



# Pensions Committee

26 March 2014

**Time** 1.30pm                      **Public meeting?** Yes                      **Type of meeting** Finance  
**Venue** Civic Centre, St Peter's Square, Wolverhampton WV1 1SH  
**Room** Committee Room 3 (3<sup>rd</sup> floor)

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

## Membership

**Chair** Cllr Bert Turner (Lab)  
**Vice-chair** VACANCY

### Labour

Cllr Peter Bilson  
Cllr Steve Evans  
Cllr Andrew Johnson  
Cllr Lorna McGregor  
Cllr John Reynolds  
Cllr Sandra Samuels  
Cllr Tersaim Singh

### Conservative

Cllr Mark Evans  
VACANCY

### Liberal Democrat

Cllr Mike Heap

### District members

Cllr Zahid Ali (Walsall Metropolitan Borough Council)  
Cllr Damian Gannon (Coventry City Council)  
Cllr Rachel Harris (Dudley Metropolitan Borough Council)  
Cllr Allan Martin (Solihull Metropolitan Borough Council)  
Cllr Vic Silvester (Sandwell Metropolitan Borough Council)  
Cllr Phil Walkling (Birmingham City Council)

### Trade union observers

Mr Malcolm  
Cantello Mr Martin  
Clift Mr John Daly  
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** Carl Craney  
**Tel** 01902 555046  
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Copies of other agendas and reports are available from:

**Website** <http://wolverhampton.cmis.uk.com/decisionmaking>  
**Email** [democratic.support@wolverhampton.gov.uk](mailto:democratic.support@wolverhampton.gov.uk)  
**Tel** 01902 555043

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**  
              – [for approval]  
              **(b) Pensions Joint Consultative Forum – 3 March**  
              **2014** [for information]
5.            **Matters arising**  
              [To consider any matters arising from the minutes]
6.            **Compliance monitoring**  
              **[To receive a report on the findings of the quarterly Compliance**  
              **Monitoring Programme together with other compliance issues]**
7.            **Pensions administration**  
              [To receive a report on the work undertaken by the Pensions  
Administration Services during the period 1 October – 31 December 2013]
8.            **Service plan monitoring**  
              [To receive the draft 2014 -2019 Service Plan including the medium term  
financial plan and 2014/15 operating budget]
9.            **Pension Fund business plan**  
              [To receive an update to the Fund's financial and business plan monitoring]

10. **West Midlands Pension Fund medium term financial plan update and 2014/15 operating budget**  
[To receive the supporting medium term financing statement to the Fund's Business Plan]
11. **Assurance framework supporting the Annual Governance Statement April 2014**  
[To receive details relating to the background to the assurance framework and updated operational practices]
12. **Local Government Pension Scheme 2014 – Update**  
[To receive details relating to the activity and progress to date in respect of the new 2014 LGPS scheme and the impact of the delays to the finalisation of the regulations]
13. **Governance information for Trustees**  
[To receive information on the specialist role undertaken by members of the Pension Fund Committees]
14. **Communications strategy 2014**  
[To approve the Communications Strategy 2014]

## EXCLUSION OF PRESS AND PUBLIC

15. **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>
16.	<b>Investment portfolio valuation – December 2013</b>	Information relating to the financial or business affairs of any particular person	3

[To receive an update on the 2013 valuation results, the distribution of finalised results to employers and the completion of the associated documentation] (including the authority holding the information).

- |     |  |   |   |
|-----|--|---|---|
| 17. | <b>West Midlands Pension Fund Risk Register</b><br>[To approve the risk register]  | Information relating to the financial or business affairs of any particular person (including the authority holding the information). | 3 |
| 18. | <b>Actuarial valuation 2013 update</b> [To receive an update on 2013 valuation results, the distribution of finalised results to employers and completion of associated documentation] | Information relating to the financial or business affairs of any particular person (including the authority holding the information). | 3 |
| 19. | <b>External investment advice</b> [To consider the fees payable for external advice for the year 2014/15]  | Information relating to the financial or business affairs of any particular person (including the authority holding the information). | 3 |



# Pensions Committee

## Minutes – 8 January 2014

### Attendance

#### Members of the Committee (Wolverhampton CC)

Cllr Bert Turner (chair)  
Cllr Steve Evans  
Cllr Mike Heap  
Cllr John Reynolds  
Cllr Zahid Shah (from item seven)  
Cllr Tersaim Singh

#### Trade union observers

Mr Malcolm Cantello (Unison)  
Mr Martin Clift (Unite)  
Mr Ian Smith (Unite - retired)

#### District members

Cllr Muhammed Afzal (Birmingham CC)  
Cllr Damian Gannon (Coventry CC)  
Cllr Rachel Harris (Dudley MBC)  
Cllr Alan Martin (Solihull MBC)  
Cllr Vic Silvester (Sandwell MBC)

#### Employees

Geik Drever	Director of Pensions
Mark Chaloner	Assistant Director – Pensions
Jane Alexander	Principal Auditor
Peter Farrow	Head of Audit
Jane Hopkins	Team Leader, Legal Services
Claire Parlor	Head of Governance
Mandy Wylde	Pensions Operations Manager
Martyn Sargeant	Head of Democratic Services

#### Professional advisers:

Muna Rowe PwC

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## 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 Peter Bilson, Mark Evans, Andrew Johnson, Lorna McGregor, Sandra Samuels (Wolverhampton).

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 (25 September 2013)**

Resolved:

That the minutes of the meeting held on 25 September 2013 be approved as a correct record and signed by the Chair, subject to the resolution under item seven being amended to read:

‘That the decisions taken regarding the bid be approved and the outcome be noted.’

**(b) Investment advisory sub- committee (11 December 2013)**

Resolved:

That the minutes of the meeting held on 11 December 2013 be adopted.

**(c) Pensions joint consultative forum (26 November 2013)**

Resolved:

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

5. **Matters arising**

Cllr Reynolds noted that quorum had only just been reached at the recent meeting of the consultative forum and that, as this was not a decision-making meeting, the Councillors membership might be reduced to avoid this scenario for the future. All other observers in the Forum remain the same.

Resolved:

That Councillors membership of the Joint Consultative Forum be reduced to be simply the chair and vice-chair.

**DECISION ITEMS**

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

Geik Drever presented the pension administration report for the period August/September 2013.

She noted that participation in the scheme continued to increase in terms of new employers. She noted five new employer admissions since the last meeting and asked the Committee to approve Compass Contract Services Ltd as a new member.

Geik referred to new performance indicators which will be effective from 1 April 2014 if not before.

Geik highlighted proposals to expend about £40,000 on overtime to target the workload backlog, reducing it to a reasonable level by the end of the financial year. Cllr Silvester asked whether productivity might be improved through increased homeworking. Geik Drever suggested the improvement in productivity in such scenarios was largely due to reduced sickness and that the Fund had a good sickness level amongst its employees. The Fund already has some employees undertaking homeworking.

In relation to write offs/write ons, Geik drew attention to a particular over payment to a pensioner, noting that the subsequent investigation had highlighted a number of procedural improvements for the future. Malcolm Cantello suggested such incidences might be covered by Guarantee Insurance. Geik suggested the cost of such instances as a percentage of the amount paid out during the year was extremely low, and the cost of such insurance would probably exceed the write-offs.

Geik also noted an intention to increase web transactions (currently about 3.5%) in order to reduce costs and advised the Fund was considering the use of incentives to encourage take up.

Resolved:

- (1) To agree the admission of Compass Contract Services Ltd as a participating employer.
- (2) To note the contents of the report, in particular the write offs/ons and additional costs of £40,000 for overtime to address a backlog of work.

## INFORMATION ITEMS

### 7. **Trustee training activity – update report**

Geik Drever presented the update on trustee training and encouraged all members of the Committee to report any training, so it could be noted on their profiles. A reference guide for online reading leaflet was circulated to all Committee members at the meeting.

Resolved:

To note the contents of the report.

### 8. **Annual report and accounts 2012/13**

Muna Rowe from PWC audit presented an update on the 2012/13 report and accounts, noting that the bulk of the work had been conducted between May and July 2013 and was now completed. She confirmed all items outstanding since the draft report was circulated had been resolved.

Muna drew to the Committee's attention a small number of key issues:

- One significant risk highlighted for Pension Funds is management override of controls and so formed a key part of the audit. No issues arose from the audit in this respect

- Because of the number of external managers, the Fund is dependent on controls in place in those organisations, so examination of their practices also formed part of the audit.
- Although the report highlighted a number of late payments of contributions, the auditors were comfortable that these were being addressed and Geik Drever confirmed this would continue to be a reported performance indicator, with any specific issues being addressed to the Committee.

Muna advised PwC had issued an unqualified opinion. There were no significant audit adjustments and just one non-trivial adjustment but this was considered not to have a significant impact on the accounts so it didn't need to be adjusted.

Malcolm Cantello queried whether the documentation remained in draft form. He highlighted a typographical error in the executive summary. Geik Drever confirmed the audit forms part of the wider Council's audit, which has been published and that the Fund's Annual Report and Accounts had been published on the Fund's website since October 2013.

Resolved:

To note the final 2012/13 Annual Report and Accounts and the annual audit report.

9. **Compliance monitoring**

Resolved:

To note the contents of the report and that no compliance issues had arisen during the period covered by the report.

10. **Internal audit update**

Peter Farrow introduced the report, updating the Committee on progress made against the audit plan. He highlighted two red recommendations made in relation to data management and suggested the Committee should receive an update on management progress made in addressing these. He confirmed the audit team would provide a year-end report in due course.

Resolved:

To note the contents of the latest internal audit update.

## **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	3
13	Economic and market update – September 2013	3
14	Valuation of investments	3
15	Combined governance activity April to June 2013	3
16	Service plan monitoring 2013/14	3

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

### 12. Actuarial Valuation 2013

Geik Drever circulated an update confirming the most recent information regarding the funding position. She referred to the Funding Strategy Statement and Termination Policy which has been agreed with the Actuary and form the basis of the results. She highlighted some of the changes made from 2010, in particular the recovery periods, ring-fencing removals, early retirement allowances, termination assessments, and de-risking strategy. She advised the recovery period had been revised down to 22 years (from 25). Geik highlighted the ending of easement arrangements on early retirement allowances, explaining that future payments would be expected up front but with scope to negotiate payment over three years for cashflow purposes if the employer's covenant was good. Malcolm Cantello queried whether this had been reflected by the actuary, and Geik Drever confirmed that to be the case.

Employers have been issued with their individual results and engagement is ongoing until end of January 2014. In February 2014, all employers will be formally notified of their contribution rates, with Committee formally signing off the Actuarial Valuation Report in March 2014.

Resolved:

- (1) To note the actuarial valuation process to date.
- (2) To approve, in principle, the confirmation of individual results to participating employers and the Funding Strategy Statement, including the Termination Policy.
- (3) To note ongoing consultation with employers over the results and the Funding Strategy Statement.

### 13. Economic and market update – December 2013

Mark Chaloner presented the update.

Resolved:

- (1) To note the Investment Advisory Committee's decision that tactical asset allocation ceased with effect from 11 December 2013.
- (2) To note the global market and economic update paper prepared by Hymans Robertson, the Fund's investment adviser.

14. **Valuation of investments**

Geik Drever confirmed this would be made available to members after the meeting on request.

15. **Combined governance activity April to June 2013**

Mark Chaloner presented the governance report, noting that it had been a quieter period for voting but a number of key engagement issues should be noted.

- (1) A petition to Coventry City Council requesting disinvestment from arms companies, in response to which the Director of Pensions had written to the Council outlining the Fund's policy to engage with companies rather than disinvest.
- (2) Widespread discussion amongst local authorities and pension funds about an apparent conflict between the public health role of councils and investment, through pension funds, in the tobacco industry. The Director of Pensions would be briefing Council Leaders and Chief Executives on this matter at their next joint meeting, which was scheduled to take place at the end of January.
- (3) Labour blacklists by construction companies, in respect of which a response would be provided to Wolverhampton City Council (which raised the issue with the Fund) in due course.

Resolved:

- (1) To note the voting activity for the period to 30 September 2013
- (2) To note the issues raised on engagement and the Fund's response.
- (3) To note the LAPFF engagement activities.

16. **Service plan monitoring 2013/14**

Geik Drever presented the monitoring report for the year to date.

She noted a projected underspend of about £66,000 against the operational budget, mainly arising from savings against employee costs/communications and IT, but offset by fees incurred by the Fund (actuarial and professional/operational), some of which will be recovered through additional employer contributions that do not appear in the operating budget. It was also noted that recharges to employers for actuarial costs would be invoiced in future and not added on to individual contribution rates for recovery over a longer period. Committee agreed that this should be the case going forward.

Geik asked the Committee to approve changes to the Fund's bank (NatWest) mandate for employees authorised to confirm transfers of funds.

Resolved:

- (1) To note the service plan monitoring report for the year to date.
- (2) To authorise specific employees to confirm transfers of funds on behalf of the Pension Fund.



# Pensions Joint Consultative Forum

## Minutes – 3 March 2014

### Attendance

#### Members of the Committee (Wolverhampton)

Cllr Bert Turner (chair)  
Cllr Peter Bilson  
Cllr John Reynolds  
Cllr Paul Sweet

#### Trade union observers

Ms Wendy Bond (UNISON)  
Mr Malcolm Cantello (UNISON)

#### District members

Cllr Rachel Harris (Dudley MBC)  
Cllr Vic Silvester (Sandwell MBC)

#### Staff

Geik Drever	Director of Pensions
Nadine Perrins	Head of Pensions
Carl Craney	Democratic Support Officer

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## Part 1 – items open to the press and public

<i>Item No.</i>	<i>Title</i>	<i>Action</i>
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### MEETING BUSINESS ITEMS

#### 1. Apologies for absence

Apologies for absence were received from Cllr Muhammad Afzal (Birmingham City Council), Cllrs Mark Evans and Michael Heap (Wolverhampton City Council and Martin Clift (UNITE ) 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 26 November 2013 be approved as a correct record and signed by the Chair. Carl Craney

5. **Matters arising**

With reference to Minute No. 9, (Actuarial valuation 2013 - Update and presentation), Geik Drever, Director of Pensions advised that the valuation was in its final stages and would be the subject of a report to the Pensions Committee at the meeting scheduled for 26 March 2013. Geik Drever / Carl Craney

**INFORMATION ITEMS**

6. **Pensions administration report 1 October – 31 December 2013**

The report advised the Forum of the work undertaken by Pensions Member Services and other operational matters during the period. The report included information relating to the following: Geik Drever/ Nadine Perrins

- Membership data;
- Workflow statistics;
- Pensions Liabilities Fund;
- Employer membership data;
- Customer services;
- IDRP (Internal Resolution Procedure) casework;
- Death grant;
- Workload statistics;
- Applications for admission body status;
- Pensions in payment;
- Communications and marketing activity (including Presentations and Web Portal).

Nadine Perrins, Head of Pensions, reported on the ongoing Data Cleansing exercise and drew to the attention of the Forum the revised format using electronic systems and streamlining which was taking place to improve both the accuracy of the records held and the efficiency of the Fund in general.

Cllr Vic Sylvester (Sandwell MBC) referred to the presentations delivered upon requests from employers and enquired as to whether the “Drop In Sessions” were well attended. Nadine Perrins reported that attendance varied throughout the day but that they

were particularly popular during the lunch time period.

Malcolm Cantello (UNISON) referred to the increase in the number of indexing errors. Nadine Perrins reported that the Team responsible had now been restructured, responsibilities and processes revised and now included employees with operational experience which would address this matter.

Resolved:

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

**6. Service plan monitoring 2013/14**

Geik Drever presented a report which provided an update to the Fund's financial and business plan monitoring arrangements. She referred to a sum of unspent monies in the budget which had been earmarked for service development once the Local Government Pension Scheme 2014 came into effect. She also reported that the outcome of Accreditation for Investors in People was awaited.

Geik Drever/  
Nadine  
Perrins

Cllr Peter Bilson suggested that once the outcome of the Accreditation was known that it should be publicised widely to emphasise the improved efficiencies in the overall operation of the Fund. The Chair, Cllr Bert Turner assured the Forum that such a publicity exercise was in hand.

Malcolm Cantello referred to the drop against the benchmark figure in relation to investment returns. Geik Drever explained that this figure was subject to fluctuation depending upon the particular benchmark used and the performance of the market.

Malcolm Cantello commented that the number of members who had not received a Benefits Statement had increased over the last reporting period. Geik Drever and Nadine Perrins responded that this was often due to the Fund not being in possession of current personal details of members and was one of the reasons for encouraging members to use the Web Portal where details could be updated.

Resolved:

That the Fund's financial monitoring and key performance indicators for the period to 31 December 2013 be noted.

**8. LGPS update report**

Geik Drever presented an update report in respect of the Local Government Pension Scheme (LGPS). She reminded the Forum that the proposed design of the new Scheme had been the subject

Geik Drever/  
Nadine  
Perrins

of a series of consultations undertaken by the Department of Communities and Local Government (DCLG) on the scheme regulations. The LGPS regulations 2013 had subsequently been made on 12 September 2013 and laid before Parliament on 19 September 2013. These regulations would come into force on 1 April 2014 when they would be deemed to have been made under the Public Service Pensions Act 2013. The Transitional Regulations, which would detail how scheme members transfer from the 2008 scheme to the 2014 scheme, together with details of how any proposed protections of rights and entitlements would work were still awaited.

Cllr Peter Bilson acknowledged the operational difficulties faced by the Fund given the very short lead in time now available and suggested that a Communications Strategy needed to be in place in order to ensure that blame was not apportioned to the Fund which it did not deserve and was not responsible for. Geik Drever advised that the Chair had written to the DCLG and had received a response assuring that the Transitional Regulations would be available shortly but this had not proven to be the case.

Nadine Perrins explained the difficulties in undertaking calculations on post 1 April 2014 retirements in the absence of the Transitional Regulations and explained the process to be followed in making interim payments and early settlements to affected members.

Resolved:

That the activity and progress to date in respect of the new 2014 LGPS scheme and the impact of the continued delays to the finalisation of the regulations be noted.

9. **Nadine Perrins – Chief Pensions Services Manager**

The Chair advised that this would be the last meeting of the Forum to be attended by Nadine Perrins, Head of Pensions as she would be retiring from the Council shortly. All those present joined in thanking Nadine for her long service and wished her well for the future.



# Pensions Committee

## 26 March 2014

<b>Report Title</b>	Compliance Monitoring	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	<a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a>

### Recommendations for noting:

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 The Pension Fund retains Deloitte compliance consultancy to review current procedures and advise on compliance matters. Deloitte reviewed the Pension Fund's Monitoring Programme in November 2013; the resulting guidance and recommendations will be reflected in the Compliance Programme which is currently being revised.
- 2.3 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<sup>st</sup> October to 31<sup>st</sup> December 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 adopted, linking the programme to the Fund's objectives and the risk register.



