

Time	2.00 pm	Public Meeting?	YES	Type of meeting	Pensions
Venue	Committee Room 3 - 3rd Floor - Civic Centre – Civic Centre, St Peter's Square, Wolverhampton, WV1 1SH				

Membership

Employer Representatives

Jan Britton
Jacqueline Carman
Paul Johnson
Joe McCormick
Councillor Phil Page
Mike Sutton

Member Representatives

Sharon Campion (Unison)
Steve Carter (GMB)
Councillor Hazel Malcolm
Lee Nash (Unite)
Paul Sayers (UCATT)
Adrian Turner (Unison)

Quorum for this meeting is seven

Information for the Public

If you have any queries about this meeting, please contact the Democratic Services team:

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

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

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|--|
| 1 | Election of Chair |
| 2 | Election of Vice-Chair |
| 3 | Apologies for absence |
| 4 | Declarations of interests |
| 5 | Minutes of previous meetings (Pages 5 - 16)
[For approval] |
| 6 | Annual Governance Report 2018 (Pages 17 - 44)
[To receive an update on the work by the Fund in relation to its governance throughout 2017/2018 and preparation for 2018/2019] |
| 7 | Policy Review Update 2018 (Pages 45 - 80)
[To receive an overview of the Fund's statutory and good practice policies for the year 2018/2019] |
| 8 | Data Quality and Employer Performance (Pages 81 - 86)
[To provide an update on progress made by the Fund in the area of data quality and on the plans to make further improvements to scheme record keeping] |
| 9 | Annual Report and Accounts 2017/2018 (Pages 87 - 92)
[To receive an update on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2018 and the latter's publication on the Fund's website] |
| 10 | LGPS Central Update (Pages 93 - 98)
[To receive the update on LGPS Central progress] |

PAPERS PRESENTED TO NOTE FROM THE 3 JULY 2018 MEETING

- | | |
|----|---|
| 11 | Regulatory Update 2018 (Pages 99 - 104)
[To receive regulatory updates and guidance from national bodies and to outline the steps taken by the Fund to ensure its compliance] |
| 12 | Internal Audit Plan 2018/2019 (Pages 105 - 126)
[To provide the outline work programme for internal audit for 2018/ 2019 and also the outcome of the work programme from 2017/2018] |
| 13 | Pensions Administration Strategy 2018 (Pages 127 - 156)
[To note the revised Pension Administration Strategy] |

- 14 **Pensions Administration Report** (Pages 157 - 168)
[To receive the report on work undertaken by the pensions administration service during the period 1 January to the end of May 2018 for both the Main Fund and the WMITA Fund]
- 15 **Customer Engagement Update** (Pages 169 - 184)
[To provide an update on the work of the Fund on customer engagement and associated service delivery]

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board Minutes - 23 January 2018
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Attendance

Members of the Pensions Board

Employer representatives

Paul Johnson
Caroline Jones
Joe McCormick
Cllr Sandra Samuels OBE
Mike Sutton (Chair)

Member representatives

Cllr Hazel Malcolm
Annette King (Vice-Chair)
Adrian Turner

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance– West Midlands Pension Fund
Dereck Francis	Democratic Services Officer
Rachel Howe	Head of Governance - West Midlands Pension Fund
Simon Taylor	Head of Client and Funding Management - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. Title

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Sharon Campion, Lee Nash and Jan Britton.

The Vice-Chair, Annette King, notified the Board that this would be her last meeting as she would shortly be ending her employment with Birmingham City Council and would vacate her position as GMB member representative on the Board.

- 2 **Declarations of interests (if any)**
There were no declarations of interests.

3 **Minutes of the previous meeting - 5 July 2017**

Resolved:

That the minutes of the meeting held on 5 July 2017 be approved as a correct record and signed by the Chair.

4 **Matters arising**

With reference to Minute 14 (Internal Audit report 2018/2019), Councillor Sandra Samuels OBE asked whether consideration had been given to income generation opportunities from the Fund's officers delivering training. Rachel Brothwood, Director of Pensions reported that at this stage the Fund was not charging scheme employers for delivering training and member events and currently there were no plans to do so. The position would be kept under review. However, where the Fund offered its services to other Pension Funds charges would and are being made.

