufficient framework of key controls for objectives to be achieved but the control framework could be stronger or the application of controls could be more consistent
Limited	<ul style="list-style-type: none">• a risk of objectives not being achieved due to the absence of key internal controls or a significant breakdown in the application of controls



2 Summary of work completed

The following audit reviews have been completed to date in the current year:

Key: AAN = Assessment of Assurance Need

Auditable Area	AAN Rating	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Overall Governance and Risk Management	High	0	0	2	2	2	Substantial
Data Quality	High	1	6	1	8	8	Limited
Member Records (KFS)	High	1	3	0	4	4	Satisfactory

Note: A number of controls and issues covered by the review of Member Records are similar to those have been picked up as part of the Data Quality review. Whilst the purpose of the two reviews differs, a number of the recommendations made cover the same issue.

The following remaining audits will be completed prior to the year-end

- Accounting Records and Performance Measurement
- Death Grants
- Key Financial Systems: Contributions, Benefit Calculations, Payroll, Investment Income and Expenditure



3 A brief summary of our work completed so far this year

Overall Governance and Risk Management

Many areas of good practice were identified in the governance and risk management arrangements. Minor recommendations were made in relation to reporting to members on risk and the testing and formal sign-off of the business continuity plan.

Data Quality

The review has confirmed a number of known issues in respect of the quality and timeliness of data both provided to and processed by Fund officers. Whilst processes are in place to query identified data issues with employing bodies, these have not proved effective in the past and as a result a significant number of processes are outstanding in the UPM system which substantially compromises the quality of data. A number of measures have been implemented to reduce the current backlog. Recommendations have been made to enhance these measures and improve monitoring arrangements.

Member Records

The review has confirmed that satisfactory processes are in place for carrying out changes to member records (including the creation of new records). Recommendations made cover similar issues to those raised as part of the Data Quality review.

Other work undertaken by Audit Services

National Fraud Initiative

Every two years the Audit Commission conducts the National Fraud Initiative data matching exercise. The Pension Fund submits data to the Audit Commission and it is matched to data submitted by over 1200 other organisations. Where a positive match is identified it is reported to the Pension Fund for investigation. A positive match does not necessarily mean a fraud has occurred, it only indicates that the circumstances should be investigated. In many cases there is a satisfactory explanation and no fraud has occurred. A number of different matches are reported. Since the release of the latest set of matches in January 2013 a total of 8 frauds with a value of £16,005 have been identified. In all cases the fraud occurred due to the death of a pensioner not being reported to the Pension fund, and the pension had remained in payment.

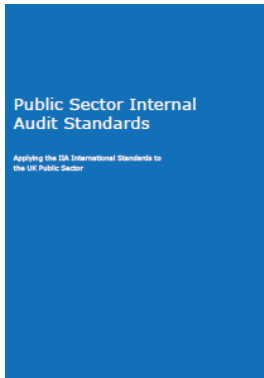
We also continue to be the key contact for the National Fraud Initiative on behalf of the Pension Fund.

Financial Appraisals

We have completed 17 financial appraisals for the Pension Fund during the current financial year. The financial appraisals were commissioned from Dun & Bradstreet and provide a business failure score rating from 1 to 100, with 1 being the highest risk and 100 the lowest risk. Where an organisation is seeking admitted body status to the Pension Fund a financial appraisal is completed. The purpose of the appraisal is to establish whether the organisation will or will not be able to meet its financial obligations to the fund. Where appropriate recommendations are made to obtain either a bond or guarantee from the organisation.



Internal Audit standards



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

Auditable Area	Purpose	Risk Category
Governance		
Overall Governance and Risk Management	An annual review of aspects of the Fund's governance arrangements, based upon the CIPFA/SOLACE model. The review will also encompass risk management arrangements to ensure the Fund is adequately identifying, assessing and managing the risks it faces in achieving its objectives, including the continued development of a detailed assurance mapping process.	High
Financial Control & Investment Accounting		
Contributions (KFS)	A review of the key financial controls relating the calculation and collection of member contributions.	High
Accounting Records and Performance Measurement	To provide assurance over the accuracy of performance data compiled by reference to the input of data to the Investment accounting system and subsequently custodian records.	Medium
Settlement of Investment Transactions	To provide assurance over the completeness and accuracy of records maintained in respect of all investment transactions from decision through to settlement at the bank.	Medium
Investments		
Investment Income & Expenditure (KFS)	A review of the key financial controls in respect of income and expenditure in relation to investment transactions.	High
Administration		
Administration of Member Records (KFS)	A review of the key financial controls relating to the administration of member records.	High
Benefit Calculations (KFS)	A review of the key financial controls relating to the calculation of benefit payments.	High

Auditable Area	Purpose	Risk Category
Payroll (KFS)	A review of the key financial controls relating to the administration of the Pensions payroll.	High
Data Quality	To provide assurance in respect of the checks and processes in place to promote the accuracy of data submitted by employers (particularly focussing on Birmingham CC as the largest employing body within the Fund).	High
Death Grants	To provide assurance over arrangements in place for the payment of benefits in respect of death grants to include specific consideration of authorisation processes and division of duties.	Medium
Employer Covenants	To provide assurance over the Fund's compliance with best practice for obtaining guarantees/covenants for employing bodies.	Medium
Early Retirement Costing & Recharges	To provide assurance over the timely and accurate recoupment of costs in respect of early retirements authorised by employing bodies.	Medium

On-going Business		
National Fraud Initiative	In accordance with Audit Commission requirements we will lead on the NFI data matching exercise, including working with the successor body to the Audit Commission.	-
Fraud Investigations	The carrying out of investigations into areas of suspected or reported fraudulent activity across the Pension Fund.	-
Counter Fraud Activities	A series of Authority wide pro-active fraud activities, including the targeted testing of areas open to potential fraudulent activity including maintenance of the fraud risk register, hosting raising fraud awareness seminars and fraud surgeries and the production of a regular anti-fraud and corruption newsletter.	-
Development & Advice	Reviewing system developments on key controls and providing advice relating to systems which are not necessarily covered by audits originally scheduled.	-

Auditable Area	Purpose	Risk Category
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.	-
Management	Day to day management of the internal audit service, quality control, client and External Audit liaison and preparation for, and attendance at various meetings.	-

(KFS) Key Financial System Reviews are undertaken on behalf of the Authority's external auditors. Where appropriate, using guidance supplied by them, in order to enable them to place reliance upon the work of internal audit and reduce their workload according. All such reviews are deemed as high risk by their very nature.