The risk register will be presented to this Pensions Committee for approval and subsequently a new monitoring programme will be developed.

## **5.0 Freedom of Information / Data Protection Requests**

5.1 The Compliance and Risk Team are responsible for co-ordinating the Freedom of Information and Data Protection requests on behalf of the Pension Fund in conjunction with the Office of the Chief Executive.

5.2 During the period the Fund received 11 requests for information under the Freedom of Information Act 2000 and four requests for personal information under the provision of the Data Protection Act 1998. The breakdown of the areas covered by the Freedom of Information requests is as follows; Investments eight (8), Operations two (2) and Corporate one (1). In all instances the requests were managed in accordance with the requirements of the respective Acts.

5.3 From 1 March 2014 the Fund will record and report on the time spent by employees in responding to requests under the Act.

## **6.0 Matters arising**

6.1 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.

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

## **7.0 Financial implications**

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

## **8.0 Legal implications**

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

## **9.0 Equalities implications**

9.1 This report has no implications for the Council's equalities policies.

## **10.0 Environmental implications**

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

## **11.0 Corporate landlord implications**

11.1 The report contains no direct corporate landlord implications for the Authority

## **12.0 Schedule of background papers**

12.1 There were no preceding background papers.



# Pensions Committee

## 26 March 2014

<b>Report Title</b>	Pension administration report from 1 October 2013 to 31 December 2013	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Nadine Perrins	Head of Pensions Administration
	Tel	01902 55(2727)
	Email	Nadine.perrins@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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### Recommendation(s) for action or decision:

The Committee is recommended to:

1. Note the report and approve the applications received for admission to the West Midlands Pension Fund in Section 7.

## **1.0 Purpose**

- 1.1 To inform the Committee of the work undertaken by the Pensions Administration Services during the period 1 October 2013 – 31 December 2013.

## **2.0 Scheme Activity**

### **2.1 Membership data**

The number of scheme members in the Fund in all three categories stands at 267,332 with an overall increase since 30 September 2013 of 2,902. Of the active membership of 98,066 - 46% are full-time and 54% 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 increasing.

### **2.2 Workflow statistics**

The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 October 2013 – 31 December 2013 (Appendix B).

During the period covered by this report 29,632 administrative processes were commenced and 30,657 completed. On 31 December 2013 there were 14,401 items of work outstanding. Of this 4,509 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, 9,892 processes are now either proceeding to the next stage of the process or through to final completion.

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).

### **2.3 Pension Liberation Fraud**

Pension liberation is a transfer of a scheme member's pension savings to an arrangement which will allow them to access their fund before the age of 55. This can result in tax charges and penalties for both the member and the scheme administrator.

The Fund has made a number of changes to strengthen existing processes in order to identify and deter pension liberation and safeguard the pension benefits of our members. Staff have received additional training and members complete a detailed election form in order that we can be alerted to any potential liberation cases. The Fund also has an escalation procedure in place to ensure that all cases are fully investigated prior to the payment of transfer values.

## 2.4 Employer membership data

The Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 12 new organisations being admitted to the fund during the period 1 October 2013 – 31 December 2013. The current number of employers as at 31 December 2013 is 407. The level of ongoing work being processed at the end of the period is as follows:-

- 35 admission agreements
- 26 academies
- 19 employer terminations

## 2.5 Customer services

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). The Fund experienced a high volume of calls and e-mails in October due to the delivery of Annual Benefit Statements in September. We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

2.6 Overall items scanned has remained fairly consistent with the previous years. The average % indexing error rate is below 0.2%. The Fund is working towards increasing exchange of data via electronic means and progress has been made to move towards their objective. We continue to scan microfiches onto UPM to ensure that the microfiche information is available for work to be processed efficiently and accurately. (Appendix E)

## 3. IDRP (Internal Dispute Resolution Procedure) casework

3.1 So far in the 2013/2014 financial year fifteen cases have been received. Eleven cases have been dismissed and four cases are in progress.

The eleven cases dismissed related to the following pension issues:

- Eight cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- One case related to the award of deferred benefits on ill health grounds rather than immediate ill health grounds
- One case related to the level of benefits paid on redundancy grounds.
- One case related to the exercise of employer discretion on flexible retirement.

## 4. Death grant

4.1 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.

## 5 Workload Statistics

- 5.1 Performance statistics are reducing on a month by month basis as part of the Operational Workload Reduction programme. Committee agreed to £40,000 for additional hours to reduce the amount of backlog processes. Project groups were established to target areas of work, including business improvement reviews and policy revisions to change working practices in some areas. This has resulted in a significant reduction in workload to date and it is expected to continue to decrease until the end of the financial year to enable the Fund to move forward with a manageable workload in the future.

## 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 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.
- 6.2 The table below lists the applications received for admission to the West Midlands Pension Fund which have been approved/or awaiting approval by the Director of Pensions, the Chair and Vice Chair and Pensions Committee.

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members)</b>	<b>Status</b>
Aspen Services Ltd (Courthouse Green)	Coventry City Council	4 (4)	Approved
Caterlink (Birmingham Metropolitan College)	Birmingham Metropolitan College	3 (3)	Approved
DRB Contract Cleaning Ltd (Walsall)	Walsall Metropolitan Borough Council	3(3)	Approved

Committee is requested to approve these admissions:-

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members)</b>	<b>Status</b>
Alliance in Partnership – Ryders Hayes Academy trust	Ryders Hayes Academy Trust	1(1)	Require approval
CUE Ltd	Coventry University	51(51)	Require approval
Kingswood Trust	Wolverhampton CC	6(6)	Require approval
Alliance in Partnership –Unity Catering	Coventry CC	51(20)	Require approval
APCOA Parking - Wolverhampton	Wolverhampton CC	1(1)	Require approval
Aspen Services – Courthouse Green	Coventry CC	4(4)	Require approval
Aspen Services – Stanton Bridge	Coventry CC	3(3)	Require approval
Catering Academy (Coventry)	Coventry CC	15(15)	Require approval
Churchill Contract Services Ltd (Birmingham)	Birmingham CC	3(3)	Require approval
Churchill Contract Services Ltd (Walsall)	Walsall MBC	4(4)	Require approval

## 7 Pensions in payment

7.1 The gross annual value of pensions in payment to December 2013 was £398.4m, of which £18.2m (£8.6m for pensions increase and £9.6m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

7.2 Monthly payroll details were:

Month	Number	Value £
October 2013	72,143	29,486,358.46
November 2013	72,436	29,685,786.83
December 2013	78,244	30,219,217.57

The December figures include pensioners paid on a quarterly basis.

## 8 Write off policy decisions

8.1 The write-off's and write-on's detailed below cover the period October 2013 to December 2013.

8.2 A write-off relates to pensions overpaid to members, after following the debt recovery policy, these cases become uneconomical to pursue or the estate has insufficient funds to recover. In general, an overpayment is generated by late notification of death of members.

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

Individual Value	Number	Total
Less than £50	2	26.95
£50 - £100	6	469.51
£100 - £500	13	2,665.17
Over £500	7	11,565.22
<b>TOTAL</b>	<b>28</b>	<b>14,726.85</b>

8.3 A write-on relates to monies due to the members estate in order to make pension payments up to date of death. After correspondences, the legal representative is untraceable or does not wish to claim the funds.

8.3.1 Write on analysis

Individual Value	Number	Total
Less than £50	3	64.41
£50 - £100	0	0.00
£100 - £500	0	0.00
Over £500	0	0.00
<b>TOTAL</b>	<b>3</b>	<b>64.41</b>



## 9 Communications & marketing activity

### 9.1 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers. The 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.

Date	Venue	Presentation topic
4 October	Coventry CC	Pre-retirement
9 October	Birmingham CC	Web portal sign-up event
14 October	Walsall College	LGPS & You presentation
15 October	Wolverhampton CC	Drop-in surgery sessions
16 October	Sandwell MBC	Drop-in surgery
18 October	W.M Police	LGPS & AVC presentation
30 October	Wolverhampton College	Redundancy drop-in sessions
31 October	Dudley MBC	Drop-in surgery sessions
29 November	Holly Hall Academy	LGPS & You presentation
5 December	Coventry CC	Drop-in sessions

### 9.2 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently 9,651 members registered to use the web-portal facility. As at 31 December 2013 there are 248 employer accounts representing approximately 73 individual organisations.

## 10.0 Financial implications

10.1 The report contains financial information which should be noted.

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.

## 11.0 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.

## 12.0 Equalities implications

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

**13.0 Environmental implications**

13.1 The report contains no direct environmental implications.

**14.0 Human resources implications**

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

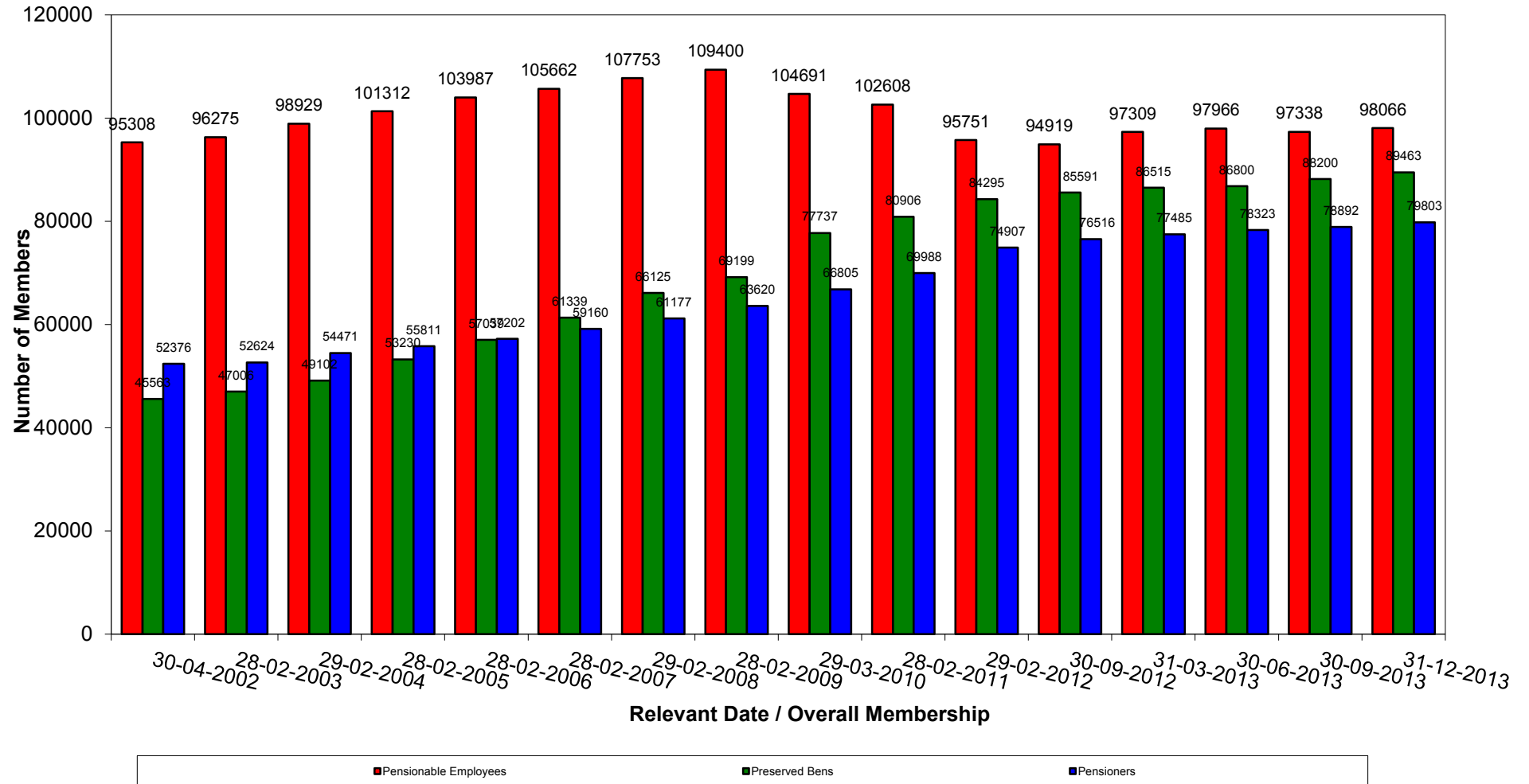
**15.0 Corporate landlord implications**

15.1 The report contains no direct corporate landlord implications for the Authority.

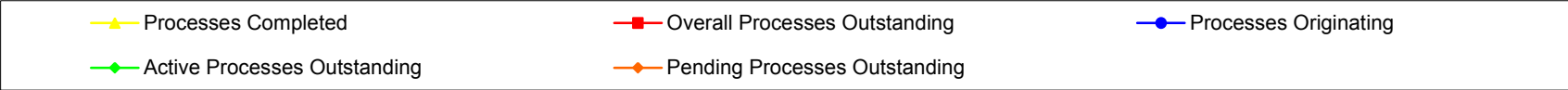
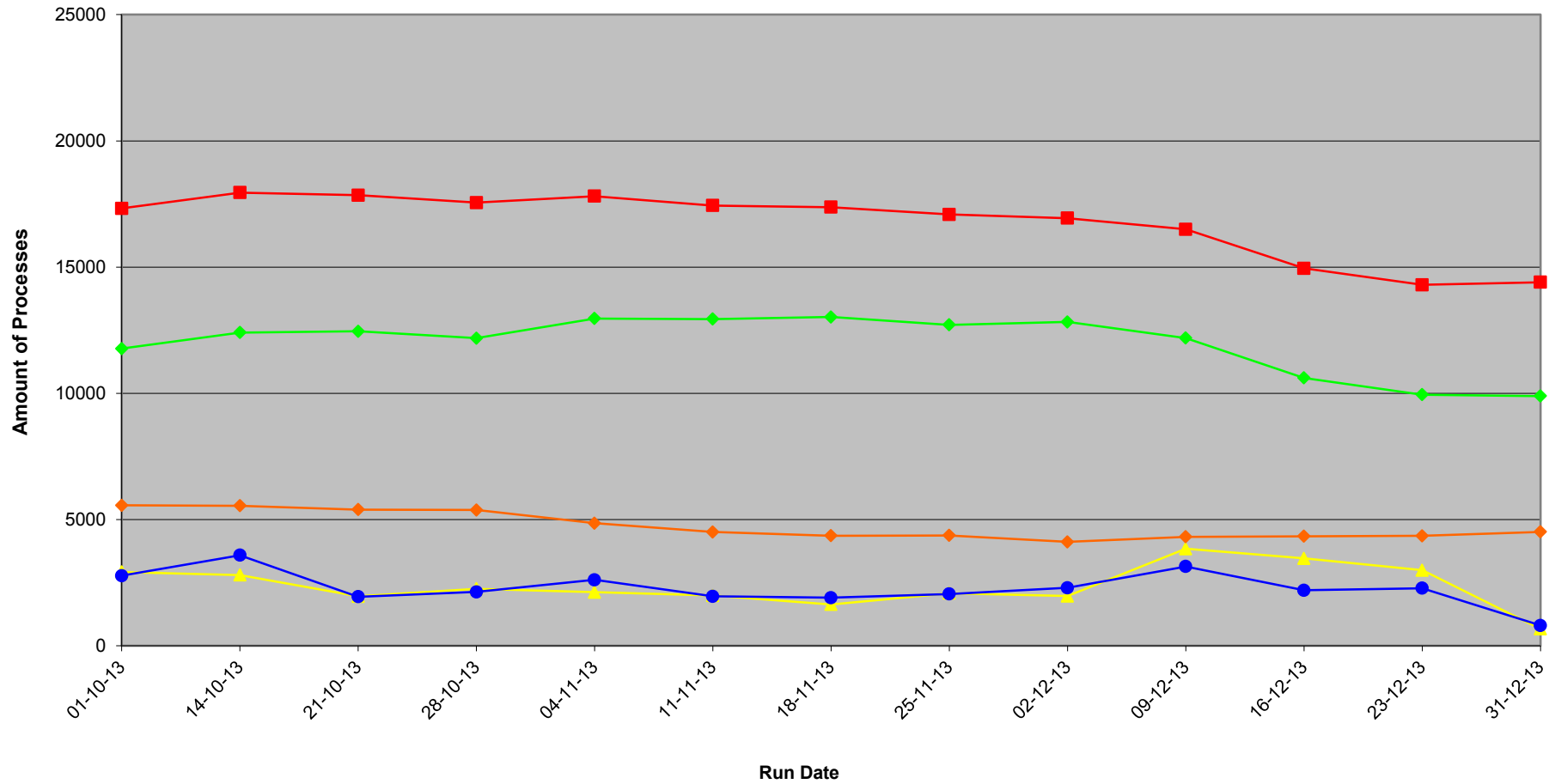
**16.0 Schedule of background papers**

16.1 There are no preceding documents.

### Overall Membership



**Process Analysis**



2013/14

2009/10	2010/11	2011/12	2012/13	April	May	June	July	August	Sept	Oct	Nov	Dec	YTD 2013/14
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**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	1,410	1,323	912	9,477
Changes in circumstances eg change in hours	27,341	18,759	15,303	12,385	824	1,149	765	545	1,060	993	1,055	1,050	821	8,262
Deferments	6,915	5,939	7,818	5,741	411	409	426	235	133	1,285	947	685	643	5,174
Active Retirements (Employer retirements)	2,652	3,317	3,950	2,475	237	184	163	179	142	170	199	151	173	1,598
Deferred Retirements	4,106	3,332	2,970	2,971	221	277	195	248	215	237	183	201	206	1,983
Deaths of members	253	295	262	287	18	30	19	28	27	28	30	21	15	216