5 **Pension Board Appointments 2018/2019**

Rachel Howe, Head of Governance presented the report on arrangements for seeking nominations onto the Pensions Board for 2018/2019. A slight amendment to the Pension Board appointments process was also proposed to clarify that the alphabetical rotation for vacating seats only applied to those appointed to the Board when it was first formed in 2015.

Resolved:

1. That the members in seats to be vacated for nomination onto the Board for 2018/2019 are Caroline Jones (employer representative) and Annette King (member representative).
2. That an Appointments Panel comprising the Chair, Councillor Hazel Malcolm, Councillor Sandra Samuels OBE, a member representative (to be confirmed in place of the Vice-Chair who is standing down) and the Director of Pensions (or her nominee) be convened to receive *employer representative* nominations for the year 2018/2019.
3. That the member representatives on the Board be contacted and invited to agree the additional member representative to serve on the Appointments Panel.
4. That the appropriate union for the vacant member seat be approached to confirm their nomination for member representative on the Board
5. That the following amendment to the Pension Board Appointments Process be approved:

'For members appointed or re-nominated since 2017, their nomination term will run from the year of their appointment.'

6 **Regulatory Update Report 2018**

Rachel Howe, Head of Governance highlighted the key points from the regulatory update report on the Local Government Pension Scheme (LGPS) and how the Fund was proposing to manage these.

Adrian Turner asked whether the Fund could do more to promote the 50/50 scheme to LGPS members. The Head of Governance reported that the Scheme Advisory Board was considering this question. The 50/50 scheme was included in the Fund's presentation to new members. The option of the 50/50 scheme was also included within the Fund's letters to any LGPS member considering opting out of the pensions scheme. Rachel Brothwood, Director of Pensions added that the Fund would review its communications to members on the benefits of the 50/50 scheme and would continue to consider the findings and outcome of the work of the Scheme Advisory Board.

Resolved:

1. That the Fund's draft General Data Protection Regulations (GDPR) policy be received and noted.
2. That the Board provide their quarterly training hours to the Trustee Management Officer.
3. That the top ten risks for West Midlands Pension Fund be noted.
4. That the improved performance in the Fund's Key performance Indicators be noted.
5. That the work of the Fund in preparation for GDPR be noted.
6. That the update on the work of the Scheme Advisory Board and the Pensions Regulator be noted.
7. That the Markets in Financial Instruments Directive II (MiFID II) classification update be noted.

7 **Pension Board Workplan 2018/2019**

Rachel Howe, Head of Governance presented for comment and approval the Local Pension Board workplan for the forthcoming Municipal Year. The Board's training record for 2017/2018 was also presented and the Board's views were sought on training needs for 2018/2019.

Referring to the workplan, Councillor Sandra Samuels OBE asked whether there was merit in Trustees being designated as 'policy champions' to undertake work on the review of statutory and discretionary policies of the Fund. Other Trustees supported the suggestion and the Chair asked that the list of statutory and discretionary policies of the Fund be circulated to the Board members to set their name against the policies they would wish to champion.

On behalf of District Council Finance Officers, Paul Johnson asked whether the action to 'issue accounting disclosure for employers' in the Customer Engagement Plan 2018 could be brought forward to April. He also queried whether the Customer Feedback Policy related to members or employers. Rachel Brothwood, Director of Pensions reported that its primary focus was on members but the policy covered both. In order to avoid confusion, the wording within the policy would be reviewed. A separate procedure existed for managing employer complaints. Simon Taylor, Head of Client and Funding Management briefly reported on that procedure.

The Chair asked whether the Board's training programme was appropriate for its size. The Head of Governance reported that the training programme was drafted using the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines together with the topics included in the TPR toolkit.

In response to a question the Head of Governance stated that she was unaware of the specifics of other Local Pension Boards' training and development plans but that research would be undertaken on their open reports to determine whether similar topics were being considered by Partner Funds' Local Pension Board.

In response to Councillor Sandra Samuels OBE, regarding a matrix to identify whether there are any gaps in the Board's training, the Head of Governance reported that a training needs analysis would be presented to the meeting on 4 July 2018. The Director added that the training areas previously covered by the Board would also be included in the report.

Jo McCormick asked whether the Fund's officers could issue the Board with guided reading on topics. The Director of Pensions reported that the Fund could look to expand upon a media roundup.