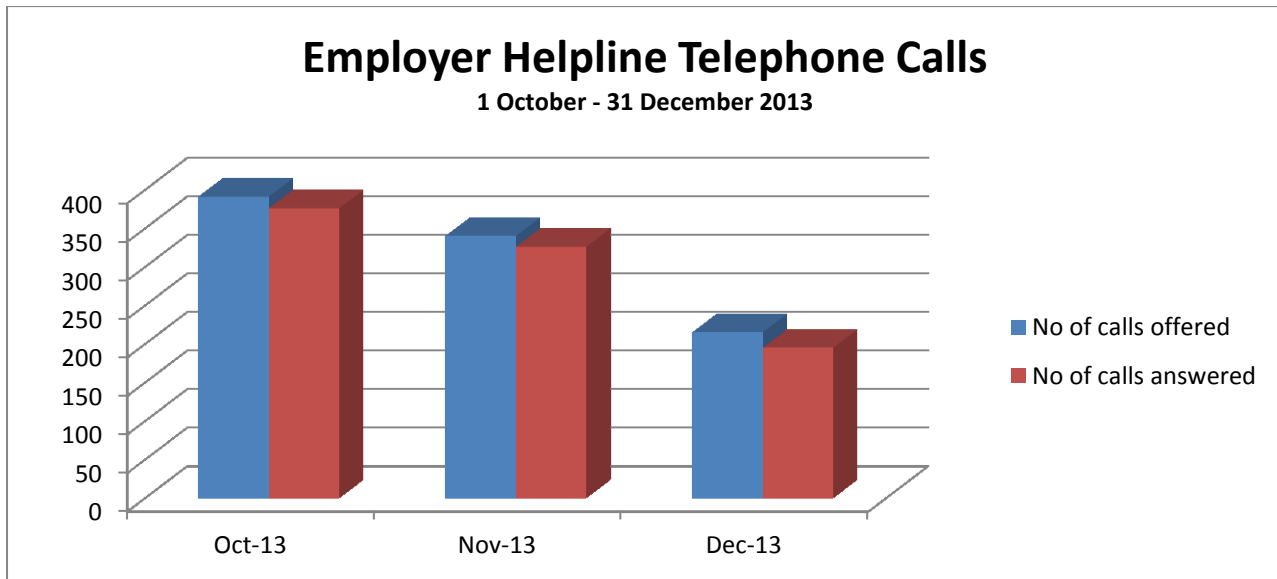
**Pensioner members**

Process type														
Changes in circumstances:-														
Data eg Passwords, NI Numbers	7,407	1,310	1,804	1,865	183	310	143	177	138	151	195	171	113	1,581
Changes of Address	2,222	2,420	2,681	2,131	193	162	135	162	143	139	164	133	124	1,355
Changes of Bank	1,125	2,927	2,531	2,783	377	198	198	253	281	287	455	333	117	2,499
Deaths of pensioners	2,014	2,085	2,145	2,101	208	168	181	262	341	165	194	155	175	1,849

Payroll					Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	
Actual number paid	763,022	792,724	837,189	870,804	71,143	71,360	77,069	71,736	77,422	77,563	72,143	72,436	78,244	669,116

## Employer Service Telephone Statistics

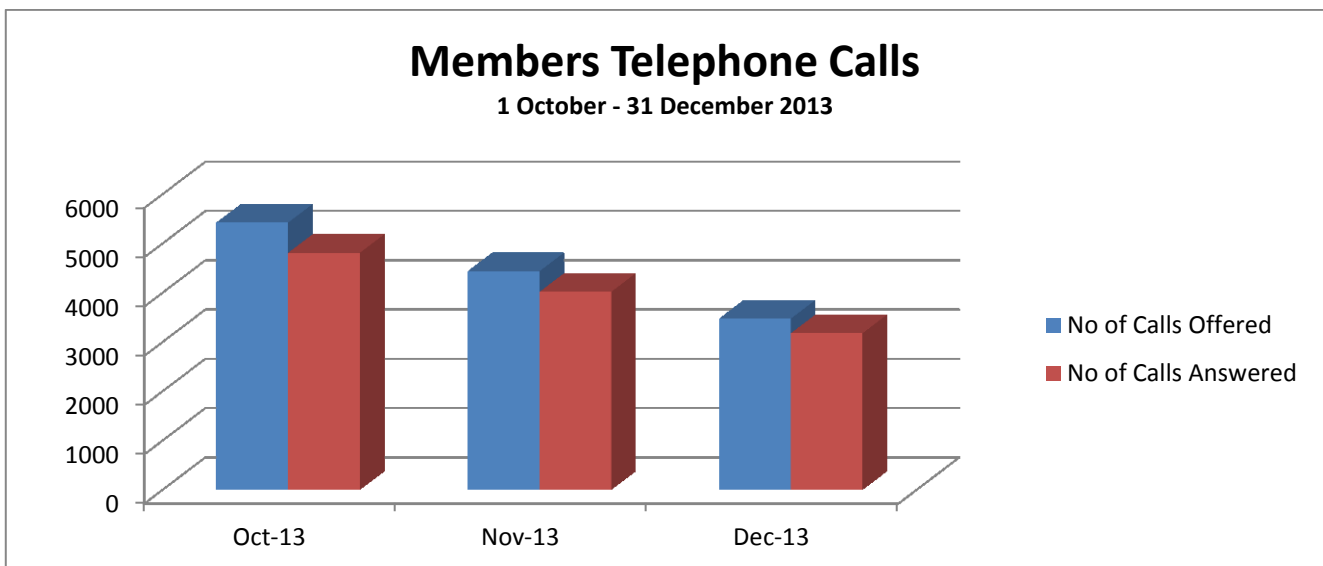
1 October – 31 December 2013



	Oct-13	Nov-13	Dec-13
<b>No of calls offered</b>	391	340	215
<b>No of calls answered</b>	376	326	195
<b>Answer Rate</b>	96.2%	95.9%	90.7%

## Customer Service Statistics

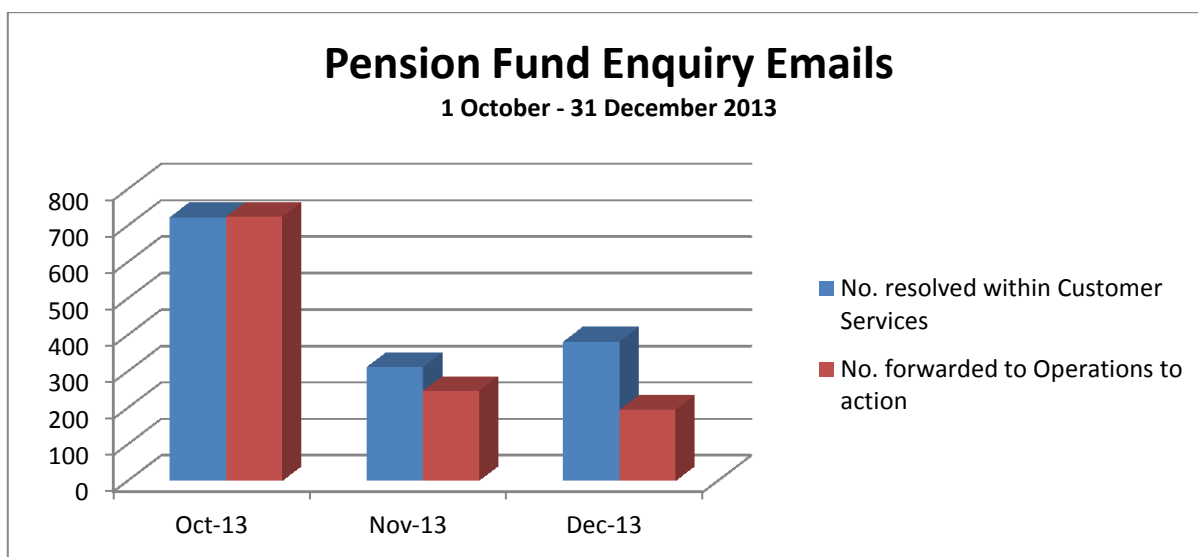
1 October to 31 December 2013



	Oct-13	Nov-13	Dec-13
<b>No of Calls Offered</b>	5424	4437	3475
<b>No of Calls Answered</b>	4812	4019	3179
<b>Answer Rate</b>	88.70%	90.60%	91.50%
<b>Calls answered at first point of contact</b>	99.50%	99.80%	99.87%

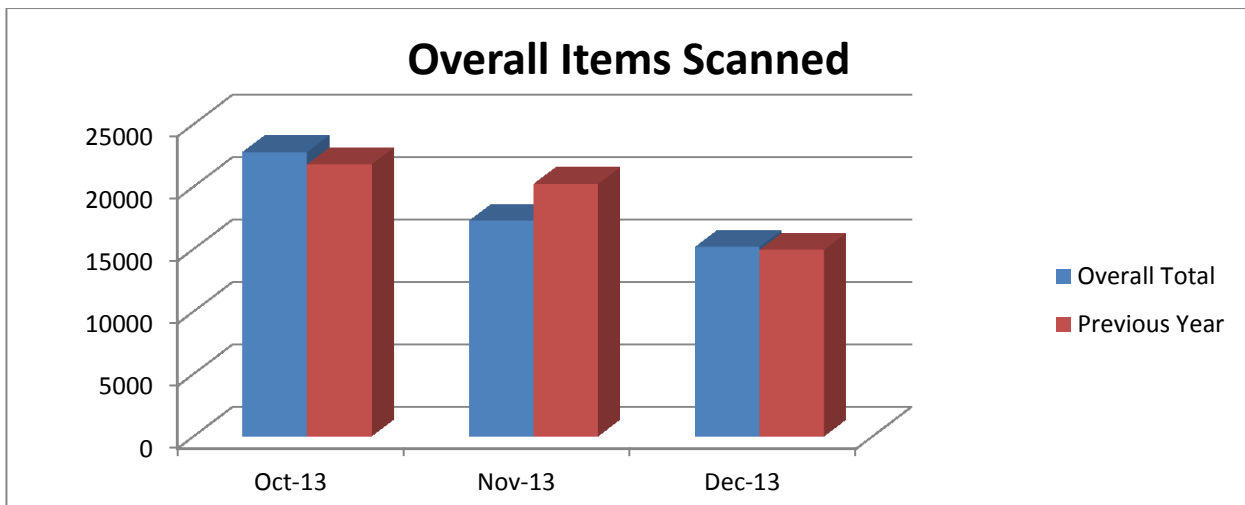


	Oct-13	Nov-13	Dec-13
<b>No of New Processes Started</b>	459	404	276
<b>No of Processes Completed</b>	470	410	288

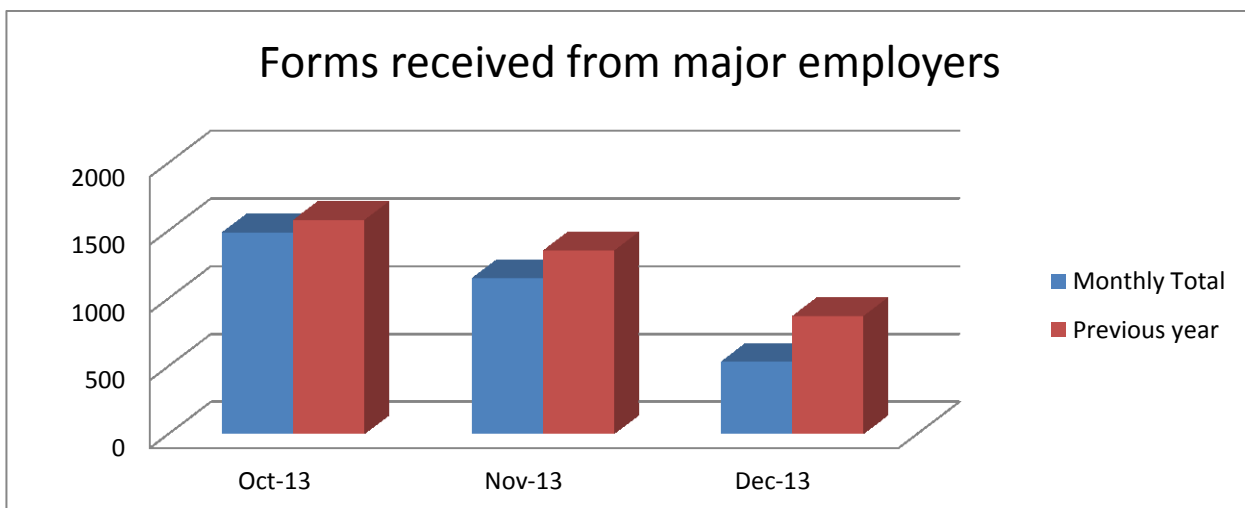


Number of Emails Received	Oct-13	Nov-13	Dec-13
<b>No. resolved within Customer Services</b>	723	312	382
<b>No. forwarded to Operations to action</b>	725	247	195

### Data Quality Statistics 1 October 2013 – 31 December 2013



	Overall Total	Previous Year
<b>Oct-13</b>	22746	21773
<b>Nov-13</b>	17249	20205
<b>Dec-13</b>	15163	14935

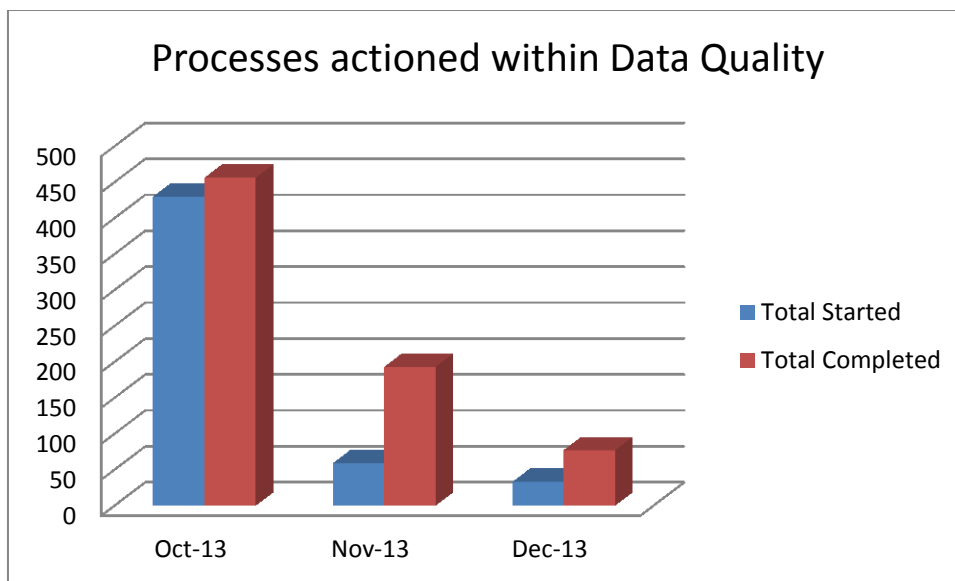


	Monthly Total	Previous year
<b>Oct-13</b>	1487	1580
<b>Nov-13</b>	1149	1354
<b>Dec-2013</b>	535	871

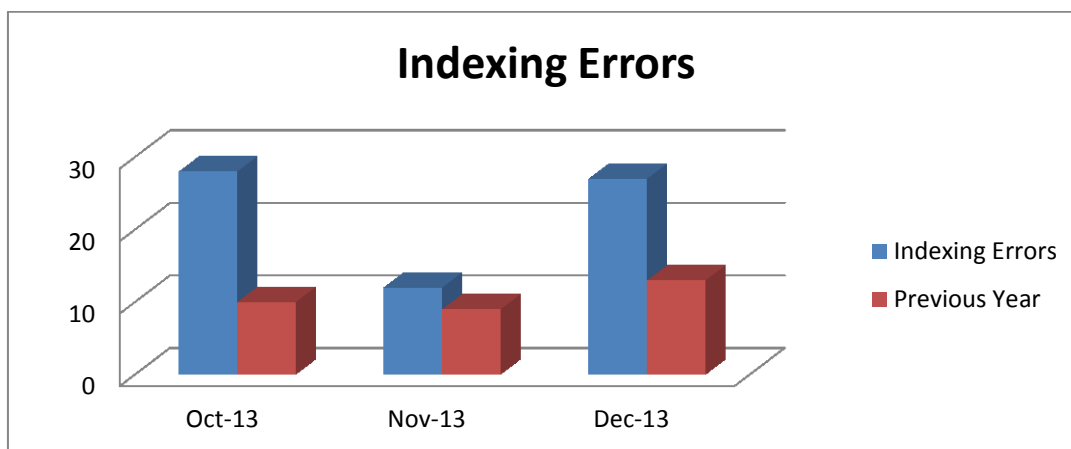


### Data Quality Statistics

1 October 2013 – 31 December 2013



	Oct-13	Nov-13	Dec-13
<b>Total Started</b>	430	59	33
<b>Total Completed</b>	456	193	77



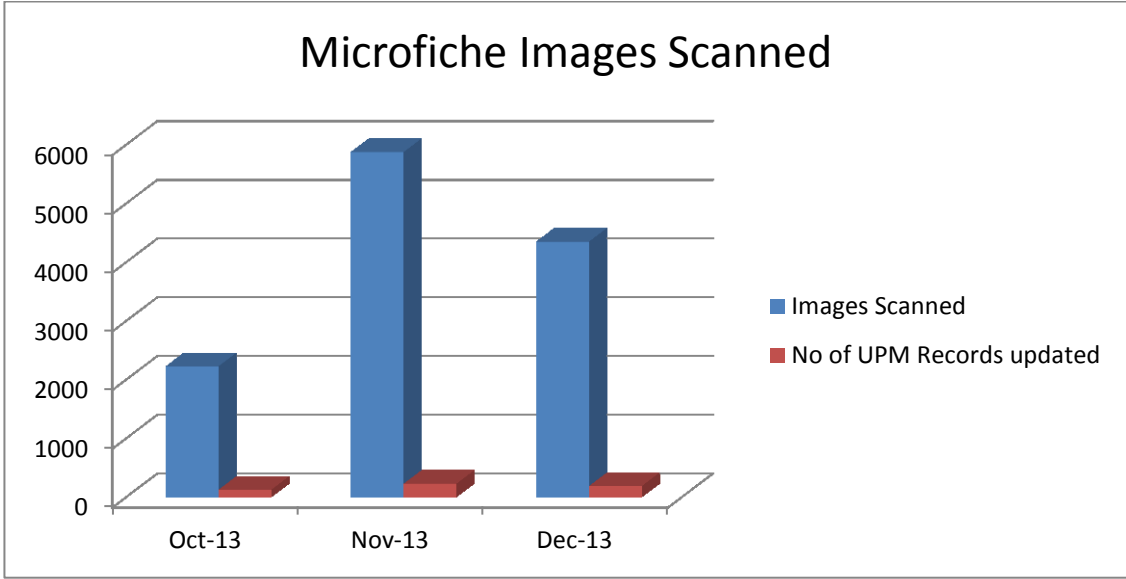
	Indexing Errors	Previous Year
<b>Oct-13</b>	28	10
<b>Nov-13</b>	12	9
<b>Dec-13</b>	27	13

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

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

	Overall Scanned	Indexing errors	%
<b>Oct-13</b>	22746	28	0.123
<b>Nov-13</b>	17249	12	0.070
<b>Dec-13</b>	15163	27	0.178

Microfiche Statistics



	<b>Number of Images Scanned</b>	<b>No of UPM Records updated</b>
<b>Oct-13</b>	2230	130
<b>Nov-13</b>	5879	233
<b>Dec-13</b>	4352	191



# Pensions Committee

## 26 March 2014

<b>Report Title</b>	Service plan monitoring 2013/14	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	<a href="mailto:Geik.drever@wolverhampton.gov.uk">Geik.drever@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>		

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### Recommendations for noting:

The Committee is asked to note

1. The financial monitoring along with the Fund's key performance indicators.

## **1.0 Purpose**

- 1.1 At the February 2013 meeting, Members approved the update to the 2015 Medium Term Financial Plan and 2013/14 Operating Budget. This report provides an update to the Fund's financial and business plan monitoring.