The Director also reported that the Board's training hours record was a half year update and that Board Members were required to undertake 22 hours training a year. She encouraged Board Members to continue to log the hours for reading in preparation for meetings and training sessions etc and asked that Board Members provide the Trustee Management Officer with a copy of their certificate of completion for the Pensions Regulator's Trustee Toolkit.

Resolved:

1. That the proposed workplan of the Board for the period 2018/19 be approved
2. That the Board undertake the Pension Regulator's Trustee Toolkit and record its completion with the Trustee Management Officer.
3. That the training record for the Local Pensions Board for the year to date be noted.
4. That the work on the Fund's statutory and operational policies to date be noted.
5. That the list of statutory and discretionary policies of the Fund be circulated to the Board members to set their name against the policies they would wish to champion.

8 **Customer Engagement Update**

Simon Taylor, Head of Client and Funding Management reported on the salient points from the update report of the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy.

Councillor Hazel Malcolm asked how the Fund responded to feedback it received. The Head of Client and Funding Management reported that reference to actions taken in response to feedback was delivered in reporting to employers at the Mid-Year Review and the Annual General Meeting. Engagement was also undertaken through the Fund's Employer Peer Group.

Referring to the Fund's new member pensions portal, Jo McCormick asked how employers could find out how many of their employees had registered for the web portal facility in order to promote it to those yet to register for the portal. The Head of Client and Funding Management advised that an anonymised list could be provided.

On behalf of Finance Managers, Paul Johnson reported that the introduction of charging employers for inaccurate or poor data had not been well received. The Fund would need to be sure of its case when levying a charge to avoid unsettling relationships between the Fund and employers. The Head of Client and Funding Management noted that a charging structure had been in place since 2015 and this was outlined in the Fund Pension Administration Strategy, which was last reviewed and updated in 2017 following consultation with employers. He noted that given the numbers involved it was not possible to contact each employer prior to issue but committed to greater engagement up front with employers as a whole ahead of the same review next year.

The Board discussed a question from Councillor Sandra Samuels OBE regarding whether there was anything the Fund could do to introduce the subject of pensions on the agenda or curriculum at schools. Jill Davys, Assistant Director, Investments

and Finance reported that contact could be made with the Fund's Investment Managers some of whom are known to have who delivered financial education sessions in schools.

Resolved:

1. That the engagement activity to date and plans for future engagement on the horizon be noted.
2. That Fund officers use the resources it could reach out to, including some of the financial institutions, and encourage support in getting the issue of pension planning on the agenda or curriculum at schools.

9 **Data Quality Quarterly report**

Rachel Howe, Head of Governance updated the Board on the work of the Fund in the area of data quality and to provide it with assurance for the action the Fund was talking with employers to improve data.

Responding to questions on the provision of employer dashboards, Rachel Brothwood, Director of Pensions and the Head of Governance reported that the dashboards would in time be sent to all scheme employers following a pilot and a series of engagement with the Fund's Employer Peer Group. A data validation toolkit available to assist employers in reviewing and improving the data issued to the Fund prior to submission. The Pensions Administration Strategy (PAS) also contained details of the standards expected from employers to enable employer performance monitoring and improved data quality. Consideration would be given to extracting, in a user-friendly format, the key measures for employer payroll and finance teams to further assist self-assessment. The Board also suggested that the information be turned into a health check for employers and that it would be useful if the employer dashboard could include a RAG (red, amber, green) rating.

Resolved:

1. That the action taken by the Fund in line with the Pension Administration Strategy following review of the 2017 annual return and performance against set standards be noted
2. That the progress of monthly submissions and the impact on data quality this has had for the Fund be noted
3. That the next steps for engagement and continued improvement be noted.
4. That a guide to the key measures the Fund looked at for data quality be produced and circulated to employers.

10 **Investment Pooling update**

Jill Davys, Assistant Director, Investments and Finance outlined the key points from the progress report on the implementation of LGPS Central in response to Government legislation requiring Local Government Pension Scheme (LGPS) Funds to pool investments.

Councillor Sandra Samuels OBE asked whether there was anything the Board should be aware of in terms of its roles and responsibilities with the introduction of investment pooling and LGPS Central. The Assistant Director undertook submit a report to the next meeting on how investment pooling was progressing in order to give the Board assurance that the Fund's expectations from LGPS Central are on track to be delivered. Rachel Howe, Head of Governance also agreed to present a report on the governance structure for investment pooling. Rachel Brothwood, Director of Pensions reported that the role of the Board would not change with the

introduction of LGPS Central. There was, however, an additional requirement for oversight of 'how LGPS Central was facilitating delivery of the Fund's Investment Strategy Statement and wider core objectives such as cost transparency.

The Chair asked whether there would be risks to the Fund regarding the talent pipeline and recruiting good talent to replace staff transferring to LGPS Central. The Assistant Director reported that the recruitment to positions at LGPS Central was progressing well. The Fund would also be recruiting to ensure both pool and Fund has sufficient and appropriately skilled resource. The Fund expected a lot of support and engagement from LGPS Central in terms of future training events for all Partner Funds.

Resolved:

That the progress to date with the implementation of LGPS Central in response to Government legislation requiring LGPS Funds to pool investments be noted.

Attendance

Members of the Pensions Board

Employer representatives

Jacqueline Carman
Paul Johnson

Member representatives

Sharon Campion
Steve Carter
Cllr Hazel Malcolm
Adrian Turner

Employees

Rachel Brothwood
Jill Davys

Director of Pensions - West Midlands Pension Fund
Assistant Director - Investments and Finance - West Midlands
Pension Fund

Dereck Francis
Amanda McDonald
Holly Slater
Simon Taylor

Democratic Services Officer - City of Wolverhampton Council
Client lead Auditor - City of Wolverhampton Council
Governance Officer - West Midlands Pension Fund
Head of Pensions - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. Title

1 Election of Chair

Dereck Francis, Democratic Services Officer reported that the meeting was inquorate. The election of a Chair for the Board for 2018/2019 was therefore not discussed.

The Democratic Services Officer explained that an option available was for the Board to have an informal discussion on the items on the agenda. Any recommendations arising from the discussion could be ratified at the next meeting of the Board. The Board agreed to continue on that basis.

The Democratic Services Officer then invited the Board to nominate a member from amongst those present to Chair the informal meeting; or agree for an officer to take them through the agenda. With the endorsement of the Board, Rachel Brothwood, Director of Pensions chaired the informal meeting.

Board members present noted that it was a requirement of the role to be available for meetings and officers undertook to write to members whose attendance was below the level required in the Terms of Reference to seek confirmation that they were able to continue to meet the role requirements.

2 **Election of Vice-Chair**

The item would be considered at the next meeting of the Board.

3 **Apologies for absence**

Apologies for absence were submitted on behalf of Jan Britton, Joe McCormick, Councillor Phil Page, Paul Sayers and Mike Sutton.

4 **Declarations of interests**

There were no declarations of interests.

5 **Minutes of the previous meeting - 23 January 2018**

Resolved:

That subject to the correction of the typographical error '2917' referred to in Minute 3 (Minutes of the previous meeting) to '2017', the minutes of the meeting held on 23 January 2018 be approved as a correct record.

6 **Matters arising**

With reference to minute 7 (Pension Board Workplan 2018/2019) and the request to bring forward the action 'issue accounting disclosure for employees'. Simon Taylor, Head of Pensions reported that due to the impact on resourcing as a result of the transition to asset pooling with LGPS Central, it was not possible to bring forward to April 2018 the information on accounting disclosure for employers. Measures had been put in place to have an earlier issue of accounting figures in 2019.

On to the same minute, specifically the point on a skills matrix for Board Members, Rachel Brothwood, Director of Pensions reported that the training needs analysis had been completed and officers were looking at training requirements for the rest of 2018/2019. In line with prior years, it was proposed to hold joint training sessions with the Pensions Committee in November 2018.

With reference to minute 5 (Pensions Board Appointments 2018/2019), the Director of Pensions confirmed that it remained the case that where a vacancy existed on the Board for a trades union representative, it would be for the trades union with the vacancy to appoint the representative to fill the vacancy. An Appointments Panel would only be required in the event that more than one employer representative nomination was received for a single vacancy.

With reference to minute 8 (Customer Engagement Update) and the discussion on the member portal facility, the Director of Pensions reported that a record of employees registered with the portal was being made available on request to scheme employers to assist them in promoting it to scheme members who had yet to register.

On the same minute and the point regarding financial education sessions in schools, Jill Davys, Assistant Director, Investments and Finance reported on the existence of a 'Kick Start Programme' sponsored by 20 financial institutions. Its aim was to teach 18,000 young people about money management. The Assistant Director agreed to make further enquiries about the Programme and how the Fund could access to the benefit of the local area if there was sufficient interest.