## **2.0 Medium term plan**

- 2.1 The nine key priorities in the Business Plan are detailed in Appendix 1, which represents a summarised update of activities.
- 2.2 Pensions Committee received a detailed report on the individual priorities in the 'Assurance Framework and Annual Governance Statement' in April 2013. The 2014 Statement will be submitted to the March Pensions Committee, and future service planning reports will reflect the updated priorities, once approved.
- 2.3 The plan provides the supporting medium-term financing statement to the Fund's Business Plan which was approved at the Committee meeting on 6 April 2011, a full copy of which is available on the Fund's website [www.wmfonline.com](http://www.wmfonline.com). The 2014-2019 Business Plan and medium-term budget will also be submitted to the March Pensions Committee, and future service planning reports will reflect the updated position, once approved.
- 2.4 Activities against the plan continue in line with objectives; the key points to note being the 2014 new scheme, implementation of the trustee training policy, the 2013 actuarial valuation and the comprehensive review of the Fund's investment strategy.

## **3.0 Key performance indicators**

- 3.1 An abridged summary of performance is included at Appendix 2, where it can be seen that performance has remained stable or improved in each criteria with activity during the period. In respect of the funding level and 2013 actuarial valuation exercise, the final outcome will be reported to Pensions Committee on the 26<sup>th</sup> March.

#### 4.0 Operating budget 2013/2014

4.1 The summary operating budget for pension services and current projected outturn as at 31<sup>st</sup> December 2013 for 2013/14 are shown below:

	2013/14 Budget	2013/14 Projection	2013/14 Over/(Under)
Employees	4,955,005	4,706,179	(248,826)
Premises-related	319,770	314,291	(5,479)
Transport-related	110,300	63,500	(46,800)
Supplies and services			
- Communications and IT	941,550	726,806	(214,744)
- Investment management & advice	10,327,066	10,327,066	0
- Other (including actuarial fees)	1,617,780	1,850,767	232,987
Support services	681,500	681,500	0
Service development	490,000	100,000	(390,000)
Total expenditure	19,442,971	18,770,110	(672,861)
Miscellaneous income	(276,460)	(380,394)	(103,934)
Net expenditure	19,166,511	18,389,716	(776,795)

4.2 The projected underspend of £0.78 million is based on expenditure to date with the key variances being on service development where expenditure on implementing LGPS 2014 have not fully transpired within this financial year. There is also a large underspend on employees where a number of vacancies are currently being held.

4.3 Underspend of £215,000 in supplies relates largely to Postages and IT which show projected underspends of £26,000 and £185,000 respectively based on expenditure to date this year. IT costs in particular have not been incurred as there is a major development of the Agresso system. Other system upgrades have also been delayed.

4.4 Current areas of overspend include an increase in projected costs of actuarial and legal fees of £246,000 and £134,000 respectively. This is offset by additional actuarial recharge income of £104,000, mainly arising from the conversion of a significant number of schools to academies. Overspends are also offset by a reduction in consultant and printing expenses of £117,000.

4.5 Investment expenses have been held at budget due to the uncertainty of performance fees that are determined at year end.

#### 5.0 Financial implications

5.1 The projected financial outturn is as detailed in paragraph 4 above.

**6.0 Legal implications**

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

**7.0 Equalities implications**

7.1 This report has no implications for the Council's equalities policies.

**8.0 Environmental implications**

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

**9.0 Corporate landlord implications**

9.1 This report contains no direct corporate landlord implications for the Authority.

**10.0 Schedule of background papers**

10.1 There were no additional preceding background papers except those listed in the report.

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
<b>1. Maintain quality procedures and practices:</b>	
<ul style="list-style-type: none"> <li>- Maintain quality accreditations</li> <li>- Invest in leading technologies</li> <li>- Respond to best practice shown by others</li> <li>- Respond to legislative changes</li> </ul>	<ul style="list-style-type: none"> <li>- The Fund has undertaken re-evaluation for the Customer Service Excellence accreditation and successfully retained the award. The Fund is currently undergoing evaluation for the Investors In People (IIP) accreditation.</li> <li>- Systems and technologies are monitored and maintained by a professional and appropriately resourced staff.</li> <li>- The Fund actively participates in networking and information sharing with peers and industry practitioners, both learning from others and sharing its own practices.</li> <li>- Technical specialists within the Fund monitor and interpret legislative changes and communicate requirements to the wider organisation. A specialist team from existing resources has been established to implement the 2014 Scheme and external advice will be utilised, where appropriate, to support the Fund.</li> </ul>
<b>2. Demonstrate 'value for money' in the Fund's operations:</b>	
<ul style="list-style-type: none"> <li>- Demonstrate quality of service delivery</li> <li>- Benchmark performance costs and service quality</li> </ul>	<ul style="list-style-type: none"> <li>- The Fund has developed and implemented a number of key performance indicators (KPIs) to ensure targets for service delivery, both internally and externally, are reviewed, measured and reported on a timely basis. Performance targets are a combination of internally determined and external benchmarks and are reviewed quarterly. A revised KPI framework in respect of Administration was presented to Pensions Committee in January 2014.</li> </ul>

PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
<b>3. Develop, implement and maintain customer engagement strategies:</b>	
<ul style="list-style-type: none"> <li>- Develop technical support for maintaining communication strategy for employing bodies</li> <li>- Develop communications with stakeholders and monitoring of pension provisions to individuals</li> <li>- Develop, consult upon and implement the Pensions Administration Strategy</li> <li>- Hold Employer AGM</li> <li>- Develop and implement customer engagement strategies</li> </ul>	<ul style="list-style-type: none"> <li>- The Employer Mid-Year Review took place in July 2013, where Fund officers updated employers on the 2013 actuarial valuation process and developments in respect of the 2014 scheme changes. The meeting included presentations and round table discussions and drew positive feedback from attendees.</li> <li>- The Fund held its second Employer AGM in December 2013 which was attended by representatives from 45 employers. Presentations were made by Fund staff and the Fund's Actuary, Mercer and the event focussed largely on the 2013 Actuarial Valuation.</li> <li>- The Fund maintains a comprehensive website, providing documentation and information for members, employers and other interested parties. The website provides important information for stakeholders, such as proposed legislative or scheme changes and its layout and content are under review by the Fund's website working group.</li> <li>- The web portal is used by all 7 Councils, along with a further 251 employer accounts across 74 employers, for retirement estimates and other employer data. Scheme members can access their individual records to update data and to date some 10,152 (approximately 3.8% of membership) have requested registration to the service with 6,023 having activated their accounts.</li> <li>- The bi-annual civic Roadshows are due to be held in June 2014 at the seven district sites across the West Midlands.</li> <li>- Seminars and 1-2-1 clinics continue to be held; tailored to employer requirements.</li> <li>- Three, week-long retirement planning events have been held throughout</li> </ul>



PRIORITY AND OPERATIONAL ACTIVITY	PROGRESS UPDATE
	<p>the year at venues across the West Midlands in partnership with Prudential. Presentations focused on updating members on the proposed 2014 Scheme changes.</p> <ul style="list-style-type: none"> <li>- Customer surveys are analysed and resulting improvements are implemented as part of the changes to processing.</li> <li>- Engagement with employers in respect of the Pensions Administration Strategy and performance reporting is on-going.</li> </ul>
<b>4. Management of risk strategies:</b>	
<ul style="list-style-type: none"> <li>- Regular risk management reviews</li> <li>- Review of major changes and new activities</li> <li>- Develop and maintain risk management approach in order to give annual assurance statement</li> <li>- Develop and implement Business Continuity Planning</li> </ul>	<ul style="list-style-type: none"> <li>- An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit. Trustee and Forum members training in respect of risk management &amp; compliance was undertaken in October 2013.</li> <li>- The Fund's updated risk register will be submitted to Pensions Committee in March 2014</li> <li>- Quarterly compliance testing has produced no reportable issues. The investments and operations compliance functions have been integrated to provide a Fund-wide function and a risk based programme is under development.</li> <li>- The 2014 annual assurance statement will be presented to the March 2014 Pensions Committee.</li> <li>- The business continuity plan was reviewed and updated in April 2013, with staff having been trained on its content and the appropriate procedures.</li> </ul>
<b>5. Deliver the agreed investment strategy:</b>	
<ul style="list-style-type: none"> <li>- Review, implement and monitor investment strategy</li> <li>- Communicate and consult on progress</li> <li>- Develop appropriate changes for approval</li> </ul>	<ul style="list-style-type: none"> <li>- Hymans Robertson are the Fund's strategic investment advisor and a full review of the investment strategy and asset allocation is underway.</li> <li>- The Fund's SIP has been updated and was presented to the April 2013 Committee.</li> <li>- Work has commenced on reviewing the future structure of the Fixed Interest and Absolute Return portfolios following recommendations from</li> </ul>

<ul style="list-style-type: none"> <li>- Monitor and highlight opportunities with due regard to risk</li> <li>- Explore, evaluate and consult on options to Sub-Committee and interested parties</li> </ul>	<p>Hymans Robertson. The Fund's property management arrangements are to be re-tendered this year, in line with the OJEU process</p> <ul style="list-style-type: none"> <li>- The Fund's response to potential investment opportunities will be further developed in conjunction with advice from Hymans, following the Asset Liability Management (ALM) review carried out after the 2013 valuation.</li> </ul>
<p><b>6. Active management of Environmental, Social and Corporate Governance (ESG) issues:</b></p>	
<ul style="list-style-type: none"> <li>- Voting and engagement through partnerships</li> <li>- Reviewing investment processes to encourage ESG</li> </ul>	<ul style="list-style-type: none"> <li>- The Fund votes at company meetings for the majority of its global equities holdings, and employs PIRC to advise on corporate governance issues. As an active member of the Local Authority Pension Fund Forum (LAPFF), the Fund also works in conjunction with other public sector pension funds to engage with investee companies on a variety of issues, with the aim of encouraging best practice and enhancing investment returns.</li> <li>- The Fund is a UNPRI signatory and a member of the Institutional Investors Group on Climate Change (IIGCC).</li> <li>- The Fund joined the Carbon Disclosure project (CDP) in January 2014.</li> <li>- In January 2104, the Fund was voted 9<sup>th</sup> out of 24 UK pension funds in a survey on responsible investment performance by ShareAction.</li> <li>- Regular reports on responsible investment and voting/corporate engagement activity are submitted to Committee.</li> </ul>
<p><b>7. Triennial Actuarial Valuation:</b></p>	
<ul style="list-style-type: none"> <li>- Engage with employing bodies and discuss issues</li> <li>- Collect data for valuation</li> <li>- On-going review of investment strategy in order to maintain SIP and FSS</li> <li>- Regular monitoring of funding levels</li> </ul>	<ul style="list-style-type: none"> <li>- The Fund maintains a comprehensive website, providing documentation and information for employers on a variety of matters, including the actuarial valuation.</li> <li>- The Employer Summer Meeting took place in July 2013, where Fund officers engaged with employers and updates were given on the 2013 actuarial valuation process, consultation on assumptions and Funding Strategy, and developments in respect of the 2014 scheme changes. The meeting included presentations and round table discussions and drew positive feedback from attendees.</li> <li>- Data has been collected, collated and submitted to the Fund's actuary for calculation of the 2013 valuation results.</li> <li>- The Fund held its second Employer AGM in December 2013 which was</li> </ul>

	<p>attended by representatives from 45 employers. Presentations were made by Fund staff and the Fund's Actuary, Mercer and the event focussed largely on the 2013 Actuarial Valuation exercise.</p> <ul style="list-style-type: none"> <li>- Indicative individual results were sent to all other employers (those unable to attend consultation meetings) in December. Consultation with employers continues in order to finalise the valuation exercise and report the outcome to Pensions Committee in March 2014.</li> <li>- Final results will be sent to employers by the end of February 2014 and the FSS finalised.</li> <li>- A comprehensive review of the investment strategy and asset allocation is currently being undertaken. The SIP and FSS will be further updated to reflect any changes resulting from this review, and from the outcomes of the 2013 actuarial valuation.</li> </ul>
<p><b>8. Trustee and Consultative Forum Training:</b></p>	
<ul style="list-style-type: none"> <li>- Maintain and expand the opportunities to build Trustee knowledge and understanding</li> <li>- Monitoring of approved training policy</li> <li>- Identification of training needs and development of training plan</li> </ul>	<ul style="list-style-type: none"> <li>- Structured induction training provided to Trustees and Forum Members by the Director of Pensions is available to all Members as required. During 2013/14, all new and returning members participated in the induction training (4 councillors and 2 observers).</li> <li>- Further structured training has taken place by way of presentations to IASC on a variety of investment linked topics. Fund officers have presented information on Scheme Changes and two Risk Workshops were held in October and November.</li> <li>- Individual training sessions have been facilitated covering "Understanding the Statement of Accounts" and "Asset Classes". Further 1:1 sessions will be arranged on request.</li> <li>- Regular Trustee Training reports are submitted to Pensions Committee.</li> <li>- The revised CIPFA Knowledge and Skills Framework has been distributed to Members along with details of electronic resources and online toolkits. A further training needs analysis will take place in early summer.</li> </ul>
<p><b>9. Developing People:</b></p>	

<ul style="list-style-type: none"><li>- Ensure a skilled and professional workforce</li><li>- Identify and address training and development needs</li><li>- Measure and improve competency levels</li></ul>	<ul style="list-style-type: none"><li>- Structured induction training is provided in-house for all new employees.</li><li>- A full training needs analysis and workforce survey is currently underway. The outcomes and training needs identified will be linked into individual appraisals and will be delivered in line with the needs of the business.</li><li>- A revised staff appraisal system to realign with Council's process is being implemented and staff are currently being trained.</li></ul>
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**KPI - ACTIONS, TIMESCALE AND REPORTING REQUIREMENTS DECEMBER 2013**

No	Description	Target	Actual Performance	Period	Previous Performance	Previous Period	Movement																
1	<b>IMPROVE FUNDING LEVEL</b> Funding level to increase from current levels of 70% (Taken from IAS26 Report)	>70%	74.00%	31/03/2013	75.00%	31/03/2010	-1.00%																
2	<b>INVESTMENT RETURNS/OVERALL FUND PERFORMANCE</b> Returns to be within 2% of the benchmark (3 Yr Rolling)	VARIANCE +/- 2%	<table border="1"> <tr> <td>BENCHMARK</td> <td>5.62%</td> </tr> <tr> <td>ACTUAL</td> <td> 6.06%</td> </tr> <tr> <td>RELATIVE</td> <td> 0.44%</td> </tr> </table>	BENCHMARK	5.62%	ACTUAL	6.06%	RELATIVE	0.44%	Dec-13	<table border="1"> <tr> <td>BENCHMARK</td> <td>6.67%</td> </tr> <tr> <td>ACTUAL</td> <td> 6.94%</td> </tr> <tr> <td>RELATIVE</td> <td> 0.27%</td> </tr> </table>	BENCHMARK	6.67%	ACTUAL	6.94%	RELATIVE	0.27%	Sep-13	0.17%				
BENCHMARK	5.62%																						
ACTUAL	6.06%																						
RELATIVE	0.44%																						
BENCHMARK	6.67%																						
ACTUAL	6.94%																						
RELATIVE	0.27%																						
3	<b>BENEFIT STATEMENTS</b> ABS issued to 95% of eligible active members by 30th September DBS issued to 85% of eligible deferred members by 30th October	95% 85%	87% 88%	Sep-13 Jul-13	89% 83%	Sep-12 Jul-12	-2.00% 5.00%																
4	<b>CONTRIBUTIONS RECEIVED</b> Main Fund 98% (total value) of contributions to be received by the due date. Travel Fund 98% (total value) of contributions to be received by the due date.	98% 98%	99.68% 100.00%	Oct-Dec 13 Oct-Dec 13	98.84% 100.00%	Jul-Sep 13 Jul-Sep 13	0.84% 0.00%																
5	<b>CLEAN AUDIT REPORT</b> Receive an unqualified audit opinion from the Main Funds external auditors Annual audit returns no significant findings Receive an unqualified audit opinion from the Travel Funds external auditors Annual audit returns no significant findings	Clean Report 0 significant findings Clean Report 0 significant findings	Yes 0 Yes 0	Year to 31/03/2013 Year to 31/03/2013	Yes 0 Yes 0	Year to 31/03/2012 Year to 31/03/2012	0.00 0.00																
6	<b>EXTERNAL ACCREDITATION</b> The Fund to be shortlisted for all of the awards in which it is entered.	100%	<table border="1"> <tr> <td>Applications</td> <td>12</td> </tr> <tr> <td>No. Pending</td> <td>4</td> </tr> <tr> <td>No. Shortlisted</td> <td>5</td> </tr> <tr> <td>Percentage Shortlisted</td> <td> 63%</td> </tr> </table>	Applications	12	No. Pending	4	No. Shortlisted	5	Percentage Shortlisted	63%	Dec-13	<table border="1"> <tr> <td>Applications</td> <td>6</td> </tr> <tr> <td>No. Pending</td> <td>4</td> </tr> <tr> <td>No. Shortlisted</td> <td>1</td> </tr> <tr> <td>Percentage Shortlisted</td> <td> 50%</td> </tr> </table>	Applications	6	No. Pending	4	No. Shortlisted	1	Percentage Shortlisted	50%	Oct-13	12.50%
Applications	12																						
No. Pending	4																						
No. Shortlisted	5																						
Percentage Shortlisted	63%																						
Applications	6																						
No. Pending	4																						
No. Shortlisted	1																						
Percentage Shortlisted	50%																						
7	<b>COST PER MEMBER</b> Administration cost per member to be reduced from budgeted figure of £24	<£24	£20.48	Mar-13	£21.05	Mar-12	£0.57																



# Pensions Committee

26 March 2014

**Report title** Pension Fund Business Plan 2014-2019

**Originating service** Pension Services

**Accountable employee(s)** Geik Drever      Director of Pensions  
Tel      01902 552020  
Email      Geik.drever@wolverhampton.gov.uk

**Report to be/has been considered by**

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**Recommendation(s) for action or decision:**

1. The Committee is recommended to approve the draft 2014-2019 Service Plan including the medium-term financial plan and 2014/2015 operating budget.

## **1.0 Purpose**

- 1.1 This report presents to the Committee the draft 2014-2019 Service Plan including the medium-term financial plan and 2014/2015 operating budget. Following approval, the Plan will be formatted in line with Fund documentation and published on the website.

## **2.0 Background**

- 2.1 The Service Plan 2014-2019 attached at Appendix A is an update to the 2011-2015 Business Plan, which was approved by Committee in April 2011. The Fund's key objectives, priorities and operational activities have been updated to reflect the changes and challenges, both current and future, affecting the Fund and its stakeholders.

## **3.0 Financial implications**

- 3.1 There are no direct financial implications for the Administering Authority. The financial implications for the Pension Fund are detailed in the Service Plan 2014-2019.

## **4.0 Legal implications**

- 4.1 There are no direct legal implications for the Administering Authority.