7 Annual Governance Report 2018

Rachel Brothwood, Director of Pensions presented the report on the work undertaken by the Fund in relation to governance.

Referring to the key LGPS highlights for 2017 as noted by the National Scheme Advisory Board, Adrian Turner asked whether the Fund's cashflow position was something the Board should be worried about. The Director of Pensions informed the Board that the report was looking at the national picture of the LGPS for 2017. The West Midlands Pension Fund was cashflow positive and on last review in 2016, was projected to remain so beyond the next planned review in 2019. In time the Fund will become more reliant on the income generated from assets.

Resolved:

That the contents of the Annual Governance 2018 report be noted.

8 LGPS Central Update

Jill Davys, Assistant Director, Investments and Finance presented an update on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State.

Resolved:

That the update on LGPS Central be noted.

9 Policy Review Update 2018

Rachel Brothwood, Director of Pensions presented the report on an overview of the Fund's statutory duty and good practice policies. The Director reported that the Board had previously agreed to allocate policy champions from amongst its number to undertake work on the review of the Fund's policies. At the training session held earlier in the day it was felt appropriate for the Board to collectively contribute to the policy reviews as and when the policies came around for review. The Director also reported that the question of the frequency of Board meetings had been raised. She opened discussion on the Board's draft terms of reference (ToR) and indicated that there needed to be a broader review of the ToR and the Board's work plan.

Board members present noted paragraph 12 of the ToR which stated Board members who failed to attend three or more events would be asked to leave the Board. It was also noted that attendance was published and could be scrutinised.

Adrian Turner suggested the Board meeting frequency be reviewed. He stated that he felt bi-annual meetings were insufficient, and that consideration should be given to increasing it to four. He also asked that the Board reconsider his previously reported concern, that the Administering Authority, City of Wolverhampton Council, had two representatives on the Board because members were either on the Board as an employer representative or a member representative, not as a Council representative. He asked whether there was any data from the Scheme Advisory Board on the matter. The Director of Pensions reported that City of Wolverhampton councillors were nominated to the Board as either an employer or employee representative and that this was not something the Scheme Advisory Board had commented on. In response to the comments about attendance at meetings, the Director reported that this was the first occasion since the establishment of the Board in 2015 that a meeting was inquorate.

Board members noted that increasing meeting frequency could further impact on attendance rates and the that attendance requirements and meeting quorum needed to be considered in the context of the size of the Board.

Steve Carter observed that if a member were to resign and there was a delay in securing a replacement, the delay could also affect to ability of the Board to be quorate for any intervening meetings. The Director of Pensions acknowledged the point and confirmed that the recruitment process to seek a replacement Board member would be conducted mid-year. She agreed to undertake a wider review of meeting and training arrangements to inform a revised Terms of Reference, better placed to meets the requirements of the Board.

Resolved:

1. That the Board promote the Fund's Customer Engagement Strategy amongst their representative groups.
2. That the Terms of Reference for the Pensions Board for the 2018/2019 year be reviewed in more detail and presented to the next meeting for approval.
3. That the actions taken by the Fund to review the Policies in line with the Annual Review Plan be noted.
4. That the Fund's new Customer Engagement Strategy be noted.

10

Regulatory Update 2018

Rachel Brothwood, Director of Pensions presented the report on regulatory updates and guidance from national bodies and on the steps taken by the Fund to ensure its compliance.

Jacqueline Carman referred to the update on the review of academies and contributions to the Local Government Pension Scheme from the employers of services that have moved out of local authority control. She reported that she would be concerned if academies/employers of former local authority run services were looking at alternative pensions schemes for their employees. She asked about the associated risks. The Director of Pensions reported that the Fund had a diverse range of employers and it was very mindful of the need to protect the Scheme. The risks associated with employer contributions were covered through the Fund's employer covenant risk framework and the Funding Strategy Statement, with the next full review scheduled for 2019. Regarding alternative pensions schemes, this was a challenging area. Some employers in the Fund had the option to offer an alternative pension scheme to their employees. The Fund is often unaware of proposed changes until close to implementation but has worked proactively with employers going through change to discuss pension implications and options with employer representatives and members to assist informed choice on any pensions options.