## **5.0 Equalities implications**

- 5.1 There are no equalities implications for the Administering Authority.

## **6.0 Environmental implications**

- 6.1 There are no environmental implications for the Administering Authority.

## **7.0 Corporate landlord implications**

- 7.1 The report contains no direct corporate landlord implications for the Authority.

## **8.0 Schedule of background papers**

- 8.1 Pension Fund business plan 2011-2015 including medium term financial plan and 2011/2012 operating budget– 6<sup>th</sup> April 2011 – Superannuation Committee

## Service Plan 2014 – 2019

DRAFT



## Fund Statistics (at 31 December 2013)

Pension benefits paid annually

**£445 million**

Assets of the Fund

**£9.8 billion**

Customer satisfaction

**98%** rate our service as good or excellent

Scheme employers

**407**

Staff employed by the Fund

**115**

Membership of the Fund

**267,321**

**Active Members**  
98,066

**Deferred Members**  
89,452

**Pensioner Members**  
79,803

Contributions due to the Fund

<b>Authority</b>	<b>Total contributions</b>
Birmingham	£135.3m
Coventry	£36.2m
Dudley	£36.8m
Sandwell	£37.6m
Solihull	£20.7m
Walsall	£33.4m
Wolverhampton	£36.9m
Others	£74.0m
<b>Total</b>	<b>£410.9m</b>

Contributions due to the Fund

# £410.9 Million

**£303.6m**

**Employer**

**Contributions**

**£107.3m**

**Employee**

**Contributions**

## Goals of the Fund

The Fund's core objectives are:

- To become a top performing Fund
- To achieve target investments returns
- To provide excellent customer service
- To improve the funding level

# Contents

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# Introduction

This business plan for the West Midlands Pension Fund is an update of the 2011-2015 plan and, as before, sets out to explain:

- The context in which the organisation works;
- Its current activities;
- The action it proposes to take over both the medium-term (three years) and long-term (five years and beyond).

The plan includes information to provide some context and references other relevant information. It is also produced to evaluate the current position and how the Fund will respond to both current and emerging issues.

The Fund has 267,321 members and 407 Scheme employers with an interest in the Fund as of 31 December 2013. The Fund's main objective is to provide a quality cost-effective and timely service to its members.

There are three main categories of membership, comprising of actively contributing members employed at one of the Scheme employers (98,066), members who have left employment but who have a deferred entitlement (89,452) and members in receipt of a pension (79,803).

A diversified portfolio of assets amounting to over £9.8bn is managed primarily in-house by a team of investment professionals, having due regard to risk and return with the Fund's objectives and funding requirements.

**Comments on issues relating to this plan can be made to:**

[pensionfundenquiries@wolverhampton.gov.uk](mailto:pensionfundenquiries@wolverhampton.gov.uk)

# Recent Key Achievements

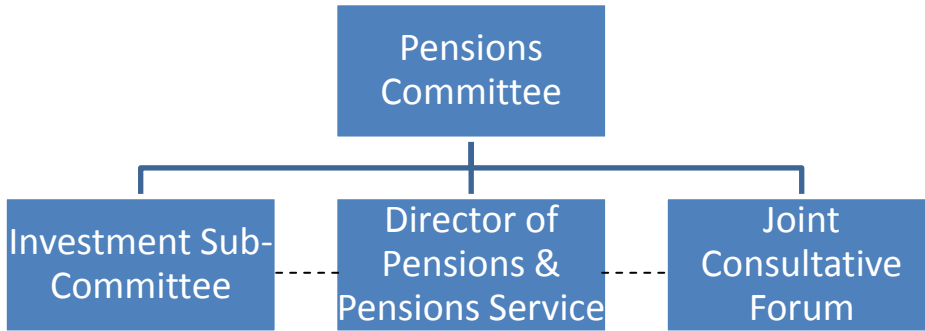
## 2013/14

Within the last year the Fund has achieved key performance targets and maintained important priority themes, including:

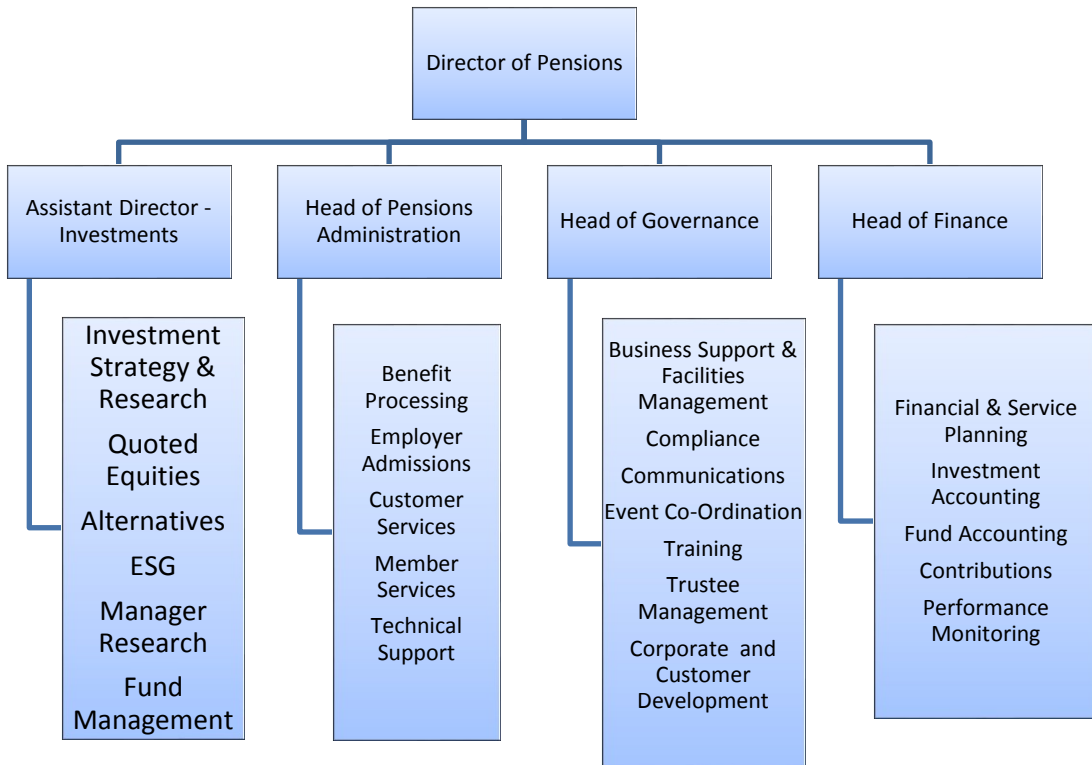
- Maintained high levels of customer satisfaction.
- Launched the Fund's self-service web platform ("the web portal") for member and employer access to pension records in 2013 and gathering 10,000 registrations in the financial year.
- Managed effectively changes to The Local Government Pension Scheme regulations.
- Paid pensions of over £400m to the Fund's 79,000 pensioners.
- Continued growth of scheme membership.
- Successfully reviewed and developed investment strategies with the objective of controlling risk through the process of diversification whilst maintaining above inflation returns.
- Increased employer engagement with monthly newsletters, the establishment of a peer group, and two major employer events during the year.
- Reduced management costs in order that the Fund remains competitive.
- Developed and introduced a robust trustee training programme.
- 2013 Actuarial Valuation exercise successfully completed.
- Awarded Investors in People Silver accreditation and successfully reaccredited for Customer Service Excellence.

# Operational Organisation

The relationship between the Fund committees and operational management can be illustrated as follows:



The pensions service is structured as follows:



# Key Objectives 2014 – 2019

To deliver the key priorities set out in the following pages we will need to work towards key objectives. We have categorised these into short, medium and long term objectives. They are:

## Short Term

- Implement and review new finance system.
- Review and develop investment strategy following the 2013 Actuarial Valuation.
- Ensure all stakeholders are informed and aware of LGPS 2014 scheme changes and that system changes are implemented without impacting business as usual.
- Consider and prepare for future changes to the LGPS governance structure and LGPS reform.
- Develop the West Midlands Pension Fund operational flexibility to enable staff and the Fund to meet the changing needs of our industry.

## Medium Term

- Continue the journey of streamlining internal processes to increase efficiency.
- Develop the Fund's electronic business model to continually improve data quality and ensure continued cost efficiencies.
- Cultivate stakeholder awareness of industry issues including financial and governance education.
- Implement governance and any emerging changes following LGPS reform.

## Long Term

- Continue to develop Fund strategies with long term affordability of the scheme in mind.
- Develop the investment strategy and returns expectations of the Fund to reflect the changing profile and increasing maturity of the Fund's membership.

# Priorities and Implementation Targets

Activity	Benchmark Measurement	Target	Frequency
<b>Quality procedures and practices</b>			
a) Maintain quality accreditations	Investors in People (IIP), Investors in Excellence (IIE), Customer Service Excellence (CSE) and shortlisting in industry awards	Reaccreditation / shortlisting for awards	Annually
b) Respond to best practice	Through updates to SMT	Improvements to be identified and reported on regularly	Quarterly
c) Respond to legislative changes	Requirement of new legislation	Compliance with new legislation	Quarterly
d) Data quality	To ensure bulk validation of incoming data.	Maintenance of regular checks	Continuous with quarterly reports.
<b>Drive progress through performance improvement</b>			
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
	Outcome of reviews by the Regulator and internal Audit	Positive reports by review bodies	Ongoing / annual



Activity	Benchmark Measurement	Target	Frequency
<b>b) Develop cross cutting key performance indicators focused on service priorities</b>	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	Annual and quarterly reporting
<b>c) Manage performance through focused and targeted action</b>	Key activities impacting on service issues	To be within or close to best practice	Annual and quarterly reporting
<b>Develop and implement customer engagement strategies</b>			
<b>a) Develop, review and consult upon and implement engagement strategies</b>	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and quarterly reporting.
<b>b) Hold AGM and Mid-Year Reviews annually for Employers</b>	Events held in summer and winter each year and favourably received	Two events per year with respondents to feedback stating event was either good or excellent	Report to SMT following event
<b>c) Develop communications with stakeholders needs in mind</b>	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and quarterly reporting
<b>d) Implement and review Customer Journey Mapping Programme</b>	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly

Activity	Benchmark Measurement	Target	Frequency
<b>Management of risk strategies</b>			
a) Regular risk management reviews	Annual risk review	To have an action plan for all high risk assets.	Annual/Quarterly monitoring
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
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
d) Develop and implement Business Continuity Planning.	Review/approval from SMT	Full test of Business Continuity Plan to be completed by Q2 2014	Annual review
<b>Review and implement investment strategy</b>			
a) Review of investment strategy	Annual asset allocation review/SIP	Ensure investment strategy has regard to Fund's liability structure	Annually with Quarterly monitoring
b) Implementation of investment strategy	Review/approval by Investment Advisory Sub-Committee	Ensure changes carried out within agreed timescales and cost effectively	Quarterly
c) Monitoring of performance and portfolio changes	Reporting to Investment Advisory Sub-Committee	Ensure performance at least matches agreed benchmarks	Quarterly

Activity	Benchmark Measurement	Target	Frequency
<b>d) Voting and implementation of ESG policies</b>	Reporting to Pensions Committee and Investment Advisory Sub-Committee/SRI Investment Statement	Comprehensive voting programme and membership of LAPFF and other ESG initiatives	Quarterly
<b>Triennial Actuarial Valuation</b>			
<b>a) Engage with employing bodies and discuss issues</b>	Consultation programme extended to all participating employers	Meet agreed timetable	Next Actuarial Valuation 2016
<b>b) Collect data for valuation</b>	Formal valuation project plan	Meet agreed timetable	Annually
<b>c) Communicate individual results</b>	Actuarial contributions certified as per regulatory requirements	Meet agreed timetable	Next Actuarial Valuation 2016
<b>d) FSS to be updated accordingly to include the Fund's strategy for deficit repair</b>	Regulatory requirements	Comprehensive and up-to-date	Next Actuarial Valuation 2016
<b>e) Ongoing review of investment strategy to maintain SIP</b>	Regulatory requirements	Comprehensive and up-to-date	Annual
<b>f) Regular employer covenant review</b>	All employer covenants reviewed and necessary actions taken	100% of employer covenants	Annual

Activity	Benchmark Measurement	Target	Frequency
<b>Trustee and Consultative Forum Training</b>			
a) Maintain and expand the opportunities to build Trustee knowledge and understanding	CIPFA Skills and Knowledge Framework. Wide range of knowledge building opportunities provided.	Minimum of 20 hours provision to Committee members	On-going/ yearly report
b) Monitoring of approved training policy	Wide range of knowledge-building opportunities provided.	100% target achieved	Ongoing
c) Identification of training needs and development of training plan	Wide range of knowledge building opportunities provided.	Training needs identified and addressed	Ongoing
d) To ensure Trustees meet TPR competency requirements	TPR framework and standards and training needs analysis	Compliance with CIPFA Knowledge and Skills requirements	Ongoing
<b>Developing people</b>			
a) Ensure a skilled, flexible and professional workforce	Staff induction, training plan and appraisal	25 hours per annum for all staff	Ongoing
b) Measure and improve competency levels through performance appraisals	Annual appraisal	100% compliant with WCC and all staff appraised by April 2014	Annual appraisal with six month review
c) Learning and development guide developed and reviewed with due attention to	Training needs addressed with development plan created.	Training Needs Analysis to be reviewed annually.	Annual

This report is PUBLIC  
 [NOT PROTECTIVELY MARKED]

Activity	Benchmark Measurement	Target	Frequency
<b>training needs analysis and performance appraisals</b>			
<b>d) Cultivate a working environment where knowledge is shared</b>	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing
<b>e) Maintain accreditations including Investors in People (IIP) and Customer Service Excellence (CSE)</b>	Investors in People (IIP), Investors in Excellence (IIE) & Customer Service Excellence (CSE)	Reaccreditation	Annual

# Skills and Knowledge

A major factor in the governance arrangements of the Fund is ensuring Committee members and officers have the relevant skills and knowledge. The Fund's Trustee Training Policy was approved by Pensions Committee in November 2012 and is based on the CIPFA Knowledge and Skills Framework to achieve this objective. As part of the policy, training information is recorded and logged on a Trustee Training database and the details are reported to Committee annually.

Following a consultation last August, the Pensions Regulator (tPR) announced plans to form a new body called a Pensions Board. Once the draft governance regulations are released it may be necessary to review the current structure of the Fund's committees to comply with these plans.

## **CIPFA**

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

It is not the intention that members should individually become technical experts, but 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.

Officers advising members and implementing decisions should have a more detailed knowledge. Following the approval of the Fund's Trustee Training Policy, a summary of training activity undertaken during 2012/13 was reported to Committee together with the outcome of the training needs analysis.

## **Reporting**

The Fund already includes in its Annual Report and Accounts details of the knowledge and skills development undertaken by its elected members.

It is being proposed that it will become a regulatory requirement for funds to explain their compliance with the CIPFA framework and in particular cover:

- how the framework has been applied
- what assessment of training needs has been undertaken
- what training has been delivered against the identified training needs

Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements. The Pensions Regulator has issued a code of practice and a strategy for regulating Public Service pension schemes and the Fund will comply with the requirements.

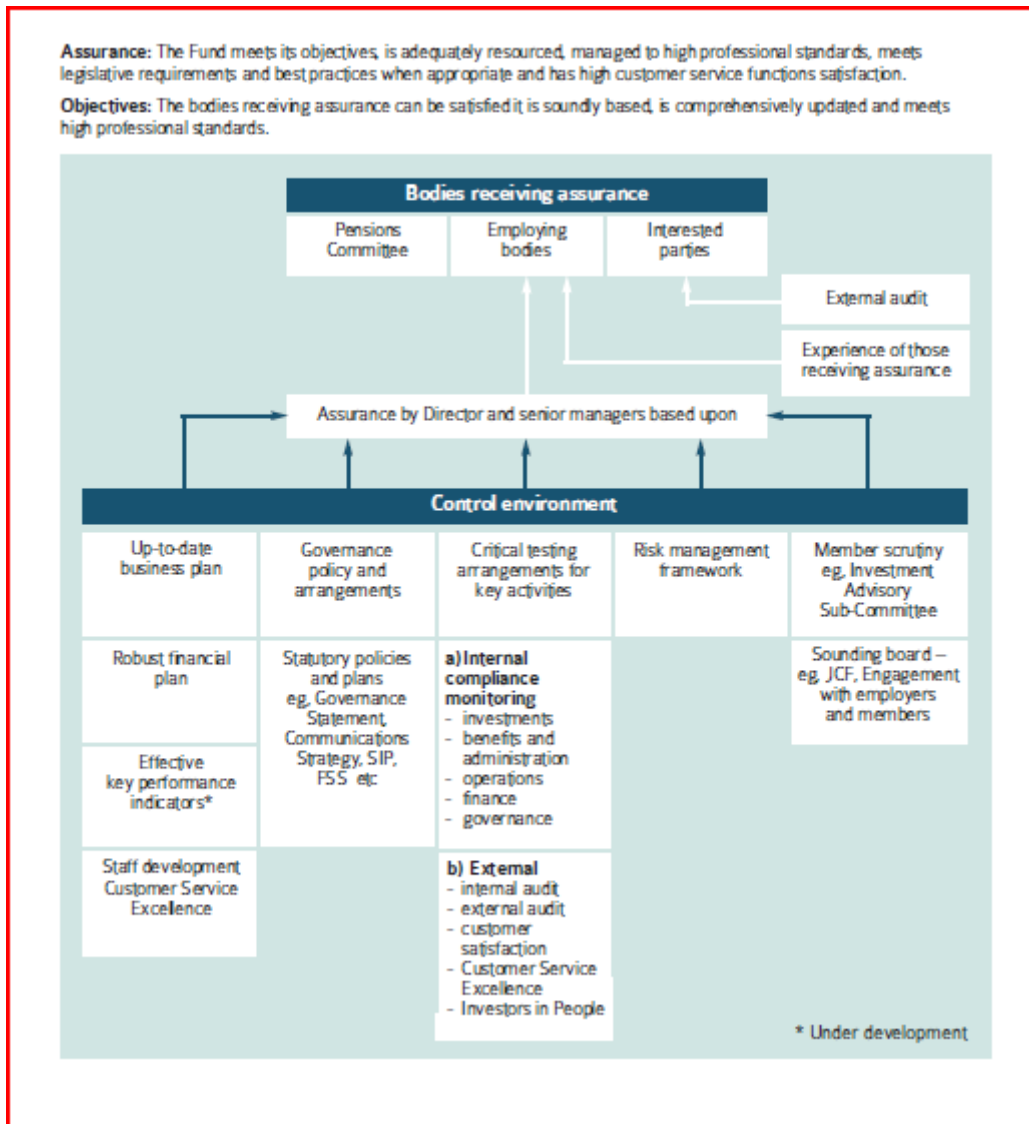
# Risk Management and Assurance

## 1. Background

The Director and senior pensions staff operate a bespoke assurance framework that has been developed by the West Midlands Pension Fund which includes a comprehensive risk management strategy.

## 2. Assurance Framework

The assurance framework is designed to ensure the Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices where appropriate and has high customer service satisfaction. The framework is shown below:



### **3. Risk Management**

An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit.

The Fund's core objectives, of which risks will be managed against, are outlined on page 3 of this Service plan.

#### **Priority of Risk Management**

The Fund evaluates and manages a wide range of risks. This is done through regular review, analysis and action plans. The Fund's objectives can only be achieved through effective risk management.

#### **Overall Risk Management**

This is reviewed against the following:

- i) Separate audit fee negotiated with external auditor that reflects use of well-qualified and experienced staff supported by pensions partners and actuarial expertise;
- ii) Structured delegation of powers and reporting of activity;
- iii) Regular internal audit of the Fund's activities with two major audits each year covering investments and administration;
- iv) Council-wide risk management approach involving members and senior officers.
- v) Extensive internal compliance procedures which are regularly tested against written procedures and practices.

#### **Benefits and Payroll Risk Management**

Specific analysis of administration risk is taken against:

- i) Regular yearly external audit testing of benefit calculation by external auditor;
- ii) Regular internal audit;
- iii) Separation of key activities, eg, bank accounts, accounting;
- iv) Regular benefit statements, pensioner existence checking, etc.

#### **Investment Risk Management**

Investment management risk is managed through a range of methods and is primarily split across three key areas;

- i) Investment Strategy and asset allocation
  - a. Annual asset allocation reviewing analysing investment risk and return
  - b. Ensuring that the portfolio is suitably diversified



- c. Quarterly performance measurement, monitoring and reporting of asset allocation to benchmark
  
- ii) Manager risks
  - a. Detailed manager selection and due diligence
  - b. Manager performance monitoring
  - c. Reporting of transactions and changes in management arrangements to Investment Sub-Committee
  
- iii) Operational risks
  - a. Separation of accounting responsibilities
  - b. Separation of duties within investments
  - c. Comprehensive internal compliance monitoring programme based upon best practice and annually reviewed

#### **4) Director's Annual Governance Statement**

The Director has made the following statement in support of governance arrangements of the Fund.

With regard to the West Midlands Pension Fund, day-to-day management of the Fund is carried out by four separate teams of staff who are dedicated solely to the functions of pension administration, finance, governance and investments, with appropriate support and advice from external investment managers. All teams report to the Director of Pensions. The key elements of the Fund's internal control environment include:

- procedures for establishing and monitoring the achievement of the Fund objectives;
- the facilitation of policy-making and decision-making;
- ensuring compliance with established policies, procedures, laws and regulations;
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which the functions of the Fund are exercised;
- the financial management of the Fund and the reporting of financial management;
- the performance management of Fund and the reporting of performance management.

# Investment Management

The approach to investment of the Fund's assets is built around the policies and practices set out in the Statement of Investment Principles (SIP), Funding Strategy Statement (FSS), Investment Strategy Statement (ISS) and Socially Responsible Investing (SRI) Statement which can be found at the Fund's website, [wmpfonline.com](http://wmpfonline.com).

This approach in summary is as follows:

- a) An investment strategy that aims to determine the balance of assets that has regard to the Fund's liability structure.
- b) The need for stable employer pension costs is of major importance for the employing bodies because of the impact on their budgets and forward plans.
- c) The aim to match or exceed the Fund's target return, investment returns of comparable funds and the markets in which the Fund invests over the medium- to long-term.
- d) The need to manage risk through diversification, detailed manager selection and monitoring, and comprehensive monitoring of operational risks.
- e) The best practice principles set out relevant codes of practice (listed below) are accepted as the investment standard to achieve.

Investment strategy is undertaken annually. It pays due consideration to the Fund's structure and investment objectives. The investment strategy has been revised a number of times in recent years to reflect major economic and market changes in the world following the 2008 banking crisis and 'credit crunch'.

The majority of the Fund's expected returns come from the markets in which it invests with the balance from added value delivered by investment managers. The emphasis of the investment strategy is also to ensure an appropriate level of portfolio diversification for the Fund.

Best practice has regard to:

- i) Myners' principles;
- ii) Financial Conduct Authority (FCA) requirements;
- iii) Professional and industry standards;
- iv) Audit Commission and other professional bodies' views, codes and recommendations, eg, CIPFA;
- v) Investment management regulation;
- vi) Accounting standards;
- vii) LGPS regulations;
- viii) Pensions legislation.

The Fund has a clearly defined governance structure with the Pensions Committee and Investment Advisory Sub-Committee supported by the in-house investment division and a range of external advisers.

# Communications and Customer Care

The Fund recognises that it has a large and diverse customer base split across those customers with a direct interest (employers and scheme members) and those who have an interest because of the nature of the Fund's activities (trade unions and the pensions industry, for example). The Fund has developed an approach to ensure it is able to meet the needs of its direct and indirect customers.

The Fund aims to:

- Deal with customers promptly and fairly with due regard for cost while still providing a comparable level of service with similarly sized pension funds.
- Consult customers wherever possible when considering changes to the service we provide and to take account of their views.
- Report on the quality of the service we provide and seek feedback from customers on a continual basis.

The Fund recognises the following groups as stakeholders of the Fund:

- Pension Committee
- Joint Consultative Forum
- Investment Advisory Sub-Committee
- Scheme Members
- Representatives of Scheme Members
- Prospective Scheme Members
- Scheme Employers including Admitted Body Organisations
- Fund staff
- Other bodies

The objectives in communicating with stakeholders are:

- To keep everyone informed about the management and administration of the West Midlands Pension Fund;
- To provide relevant information which enables stakeholders to make decisions regarding pension provision;
- To consult employers on changes to legislative regulations, policies and procedures that affect the West Midlands Pension Fund.
- To promote the LGPS as an important benefit of recruitment and retention.

The Fund aims to meet all special communications requirements by ensuring that communications are available in large print, braille, audio format and where English is not the individual's first language, an alternative will be offered.

The Fund aims to achieve clarity of message, using plain English, to deliver consistent communication through different media channels.

The Fund will deliver prepared communications in a timely manner which support our partnership arrangements with employers, members and third-parties (eg. Club Together and Prudential). It is vital that information is accurate, factual and relevant so that stakeholders and customers are fully engaged with current matters and future changes to the LGPS, including changes to the scheme coming into effect on 1 April 2014.

Any communication will be targeted at appropriate groups e.g. Club Together to pensioner members, with regards to verbal and visual style, content, communication medium and the method of delivery.

The Fund aims to encourage feedback and comment regarding different communications channels in order to identify improvements and changes. Any feedback will have due regard to cost/value for money, with the Fund's preferred solution for web-powered feedback being SurveyMonkey.com's secure online surveys.

# Medium Term Financial Plan

## 2014 – 2019

### 1) The purpose of the Plan

This plan provides the supporting medium – term financing statement to the Fund’s Business Plan.

### 2) Background

The Local Government Pension Scheme Regulations provide for the costs relating to general administration and investment functions to be an allowable charge to the Fund. The costs are not a direct charge on employing bodies. The Fund’s Actuary makes provision in his triennial valuation process for administration and investment expenses.

The Fund continues to demonstrate value for money in the use of its operating costs. DCLG collect information from all LGPS funds on their administration and fund management costs on a yearly basis. The table below details the Fund’s position for 2012/13 as compared to other LGPS bodies:

	2012/13 Administration costs £ (psm *)	2012/13 Fund Management costs £ (psm *)
West Midlands Pension Fund	20.48	43.11
Average for LGPS:		
-Metropolitan Funds	19.59	45.13
- English shires	24.90	88.07
- Inner London	45.20	150.78
- Outer London	44.83	110.92
- All English Authorities	27.02	85.07

\*= per scheme member

The Fund’s operating costs remain below the average for LGPS operating costs. However the Fund continues to seek to drive improvements in efficiencies and to reduce the average costs, whilst maintaining a quality service.

### 3) Medium – term workload

The Fund has addressed a number of significant developments in recent years:

- a) The detailed Actuarial valuation exercise 2013 which informs the Fund’s financial position and contribution arrangements for the medium term period through to 2016/17.

- b) The review of the Fund's investment strategy to strengthen the overall funding position through the generation of additional returns from investment allocation.
- c) The introduction of Academy schools has resulted in an increase in the number of participating employers in the Fund.
- d) Planning for the introduction of the new LGPS 2014 from 1<sup>st</sup> April 2014. This will see the scheme move to a career average related earnings basis, whilst maintaining the key feature of it being a defined benefit scheme.
- e) Auto enrolment commenced in 2012 with some employers postponing their staging dates.
- f) Developing and implementing a new accounting system for 1 April 2014.

In reviewing the developments in the medium term from 2014/15 onwards, a number of service developments are anticipated:

- i) An on- going assessment of the effectiveness of the IT arrangements for the pensions administration system to ensure that it provides a reliable platform for complying with LGPS 2014 requirements. Also, the transfer to a new platform for the Fund's website and the transition to electronic bulk data input.
- ii) The challenge of responding to the new regulatory environment including the maintenance of accurate membership records and data quality standards to meet the requirements of The Pensions Regulator.
- iii) Continuing monitoring, review and implementation of the investment strategy including the future introduction of multiple investment strategies.
- iv) The need for effective management of future costs of administration and investment management expenses to ensure that the service continues to function at a high level, whilst operating within a tighter financial framework.
- v) Responding to the challenges faced by employers as a result of the requirements of the Actuarial Valuation 2013 and their continuing financial pressures.
- vi) The challenges faced from the increased pensioner numbers resulting from headcount reduction at participating employers. Developing a model to internally monitor funding levels between actuarial valuations.

Year ended	Active	Deferred	Preserved Refunds	Pensioners	Beneficiary	Totals
31 March 2009	108,224	62,472	8,311	53,576	10,264	242,847
31 March 2010	104,612	69,605	8,181	56,433	10,438	249,269
31 March 2011	102,011	73,040	8,121	59,833	10,688	253,693
31 March 2012	95,478	76,422	8,045	64,280	10,948	255,173
31 March 2013	97,330	78,679	7,830	66,461	11,024	261,324
31 December 2013	98,066	81,703	7,749	68,509	11,294	267,321

- vii) Managing the transition in employees' terms and conditions to ensure that a skilled workforce continues to drive improvements in a positive environment.

- viii) Continuing development of marketing and communication initiatives.
- ix) Responding to potential changes as a result of the requirements of the new Public Pensions Act 2013 on LGPS reforms and governance structure.

The above will result in cost pressures amounting to £350,000 per annum, which will be reviewed annually.

#### 4) Detailed operating budgets

The operating service estimates for pensions administration and investment charged to the West Midlands Metropolitan Authorities Pension Fund for 2013/14 through to 2018/19 are detailed below:

Pension Fund revenue estimates	Note	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Employees	3	4,955	4,513	4,510	4,609	4,655	4,686
Premises related		320	344	352	332	341	349
Transport related		110	69	65	66	66	67
Supplies and services:							
- communications and computing;		942	740	691	679	685	690
- Investment management and advice;	2	10,327	11,398	12,081	12,806	13,575	14,389
- other (including actuarial fees).		1,618	2,078	2,093	2,411	2,127	2,143
Operating Costs		18,272	19,140	19,793	20,904	21,448	22,324
Support services (including computing)		681	507	447	451	456	460
Service development	3	490	350	350	350	350	350
Total expenditure		19,443	19,998	20,590	21,706	22,254	23,134
Miscellaneous income		(276)	(530)	(535)	(541)	(546)	(551)
Net expenditure	1	19,167	19,468	20,055	21,165	21,708	22,583

Estimated Unit Cost	2013/14 £ (psm)*	2014/15 £ (psm)*	2015/16 £ (psm)*	2016/17 £ (psm)*	2017/18 £ (psm)*	2018/19 £ (psm)*
Administration costs	24.64	20.75	20.23	20.79	20.06	19.91
Fund Management costs	49.33	52.07	53.68	56.06	57.60	59.68

\*= per scheme member

## Notes

1. The Fund continues to review its operational arrangements. The aim is to process an increasing workload whilst managing the cost base to ensure that effective and economical arrangements are in place.
2. The cost of investment management and advice will vary with the performance of managers, as a number of arrangements have an element of a performance management fee.
3. The Fund aims to achieve FCA accreditation within the next three years, which will strengthen the skill base of the Fund. Service development will be an ongoing issue as reforms in the pensions sector are expected to continue in the medium-term. In the short-term, the introduction of the new accounting system will offer challenges, although this will bring efficiencies in the medium-term.

**The West Midlands Pension Fund is proud to hold the following accreditations:**

[Investors in People Logo] [Customer Service Excellence Logo]





# Pensions Committee

26 March 2014

<b>Report title</b>	WMPF Medium term financial plan update and 2014/15 operating budget	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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## **Recommendation(s) for action or decision:**

The Committee is recommended to:

1. Approve the 2014-2019 Medium Term Financial Plan and 2014/15 operating budget.

## **Recommendations for noting:**

The Committee is asked to note:

1. The indicative budgets for 2015-2019

## 1.0 Purpose

1.1 The Plan provides the supporting medium-term financing statement to the Fund's Business Plan. A full copy will be made available on the Fund's website following approval and senior managers have reviewed and agreed the priorities as per the attached Service Plan.

## 2.0 Background to Medium term financial plan

2.1 In accordance with the Local Government Pension Scheme Regulations 2000, the costs relating to general administration and investments functions are allowable charges to the Fund and are not a direct charge on employing bodies and organisations. The Fund's actuary makes provision in his valuation process for administration and investment expenses.

2.2 The Fund has always attempted to demonstrate value for money in the use of its operating costs. The Department for Communities & Local Government collect information for all LGPS funds on their administration and fund management costs on a yearly basis. The latest figures available are for 2012/13 and these are shown in the following comparison with the 2011/12 figures:

	Administration Costs (£psm*)		Fund Management Costs (£psm*)		Total Costs (£psm*)	
	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £
West Midlands Pension Fund	20.48	21.05	43.11	61.16	63.59	82.21
Average for LGPS:						
- Metropolitan funds	19.59	21.18	45.13	47.17	64.72	68.35
- English shires	24.90	24.56	88.07	84.40	112.97	108.96
- Inner London	45.20	45.56	150.78	161.77	195.98	207.33
- Outer London	44.83	50.01	110.92	114.19	155.75	164.20
- All English authorities	27.02	27.82	85.07	83.03	112.09	110.85
*psm = per scheme member						

The Fund's operating costs remain below the average for all English authorities LGPS operating costs. However the Fund continues to seek to drive improvements in efficiencies and to reduce the average costs, whilst maintaining a quality service.

### **3.0 Medium-term workload**

3.1 The Fund has addressed a number of significant developments in recent years:

- i) The detailed Actuarial valuation exercise 2013 which informs the Fund's financial position and contribution arrangements for the medium term period through to 2016/17.
- ii) The review of the Fund's investment strategy to strengthen the overall funding position through the generation of additional returns from investment allocation.
- iii) The introduction of Academy schools has resulted in an increase in the number of participating employers in the Fund.
- iv) Planning for the introduction of the new LGPS 2014 from 1st April 2014. This will see the scheme move to a career average related earnings basis, whilst maintaining the key feature of it being a defined benefit scheme.
- v) Auto enrolment commenced in 2012 with some employers postponing their staging dates
- vi) Developing and implementing a new accounting system for 1 April 2014.

3.2 In reviewing the developments in the medium term from 2014/15 onwards, a number of service developments are anticipated:

- i) An on- going assessment of the effectiveness of the IT arrangements for the pensions administration system to ensure that it provides a reliable platform for complying with LGPS 2014 requirements. Also, the transfer to a new platform for the Fund's website and the transition to electronic bulk data input.
- ii) The challenge of responding to the new regulatory environment including the maintenance of accurate membership records and data quality standards to meet the requirements of The Pensions Regulator.
- iii) Continuing monitoring, review and implementation of the investment strategy including the future introduction of multiple investment strategies.
- iv) The need for effective management of future costs of administration and investment management expenses to ensure that the service continues to function at a high level, whilst operating within a tighter financial framework.
- v) Responding to the challenges faced by employers as a result of the requirements of the Actuarial Review 2013 and their continuing financial pressures.

- vi) The challenges faced from the increased pensioner numbers resulting from headcount reduction at participating employers. Developing a model to internally monitor funding levels between actuarial valuations.

Year	Active	Deferred	Preserved Refunds	Pensioner	Beneficiary	Totals
31 March 2009	108,224	62,472	8,311	53,576	10,264	242,847
31 March 2010	104,612	69,605	8,181	56,433	10,438	249,269
31 March 2011	102,011	73,040	8,121	59,833	10,688	253,693
31 March 2012	95,478	76,422	8,045	64,280	10,948	255,173
31 March 2013	97,330	78,679	7,830	66,461	11,024	261,324
31 December 2013	98,066	81,703	7,749	68,509	11,294	267,321

- vii) Managing the transition in employees' terms and conditions to ensure that a skilled workforce continues to drive improvements in a positive environment.
- viii) Continuing development of marketing and communication initiatives.
- ix) Responding to potential changes as a result of the requirements of the new Public Pensions Act 2013 on LGPS reforms and governance structure.

#### 4.0 Medium term financial provisions

4.1 The following broad cost pressure provisions for managing these challenges until 2018/2019 were agreed in March 2014 and the projections for the next five years are included below:

- i) Costs are expected to be incurred to meet the challenges below:
- Changes required to meet new governance arrangements
  - The implementation of multiple investment strategies
  - Moving to a new platform for the WMPF website
  - Implementation of LGPS reforms
  - Systems and technological developments required to implement electronic data input of member information
- ii) The expected annual costs of implementation will be reviewed annually based on service and legislative developments.

## 4.2 Five year financial plan

	2014/15	2015/16	2016/17	2017/18	2018/19
	£	£	£	£	£
Employees	4,513	4,510	4,609	4,655	4,686
Premises	344	352	332	341	349
Transport	69	65	66	66	67
Supplies & Services					
- Communications & Computing	740	691	679	685	690
- Investment Management	11,398	12,081	12,806	13,575	14,389
- Other Services	2,078	2,093	2,411	2,127	2,143
<b>Operating Costs</b>	<b>19,140</b>	<b>19,793</b>	<b>20,904</b>	<b>21,448</b>	<b>22,324</b>
Support Services	507	447	451	456	460
Service Development	350	350	350	350	350
<b>Total Expenditure</b>	<b>19,998</b>	<b>20,590</b>	<b>21,706</b>	<b>22,254</b>	<b>23,134</b>
Misc Income	(530)	(535)	(541)	(546)	(551)
<b>Net Expenditure</b>	<b>19,468</b>	<b>20,055</b>	<b>21,165</b>	<b>21,708</b>	<b>22,583</b>
<b>Administration costs*</b>	<b>20.75</b>	<b>20.23</b>	<b>20.79</b>	<b>20.06</b>	<b>19.91</b>
<b>Fund Management*</b>	<b>49.33</b>	<b>52.07</b>	<b>53.68</b>	<b>56.06</b>	<b>59.68</b>

\*per scheme member

The assumptions are based on:

- a) Operating cost increases of 0.75% pa, (excluding premises and employees)
- b) Premises cost increases of 2.5% pa
- c) Investment management fee is based on growth of assets at 6% pa
- d) Support Service cost increases of 1% pa
- e) Income growth of 1% pa
- f) Scheme membership is projected to increase by 1.5% pa

## 5.0 Detailed operating budget

5.1 The operating service estimates for pensions administration and investment charged to the West Midlands Metropolitan Authorities Pension Fund for 2013/14 and 2014/15 are detailed below.