Following a recent ruling which overturned the appeal to remove the wording in the investment regulations with respect to boycotts, Adrian Turner said that he was not supportive of the decision and asked if it was scheduled as an item for discussion on the agenda. Jill Davys, Assistant Director, Investments and Finance reported that a further appeal was expected, the Fund would continue to monitor developments. The Director of Pensions added that boycotting investments was not included in the Fund's Investment Strategy Statement and the associated Responsible Investment Framework followed a principle of engagement and whilst recognising that every issue was different, this has led to positive outcomes.

Resolved:

That the regulatory updates from the Scheme Advisory Board and the Pensions Regulator and the work of the Fund to ensure it has effective arrangements in place to ensure compliance be noted.

11 **Internal Audit Plan 2018/2019**

Amanda McDonald, Client Lead Auditor, City of Wolverhampton Council presented a report on an outline of the work programme for internal audit work during 2018/2019 and on the outcome of work on the programme from the previous year. Based on the implementation by the Fund's management of recommendations made and the assurance made available to the Fund by other providers as well as directly by Internal Audit, the Client Lead Auditor was able to provide reasonable assurance that the during 2017/2018 the Fund had adequate and effective governance, risk management and internal control processes.

Jacqueline Carman asked about the process in place for tracking implementation of the internal audit recommendations. The Client Lead Auditor reported that for every Internal Audit report, the recommendations and action plan were agreed with the management from the audited service area. A copy of the recommendations and action plans are forward to the Council's Internal Audit Services who maintained a tracker. Audit Services also carried out a follow up visit to confirm that all actions had been implemented. Rachel Brothwood, Director of Pensions added that the Fund's Management Team also tracked implementation of the recommendations and reviewed them periodically.

Paul Johnson asked whether the Fund had an Audit Committee who could consider severe recommendations from internal audit work. The Client Lead Auditor reported that the Annual Audit Report was presented to the Pensions Committee. It could also be submitted to the City Council's Audit and Risk Committee. The Director of Pensions added that Claire Nye, the Fund's s151 Officer would also receive a copy of the audit report.

The Client Lead Auditor placed on record her thanks to the Fund's staff for their help during the internal audit process.

Resolved:

1. That the internal audit plan for 2018/2019 be noted.
2. That the internal audit annual report for 2017/2018 be noted.

12 **Pensions Administration Strategy 2018**

Simon Taylor, Head of Pensions presented the report on revisions made to the Pension Administration Strategy (PAS) and the publication of an associated Employer Engagement Roadmap, as approved by Pensions Committee on 20 June 2018. The revised strategy would be implemented from July 2018.

Sharon Campion commented that the charge of £100 per occasion for failure to make payment of future service contributions on time was low for a large sized scheme employer and would make no difference to them, whereas, it might make the difference to a small sized scheme employer. The Head of Pensions reported that the charges the Fund could levy, as set out in the PAS, were primarily for non-payment of contributions and timeliness and accuracy of data. These charges were essentially based on the administration time required to correct issues as a result of the poor performance. Rachel Brothwood, Director of Pensions also reported that

the Fund would prefer to see improvement in the timeliness and accuracy of data but there was a limit to how much charges could be levied under the current regulations. The charging structure had been amended to tailor to size of employer in areas, where the workload implications were greater for larger employers. The charges could only reflect the additional costs associated with the administration of the scheme incurred as a result of the poor level of performance by a scheme employer.

Resolved:

That the revised draft Pension Administration Strategy be noted.

13 **Pensions Administration Report**

Simon Taylor, Head of Pensions presented the report on the work undertaken by the pensions administration service during the period 1 January to 31 May 2018 for both the Main Fund and the West Midlands Integrated Transport Authority Fund.

Resolved:

That the pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund) be noted.

14 **Data Quality and Employer Performance**

Simon Taylor, Head of Pensions presented the report on the work of the Fund in the area of data quality and to provide assurance on the action the Fund is taking with employers to improve scheme record keeping and enable the issue of benefit information to members.

Resolved:

1. That the implementation of monthly submissions as business as usual be noted
2. That the quality of data held by the Fund and the comparison on quality for the 2016/17 and 2018/19 year be noted.
3. That the performance of employers in the area of data quality be noted
4. That the revised Data Improvement Plan and preparations for 2018 Annual Benefit Statements be noted.

15 **Customer Engagement Update**

Simon Taylor, Head of Pensions presented the update report of the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy.