Pension Fund Revenue Estimates	Notes	2013/14	2014/15	Variance
Pension Services	1	£	£	£
Employees	2	4,955,005	4,512,565	(442,440)
Premises-related		319,770	343,767	23,997
Transport-related		110,300	68,516	(41,784)
Supplies and services				
- Communications and computing	3	941,550	740,007	(201,543)
- Investment management and advice	4	10,327,066	11,397,590	1,070,524
- Other (including actuarial fees)		1,617,780	2,077,891	460,111
Operating Costs		18,271,471	19,140,337	868,866
Support services (including computing)		681,500	507,420	(174,080)
Service development	5	490,000	350,000	(140,000)
Total expenditure		19,442,971	19,997,757	554,786
Miscellaneous income	6	(276,460)	(530,025)	(253,565)
Total Net expenditure		19,166,511	19,467,732	301,221

2014/2015 (2013/2014) Budgeted unit cost: Administration £20.75 (£24.64), Investments £52.07 (£49.33), Total £72.83 (£73.97)

### Notes:

- 1 The Fund, like all public sector bodies, is continually reviewing its operating costs and procedures. The 2014/2015 budget represents a unit cost per member of £72.83 for operations and investments.

- 2 Employee budgets represent approximately 23% of the operating budget. No provision has been made for pay awards as the financial impact of restructuring and single status will be concluded by 31 March 2014. Further restructuring costs may be incurred following a review of the new structure implemented, to be conducted in autumn 2014.

2013/14 Approved Budget	4,955,005
<i>Adjustments</i>	
Staffing:	
Increments (inc. NI and Sup'n)	55,441
Structure changes (2013)	(497,856)
Other Minor Variations	(25)
2014/15 Budget	4,512,565

- 3 Investment management and advice represents nearly 59% of the operating budget as the single largest item. This figure includes a projection of 6% growth in 2014/2015 along with potential payment of performance fees. In addition, cost disclosure will increase due to the appointment of segregated emerging markets managers, the costs for which will be invoiced on a segregated basis rather than deducted at source as has been the practice with a number of current managers. Actual costs will vary with market movements and the performance of managers.
- 4 'Supplies and services - communications and computing' includes a reduction in computer equipment and IT-related costs of £140,000, partly through the reduction of software contracts. A further £60,000 has been reduced due to the realignment of budgets with costs being transferred to 'other services' within the same category.
- 'Supplies and services - other services' include Actuarial fees that have increased by £25,000 where additional outsourcing work as well as the increasing number of Academies has more than offset the reduction in costs following the near-completion of the 2013 actuarial valuation. This will however be reflected in additional income from recharging for these services. There have also been additional costs of £60,000 incurred in this sub-category due to the budget realignment described above.
- 5 Service development cost details are shown in paragraph 5.1.
- 6 Included in miscellaneous income are recharges to employers for actuarial services which are expected to generate £360,000 income to offset the additional charges incurred by the Fund. Recharges to the WMITA Fund for Investments and Administrative Services of £30,000 and £120,000 respectively are also included.

## 6.0 Financial implications

- 6.1 There are no direct financial implications for the Administering Authority. The financial implications are discussed in the body of the report for the Fund.

## **7.0 Legal implications**

7.1 There are no direct legal implications arising from this report, but there is an obligation to inform Members of the up-to-date position regarding the Medium Term Financial Plan and Operating Budget.

## **8.0 Equalities implications**

8.1 There are no equalities implications for the Administering Authority.

## **7.0 Environmental implications**

7.1 There are no environmental implications for the Administering Authority.

## **8.0 Corporate landlord implications**

8.1 The report contains no direct corporate landlord implications for the Authority.

## **9.0 Schedule of background papers**

9.1 There are no preceding reports or documents that have relevance to the subject matter.





# Pensions Committee

## 26 March 2014

<b>Report Title</b>	Assurance Framework supporting the Annual Governance Statement April 2014	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	geik.drever@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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### Recommendations for noting:

The Committee is asked to note:

1. The background to the assurance framework and updated operational practices.

**1.0 Financial implications**

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

**2.0 Legal implications**

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

**3.0 Equalities implications**

3.1 This report has no implications for the Council's equalities policies.

**4.0 Environmental implications**

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

**5.0 Corporate landlord implications**

5.1 The report contains no direct corporate landlord implications for the Authority

**6.0 Schedule of background papers**

6.1 There were no preceding background papers.



# Assurance Framework Supporting The Annual Governance Statement

April 2014

# Assurance Framework Supporting The Annual Governance Statement April 2014

## 1. Background

- 1.1 The Annual Report and Accounts contains the City Council's Annual Governance Statement as required by the accounting standards that apply to local government. The application to the West Midlands Pension Fund is limited, as the statement covers all of the Council's activities. The Director and senior pension services staff do make declarations in support of the statement and these are based upon a detailed bespoke 'assurance framework' that has been developed for the Fund. It is designed to give assurance to the Committee and interested parties that the administration of the Fund is operating in a satisfactory manner. This report is to highlight, for the Committee, the assurance framework and matters that have been managed during the last 12 months.
- 1.2 This report was prepared and agreed by Geik Drever, Director of Pensions.

## 2. Assurance Framework

- 2.1 The assurance framework is to ensure the Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices, where appropriate, and has high customer service satisfaction. The framework in diagrammatic form is pictured on page 9.
- 2.2 There have been no adverse matters arising from the work behind the assurance framework. The following matters are highlighted as indications of the activities within the framework and the outcomes:

### 2.2.1 External Audit

The Fund is subject to audit by PWC. The 2013 audit produced no material issues for management or any matters to draw to members' attention. It has been agreed with PWC there will be a reduction in the annual audit fee level for the Fund and that WCC Internal Audit activity will increase accordingly, to ensure there is no reduction in audit activity. The 2014 audit will start shortly.

### 2.2.2 Risk Management

An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit.

The risks to the Fund's core objectives have been identified. These are:

- to become a top-performing fund;
- to achieve target investment returns;
- to provide excellent customer service and;
- to improve the funding level.

## Assurance Framework Supporting The Annual Governance Statement April 2014

There are currently 41 risks which have been identified with eight classified as the 'top risks' for the Fund. None has a critical rating. The highest noted risks are the following:

- **Legislative changes to the scheme in respect of the new 2014 scheme and auto-enrolment.**

Near final draft regulations were received in December 2013, although the detail surrounding the cost control \$\$ mechanism, governance and transitional protections are not expected before April 2014. A project team is in place, and a plan has been developed for implementation of the new Scheme, and contingency plans are being developed in case of delay.

- **Quality of data from employers is poor:**

Risks are deemed to be increasing due to employers losing experienced staff, auto enrolment being introduced and the new LGPS from 2014. In order to mitigate these risks, regular engagement is undertaken with employers and a web portal has been developed, along with the initiation of a project to facilitate the electronic exchange of data.

- **Fully developed IT business continuity due to major changes at City Council:**

No experience of service failure, however WCC arrangements undergoing major change and development. WMPF internal BCC plan has been developed although this is largely dependent upon the IT infrastructure of WCC.

- **Support services provided by City Council, particularly IT:**

IT and support services are undergoing major changes and, therefore, associated risks are increased. Engagement on the service transformation is undertaken between Fund officers and WCC project leads, to ensure continuing needs are considered and met.

- **Third party service providers ability to meet required timescales to implement system changes ahead of auto enrolment and the new LGPS 2014:**

Contractual arrangements are reviewed and enhanced and regular monitoring is undertaken by members of the Fund project teams.

- **LGPS reform:**

Potential reform to the structure of the LGPS could result in the Fund incurring increased asset management costs. However, depending on the outcome of the reforms, they could offer potential savings for the Fund.

**2.2.3 Compliance Monitoring** - Regular reports submitted to Pensions Committee quarterly. No issues arose in last 12 months.

**2.2.4 Statutory Policies** - operating practices etc. Significant statutory policies and Fund policy statements have been reviewed and submitted to the April 2013 Pensions Committee.

**2.2.5 Customer Service Excellence and Investors in People** - The Fund remains committed to CSE through the enhancement of processes and procedures, and to investing in its staff.

**2.2.6 Staff Management** - A detailed staff appraisal framework has been developed and rolled out across the pension service. It assists in ensuring that the Fund maintains competent, skilled and experienced staff to deliver the objectives agreed in the Fund's Business Plan 2014-2019 and meets future legislative changes.

**2.2.7 Key Priorities and Activities** - Key Fund priorities and activities identified in Medium-Term Business Plan 2011-2015 have been achieved with work on-going in respect of emerging priorities and activities forming the 2014-2019 plan (summary report attached).

### **3. Annual Governance Statement**

**3.1** The assurance framework enabled the following statement to be given in support of the Council's overall annual governance statement:

With regard to the Fund's day-to-day management, this is carried out by teams of staff who are dedicated solely to the functions of pensions administration and pensions investment. Appropriate support and advice is provided by external investment managers and advisors. All teams report to a dedicated Director of Pensions.

The key elements of the Fund's internal control environment include:

- procedures for establishing and monitoring the achievement of the Fund's objectives;
- the facilitation of policy making and decision making;
- ensuring compliance with established policies, procedures, laws and regulations;
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which the functions of the Fund are exercised;
- the financial management of the Fund and the reporting of financial management; and
- the performance management of the Fund and the reporting of performance management.

### **4. Recommendations**

**4.1** Members are requested to note the background to the assurance framework and updated operational practices.

**Assurance Framework**  
**Supporting The Annual Governance Statement**  
 April 2014

**Priorities – Implementation Targets**

Activity	Benchmark Measurement	Target	Frequency
<b>Quality procedures and practices</b>			
<b>a) Maintain quality accreditations</b>	Investors in People (IIP), Customer Service Excellence (CSE) and shortlisting in industry awards	Reaccreditation/shortlisting for awards	Ongoing/annual
<b>b) Respond to best practice</b>	Through updates to SMT	Improvements to be identified and reported on regularly	Quarterly
<b>c) Respond to legislative changes</b>	Requirement of new legislation	Compliance with new legislation	Quarterly
<b>d) Data quality</b>	To ensure bulk validation of incoming data	Maintenance of regular checks	Continuous with quarterly reports

Activity	Benchmark Measurement	Target	Frequency
<b>Drive progress through performance improvement</b>			
<b>a) Improve data quality standards to meet regulatory requirements</b>	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
	Outcome of reviews by the regulator and internal audit	Positive reports by review bodies	Ongoing/annual
<b>b) Develop cross-cutting key performance indicators focused on service priorities</b>	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	Annual and quarterly reporting
<b>c) Manage performance through focused and targeted action</b>	Key activities impacting on service issues	To be within or close to best practice	Annual and quarterly reporting



**Assurance Framework**  
**Supporting The Annual Governance Statement**  
 April 2014

**Priorities – Implementation Targets**

Activity	Benchmark Measurement	Target	Frequency
<b>Develop and implement customer engagement initiatives</b>			
<b>a) Develop, review and consult upon and implement engagement strategies.</b>	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey.	To meet communication strategy requirements	Annual and quarterly reporting
<b>b) Hold AGM and mid-year reviews annually for employers.</b>	Events held in summer and winter each year and favourably received.	Two events per year with respondents to feedback stating event was either good or excellent.	Report to SMT following event
<b>c) Develop communications with stakeholders needs in mind.</b>	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey.	To meet communication strategy requirements	Annual and quarterly reporting
<b>d) Implement and review customer journey mapping programme</b>	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly

Activity	Benchmark Measurement	Target	Frequency
<b>Management of risk strategies</b>			
<b>a) Regular risk management reviews</b>	Annual risk review	To have an action plan for all high risk assets	Annual/quarterly monitoring
<b>b) Review of major changes and new activities of business</b>	Review/approval from Pensions Committee	All Fund risks are adequately managed	Ongoing/quarterly reviews of risk register
<b>c) Develop and maintain risk management approach in order to give annual assurance statement.</b>	Review/approval from Pensions Committee	All Fund risks are adequately managed	Annual review
<b>d) Develop and implement business continuity planning.</b>	Review/approval from SMT	Full test of business continuity plan to be completed by Q2 2014.	Annual review



**Assurance Framework**  
**Supporting The Annual Governance Statement**  
 April 2014

**Priorities – Implementation Targets**

Activity	Benchmark Measurement	Target	Frequency
<b>Review and implement investment strategy</b>			
<b>a) Review of investment strategy</b>	Annual asset allocation review/SIP	Ensure investment strategy has regard to Fund's liability structure	Annually with quarterly monitoring
<b>b) Implementation of investment strategy</b>	Review/approval by Investment Advisory Sub-Committee	Ensure changes carried out within agreed timescales and cost effectively	Quarterly
<b>c) Monitoring of performance and portfolio changes</b>	Reporting to Investment Advisory Sub-Committee	Ensure performance at least matches agreed benchmarks	Quarterly
<b>d) Voting and implementation of ESG policies</b>	Reporting to Pensions Committee and Investment Advisory Sub-Committee/SRI investment statement	Comprehensive voting programme and membership of LAPFF and other ESG initiatives	Quarterly

Activity	Benchmark Measurement	Target	Frequency
<b>Triennial actuarial valuation</b>			
<b>a) Engage with employing bodies and discuss issues to all participating employers</b>	Consultation programme extended	Meet agreed timetable	Next actuarial valuation – 2016
<b>b) Collect data for valuation</b>	Formal valuation project plan	Meet agreed timetable	Annual
<b>c) Communicate individual results as per regulatory requirements</b>	Actual contributions certified	Meet agreed timetable	Next actuarial valuation – 2016
<b>d) FSS to be updated accordingly to include the Fund's strategy for deficit repair</b>	Regulatory requirements	Comprehensive and up to date	Next actuarial valuation – 2016
<b>e) Ongoing review of investment strategy to maintain SIP</b>	Regulatory requirements	Comprehensive and up to date	Annual
<b>f) Regular employer covenant review</b>	All employer covenants reviewed and necessary actions taken	100% of employer covenants	Annual

## Assurance Framework Supporting The Annual Governance Statement April 2014

### Priorities – Implementation Targets

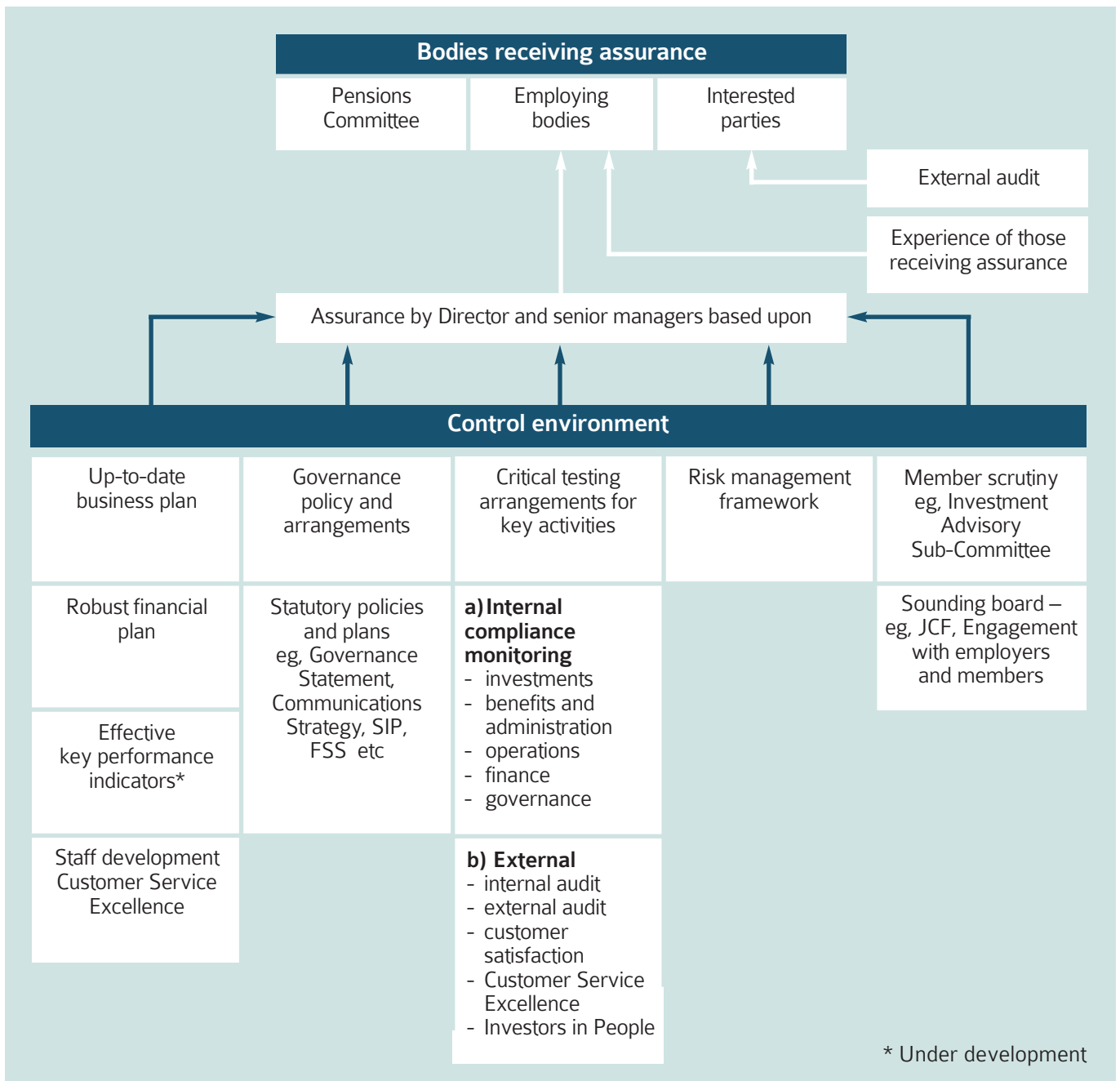
Activity	Benchmark Measurement	Target	Frequency
<b>Trustee and consultative forum training</b>			
<b>a) Maintain and expand the opportunities to build trustee knowledge and understanding</b>	CIPFA Skills and Knowledge Framework. Wide range of knowledge-building opportunities provided	Minimum of 20 hours provision to Committee members	Ongoing yearly report
<b>b) Monitoring of approved training policy</b>	Wide range of knowledge-building opportunities provided	100% target achieved.	Ongoing
<b>c) Identification of training needs and development of training plan</b>	Wide range of knowledge-building opportunities provided	Training needs identified and addressed	Ongoing
<b>d) To ensure trustees meet TPR competency requirements</b>	TPR framework and standards Training Needs Analysis	Compliance with CIPFA Knowledge and Skills	Ongoing

Activity	Benchmark Measurement	Target	Frequency
<b>Developing people</b>			
<b>a) Ensure a skilled, flexible and professional workforce</b>	Staff induction, training plan and appraisal	25 hours per annum for all staff	Ongoing
<b>b) Measure and improve competency levels through performance appraisals</b>	Annual appraisal	100% compliant with WCC. All staff appraised by April 2014.	Annual appraisal with six-month review
<b>c) Learning and development guide developed and reviewed with due attention to training needs analysis and performance appraisals</b>	Training needs addressed with development plan created	Training Needs Analysis to be reviewed annually	Annual
<b>d) Cultivate a working environment where knowledge is shared</b>	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing
<b>e) Maintain accreditations including Investors in People (IIP) and Customer Service Excellence (CSE)</b>	Investors in People (IIP), Customer Service Excellence (CSE)	Reaccreditation	Annual

# Assurance Framework Supporting The Annual Governance Statement April 2014

**Assurance:** The Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices when appropriate and has high customer service functions satisfaction.

**Objectives:** The bodies receiving assurance can be satisfied it is soundly based, is comprehensively updated and meets high professional standards.





# Pensions Committee

26 March 2014

<b>Report Title</b>	LGPS update report	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Geik Drever	Director of Pensions
	Tel	01902 55(2020)
	Email	Geik.drever@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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## Recommendations for noting:

The Committee is asked to note:

1. The activity and progress to date in respect of the new 2014 LGPS scheme and the impact of the delays to the finalisation of the regulations.

## 1. Background

- 1.1 Following the informal consultation in the summer of 2012 on the proposals for the design of the new Scheme, the Department of Communities and Local Government (DCLG) undertook a series of consultations on the scheme regulations.
- 1.2 The LGPS Regulations 2013 were then subsequently made on 12 September 2013 and laid before Parliament on 19 September 2013. These regulations will come into force on 01 April 2014 when they will be deemed to have been made under the Public Service Pensions Act 2013.
- 1.3 The Transitional Regulations which will set out how scheme members transfer from the 2008 scheme to the 2014 scheme, along with details of how any proposed protections of rights and entitlement will work were only recently finalised on 10 March 2014.

## **2. Progress to date**

- 2.1 Since the finalisation of the LGPS Regulations 2013, which cover those members who join the scheme on or after 1 April 2014, progress has been slow in finalising the Transitional Provisions and Savings Regulations and they were finally released on 10 March 2014.
- 2.2 Included in the Transitional Regulations were the details around the changes to access to the LGPS for Councillors. The Transitional Regulations state that local authority Councillors will not be able to join the scheme when it takes effect on 1 April 2014. Councillors who are members of the LGPS at 31 March 2014 may continue to accrue rights until the end of the term of office which that member is serving on 1st April 2014.
- 2.3 In addition, the Government Actuary's Department (GAD) has yet to publish the factors to support the full working of the regulations. Draft guidance which cover four areas of scheme have been issued to software suppliers and Local Government Actuary (LGA) for review, and are now being revisited by GAD. It is highly likely that administrators will have no GAD guidance (even in draft form) for some benefit calculations come April 2014.
- 2.4 Therefore, when the new scheme goes live there will be some fundamental details missing on how the WMPF is to administer existing members within the LGPS.
- 2.5 The above, has limited what Pension Fund's have been able to do to prepare for the new look scheme, including what can be sent out to tell scheme employers and scheme members how they will be affected by these changes. The finalisation of the guidance for the 2014 scheme is critical to the effective implementation of the scheme.
- 2.6 As previously reported the Fund has in place a plan for implementing the 2014 scheme and is continually working to reduce the impact of these delays. This includes:

- system changes
- training of all staff involved in pensions
- communication with members and employers

- 2.7 Despite these delays work is underway with our software supplier Civica to develop the pension administration system UPM with the changes for the new scheme based on the information known to date.
- 2.8 Employers are regularly being updated through the monthly 'Employer Briefing Note', Employer Peer Group and tailored briefing sessions held at the end of February.
- 2.9 A pack of communication materials for members has been made available and issued to employers for further distribution. This includes leaflets, posters and links to useful website and video's about the new scheme. Furthermore, sessions have been held for members in March by the Fund's Member Relationship Officers, presenting on the information known to date.

### **3. Resource implications**

- 3.1 The continued delays experienced to the finalisation of the regulations and the short timescales remaining until the new scheme goes live, will have resource implications for the Fund, these include:
- Core staff involved in the project will be required for a longer period than first anticipated
  - Limited capacity to drive forward other key priorities for the fund
  - Resource intensive for operational staff to manage cases where the required details are not finalised
  - Training to be delivered in a compressed period which will affect the ability of staff to complete all areas of operational work
  - Rework of calculations following the finalisation of the regulations and guidance, creating future backlogs of work
  - As information becomes available and finalised there is the requirement to continually communicate these changes to members and resolve any queries.

### **4.0 Financial implications**

4.1 The Fund has established, from within existing staffing resources and budget, a project team to progress the LGPS 2014 changes. There will be some extension required due to the delays; in particular project manager role will need to be extended by three months.

4.2 However, there are wider financial implications in terms of the consequences for members, these include:

- The Fund is currently unable to provide members with an accurate estimate of their retirement benefits post 31 March 2014.
- Recalculations may be required to their retirement benefits for those who leave post 31 March 2014, due to the short timescales available to implement the changes and any new details being released.

## **5.0 Legal implications**

5.1 The report contains no direct legal implications for the Authority, however with the increasing likelihood that the new scheme will be in place before the guidance is released there is the potential for challenges from members and issues may arise that are not yet known.

## **6.0 Equalities implications**

6.1 This report has no implications for the Council's equal opportunities policies.

## **7.0 Environmental implications**

7.1 This report contains no direct implications for the Authority's environmental policies.

## **8.0 Human resources implications**

8.1 There will be an ongoing change in processes and procedures to ensure that the required legislation is delivered and built into working practices. Cascading information on the new scheme to all scheme members, managers and employers will be essential, and will need to be delivered in a concise and timely manner.

## **9.0 Corporate landlord implications**

9.1 This report contains no direct corporate landlord implications for the Authority.

## **10.0 Schedule of background papers**

9.1 There are no associated background papers.



# Pensions Committee

26 March 2014

<b>Report title</b>	Governance Information for Trustees	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>		

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## Recommendation(s) for action or decision:

1. The Committee is recommended to agree the proposal to hold future Investment Advisory Sub and Pensions Committees on the same day.

## Recommendations for noting:

1. The Committee is asked to note:
  - a. the Fund governance information detailed in the report
  - b. that briefings will be held for Members as required



## **1.0 Purpose**

- 1.1 This report is prepared for Trustees to provide information on the specialist role undertaken by Members of the Pension Fund Committees, to give information on advice and support to Members, to summarise the position on the Pensions Regulator proposals for regulating Public Service Pension Schemes and to present the proposed schedule of Committee dates for 2014/2015.

## **2.0 The Role of Members**

- 2.1 When considering the advice and determining investment policy, Members are effectively acting as Trustees and as such need to understand the special obligations placed upon Trustees. Members' duties as Trustees are:

- to manage the Fund in accordance with the Regulations
- to do so prudently and impartially on behalf of all the beneficiaries
- to do so for the benefit of the Fund and its contributors and beneficiaries
- to seek advice on matters such as the making of investments
- not to be bound to accept and act upon that advice, unless in addition to being sincere he/she is acting as an ordinary prudent person would act

- 2.2 The Fund invites relevant trade unions to send local representatives to a Joint Consultation Forum which meets at least three times per year to consider the activities of the Fund and elect four representatives one of which represents Retired Members to the Pensions Committee and three to the Investment Sub-Committee. Although these representatives, one of which is a retired member, do not have voting rights they are treated as equal members of the committees having access to all committee papers, officers, meetings and training as if they were Council members.

- 2.3 Further information on the role of Members can be found in the 'New Member Update Information' report as detailed in section 11.0

## **3.0 Advice and Support**

- 3.1 Members are appointed to a committee of the Fund and subsequently attend meetings in that capacity. As such, members owe a primary duty to the Fund when they attend committee meetings and although it is recognised that this duty can be in conflict with other interests or duties Members may have to their own authorities, procedures are in place for declaring and managing such conflicts.

- 3.2 In respect of advice and support to members on Pension Fund matters, it may be considered a natural course of action for a Member to seek advice from their local officers, however it is neither appropriate nor lawful for members to seek that advice from their own authorities and members should resist the urge to speak to local colleagues. Briefing, if required, is available from the Fund's advisors and officers, thus avoiding the potential for either a breach in the duty of confidentiality that Members owe to the Fund in respect of exempt information, or regulatory breaches under the LGPS Investment Regulations which specify that advice (relevant to Fund assets) must come from a properly qualified person. Briefing sessions will be arranged by the Fund for district representatives.
- 3.3 With regard to exempt reports, these contain Fund information and do not relate to the affairs of any other authority, notwithstanding that an authority as an employer is required to contribute to the Fund. Once contributions are paid into the Fund, they relate to the Fund only and any investment activity, whether potential or actual, is made by and in the name of the Pension Fund.

#### **4.0 The Pensions Regulator – Code of Practice**

- 4.1 The Public Service Pensions Act 2013 ('the 2013 Act') provides for the reform of the benefits, governance and administration of the major work-based pension schemes for those working in the public services. The Act sets out requirements for the governance and administration of public service pension schemes and provides for explicit regulatory oversight of the schemes by The Pensions Regulator (tPR).
- 4.2 In December 2013 tPR issued a draft code of practice and regulatory strategy documents for consultation. The draft code of practice sets out clearly the Pensions Regulator's requirements for scheme manager governance and administration and is split into four key areas; Governing your scheme, Managing risks, Administration and Resolving issues. A copy of the Fund's response to the consultation was forwarded to all Members in February; however a summary of key points is also detailed below.
- 4.2.1 **Governing your scheme** sets out the knowledge and understanding requirements for pension board members and places robust conflicts of interest management requirements on scheme managers. Until the role and composition of the Pension Board (be it our equivalent committee or another separate body) is made clear through the new governance regulations, it is difficult to comment comprehensively on the knowledge and understanding requirements. However it should be noted that these and the conflicts of interest requirements set out by the regulator go further than those currently experienced by Members and will therefore require enhancement in order to ensure compliance with the guidance. Further guidance in this area will be required, and examples of Members' potential conflicts of interest include 'the needs of the employer vs. the needs of the pension fund' and 'investing to improve scheme administration vs. saving money'.
- 4.2.2 **Managing risks** requires scheme managers to establish and operate adequate internal controls. The guidance does not place any additional burden on the Fund in relation to managing risks as our current processes either mirror or exceed these requirements.

4.2.3 **Scheme administration** requirements are set around record keeping, maintaining contributions and providing information to members. As with managing risks the current processes maintained within the Fund meet the standards required. The Fund has however asked the regulator for guidance on the sanctions available in instances of late payment of contributions.

4.2.4 **Resolving issues** sets out the regulator's expectations in relation to internal dispute resolution and reporting of breaches. The internal dispute resolution procedures maintained within the Fund exceed the requirements of the guidance. In relation to breaches, the Fund has asked for further guidance on materiality and sanctions.

## 5.0 Proposed Committee Dates – 2014/2015

5.1 Following discussion with the Chair it is proposed that future Investment Advisory Sub and Pensions Committees be held on the same day, with timings arranged to facilitate one hour of Trustee training followed by lunch, in between the two meetings. Members are requested to consider and approve this proposal. The provisional meeting dates and timetables are detailed below for consideration:

### Pensions Committee and IASC:

Proposed dates:	Proposed timetable:
25 June 2014	10.00 – 11.30 – IASC
24 September 2014	11.30 – 12.30 - 1 hour training session
10 December 2014	12.30 – 13. 30 – lunch
18 March 2015	13.30 – 15.30 - Pensions Committee

### Joint Consultative Forum:

Proposed dates:	Proposed timetable:
3 September 2014	13.30 – 15.00 – JCF
4 March 2015	

## 6.0 Financial implications

6.1 There are no direct financial implications for the Administering Authority.

## 7.0 Legal implications

7.1 There are no direct legal implications for the Administering Authority, however there will be constitutional implications resulting from the Governance Regulations when issued.

## 8.0 Equalities implications

8.1 There are no equalities implications for the Administering Authority.

**9.0 Environmental implications**

9.1 There are no environmental implications for the Administering Authority.

**10.0 Corporate landlord implications**

10.1 The report contains no direct corporate landlord implications for the Authority.

**11.0 Schedule of background papers**

11.1 New Member Update Information – 26<sup>th</sup> June 2013 – Pensions Committee  
Scheme Changes and Consultations – 4<sup>th</sup> September 2013 – Joint Consultative Forum  
WMPF tPR DWP Consultation Response Feb 2014 – 11<sup>th</sup> February 2014 – All Members



# Pensions Committee

26 March 2014

**Report title** Communications Strategy 2014

**Originating service** Pension Services

**Accountable employee(s)** Geik Drever      Director of Pensions  
Tel      01902 552020  
Email      [Geik.drever@wolverhampton.gov.uk](mailto:Geik.drever@wolverhampton.gov.uk)

**Report to be/has been considered by**

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**Recommendation(s) for action or decision:**

**The Committee is asked to agree:**

1. The Committee is recommended to agree the updated Communications Strategy.

## 1. **Background**

- 1.1. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a statement under the LPGA (Amendment) (No 2) Regulations 2005. In April 2006 the Regulations were amended so that each pension fund administering authority is required to prepare, publish and regularly review its communications strategy.
- 1.2. The Communications Strategy must set out the policy concerning communications with the following:
  - Pension Committee
  - Joint Consultative Forum
  - Investment Advisory Sub-Committee
  - Scheme Members
  - Representatives of Scheme Members
  - Prospective Scheme Members
  - Scheme Employers including Admitted Body Organisations
  - Fund staff
  - Other bodies
- 1.3. The Communications Strategy will set out:
  - the policies on the provision of information and publicity about the scheme to all relevant groups;
  - the format, frequency and method of distributing such information publicly;
  - the promotion of the scheme to prospective members and their employers.

## 2. **Diversity of communication**

- 2.1. The Fund aims to meet all special requirements by ensuring that communications are available in large print, braille, audio format and where English is not the individual's first language, an alternative will be offered.
- 2.2. Translation services, including British Sign Language, are available to the Fund through suppliers linked to Wolverhampton City Council. The Fund is also part of the national Local Government Association Communications Working Group where other LGPS Funds are able to share their translation services, also, if required
- 2.3. An effective and diverse Communications Strategy is vital for the Fund to deliver a high quality, consistent service to all customers. This report documents the channels which will be used to meet the communication needs. We will aim to use the most appropriate communication medium for the customer base receiving the information, which could involve using different communication methods for each group.

### 3. **Aims and objectives**

- 3.1. The Fund aims to achieve clarity of message, using plain English, to deliver consistent communication through different media channels.
- 3.2. The Fund will deliver prepared communications in a timely manner which support our partnership arrangements with employers, members and third-parties (eg. Club Together and Prudential). It is vital that information is accurate, factual and relevant so that stakeholders and customers are fully engaged with current matters and future changes to the LGPS, including changes to the scheme coming into effect on 1 April 2014.
- 3.3. Any communication will be targeted at appropriate groups e.g. Club Together to pensioner members, with regards to verbal and visual style, content, communication medium and the method of delivery.
- 3.4. The Fund aims to encourage feedback and comment regarding different communications channels in order to identify improvements and changes. Any feedback will have due regard to cost/value for money, with the Fund's preferred solution for web-powered feedback being SurveyMonkey.com's secure online surveys.
- 3.5. The objectives in communicating with stakeholders are:
  - To keep everyone informed about the management and administration of the West Midlands Pension Fund;
  - To provide relevant information which enables stakeholders to make decisions regarding pension provision;
  - To consult employers on changes to legislative regulations, policies and procedures that affect the West Midlands Pension Fund.
  - To promote the LGPS as an important benefit of recruitment and retention.
  - To develop the Fund's electronic business model to continually improve data quality and ensure continued cost efficiencies.

### 4. **Future changes for WMPF stakeholders, customers and employers**

- 4.1. The Fund is regularly required to communicate with its stakeholders to advise them of changes.
- 4.2. Several changes are agreed or proposed for 2014 which include:
  - Notification of changes to the LGPS effective from 1 April 2014;
  - A revision of the Fund's website, wmpfonline.com;
  - The introduction of electronic payslips for quarterly paid members;
  - The roll out of an opt-in policy for paper communication from the Fund.

## **5. Fund staff and other bodies**

- 5.1. The Funds day-to-day management is headed by the Director of Pensions and a team of senior officers assigned functional responsibilities. Within each of these areas staff with specialist investment and pension knowledge communicate frequently with the Fund's customer base and external partners using a range of communication channels e.g. voice, text, and web correspondence.
- 5.2. Trade Unions in the West Midlands are valuable ambassadors of the Local Government Pension Scheme as they ensure that their members receive relevant pension information. They also assist in the TUPE transfer negotiations to ensure, whenever possible, that employees have continued access to LGPS.
- 5.3. Other pension group meetings e.g. LGA Communications Working Group and Shrewsbury Pensions Officers Group ensure that the interpretation of legislation and regulations is uniform across a wide geographical area.
- 5.4. The Fund has developed a national profile through its success in the pensions industry and as such national, local and pension press often feature comments and articles relating to fund activities. These are managed internally by the Fund's Communications Officer and Senior Management Team.

## **6. Financial implications**

- 6.1. There are no direct financial implications except for the changes which will be reported in next year's budget process.

## **7. Legal implications**

- 7.1. The report contains no direct legal implications.

## **8. Equalities implications**

- 8.1. This report has implications for the Council's equal opportunities policies, since it deals with the pension rights of employees.
- 8.2. It also highlights that the Fund offers communications in large print, braille, audio format and, where English is not a first language, an alternative.

## **9. Environmental implications**

- 9.1. The report contains no direct implications for the Authority's Environmental Policies, however, there will be a continued reduction in usage of paper.

## **10 Corporate landlord implications**

- 10.1 This report contains no direct corporate landlord implications for the Authority.



**11 Schedule of background papers**

11.1 There are no associated background papers.