Resolved:

1. That the engagement activity to date and plans for future engagement on the horizon be noted.
2. The announcement made by Prudential and the associated review of service be noted.

Pensions Board

25 September 2018

Report title	Annual Governance Report 2018	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for approval:

The Board is recommended to:

1. Approve its Terms of Reference for the 2018/19 year.

Recommendations for noting:

The Board is asked to note:

1. The Fund's risk register and the mitigations in place to manage risk at the Fund
2. The proposed training throughout the year with reference to the knowledge and skills framework
3. The progress of the Fund in delivering benefit statements to members
4. The feedback analysis from the Fund's Customer Engagement Strategy.

1.0 Purpose

- 1.1 To update the Pensions Board on the work undertaken by the Fund in relation to its governance throughout the 2017/18 year and preparation for 2018/19 year.

2.0 Background

- 2.1 The Local Pension Board's role is to assist in the effective governance of the scheme in its adherence to legislation and best practice.
- 2.2 This year has seen a number of changes to the Fund as it began transition to Investment Pooling and continued to develop working practices to enhance scheme record keeping to meet standards set by the Pensions Regulator.

3.0 Pension Board Annual Governance

Terms of Reference

- 3.1 On the creation of the Local Pensions Board in 2015 the Fund was required to develop terms of reference for the Board setting out the rules and structure for how the Board would be constituted and operate on a day-to-day basis. This included the number of meetings per year and the quorum required for an effective meeting.
- 3.2 In line with the regulatory requirement the Board are asked on an annual basis to review its terms of reference to ensure they remain effective and relevant to its ongoing evolution as a new body created by statute.
- 3.3 Following informal discussion with Local Pension Board members on 3 July, initial observations from the Scheme Advisory Board survey and wider review of practice within Local Pension Boards now established across the LGPS, a draft revised Terms of Reference is presented for the Board's consideration, with a view to agreeing terms for 2018/19. Proposed changes include
- Increasing frequency of meetings to a minimum of four per year – this aligns more with practice elsewhere and, given the volume of activity, is proposed to enable the Board to keep more up to date with developments during the year. It is proposed that meetings will be kept to half-day, including an element of training.
 - Reduced meeting quorum to four, with balanced representation – recognising both the size of the Board (larger than average), the increase in meeting frequency and having sought advice and considered practice elsewhere, the reduction is proposed to enable the Board to continue its business, with expected minimum levels of attendance retained.
 - Clarified expectations for meeting attendance and training – members are expected to attend a minimum of 2 meetings per year, one structured training event and attain at least 22 hours training (including own reading) each year.

- 3.4 A copy of the draft terms of reference, showing tracked changes to the current terms is attached at Appendix 1. An additional change which has been incorporated is a clarification on the application of the nominations process for Trade Union and Employer representatives.

Skills and Knowledge

- 3.5 In compliance with the Public Service Pensions Act 2013, the Fund develops on an annual basis its training programme for Trustees and Pensions Board Members ensuring the development of their knowledge and skills in line with the CIPFA knowledge and skills framework.
- 3.6 To assess the training delivered by the Fund an analysis has been undertaken of the training provided to date, the subjects covered, and the level delivered against the CIPFA framework. A training schedule has been devised to cover the key areas as highlighted by the analysis, also taking into consideration topics that are currently relevant within the Industry and to the Fund (such as the upcoming 2019 Valuation). A copy of the draft training schedule is attached at Appendix 2 which notes the areas for proposed training throughout the remainder of the 2018/19 year.

4.0 Risk Register

- 4.1 The funds risk register has been compiled to represent all known and perceived risks. The risk register has recently undergone a comprehensive review with the inclusion of operational risk maps linking into the main risk register on a quarterly basis. The additional risk maps have expanded the control framework with a capture of risks and associated controls at a stakeholder level.
- 4.2 Each quarter the Fund's compliance team in conjunction with Senior Managers review the top risks which are drawn from detailed risk registers separately maintained for each department of the Fund. The risk register is an active document which is regularly monitored to ensure it reflects the most recent activity of the Fund. The reporting period for risks is the most current quarter (March to June) as it is looked upon as both a reactive and proactive document to ensure risks are immediately mitigated.
- 4.3 The Fund has added three new risks to the main register this quarter which has included the risk of failing to produce benefit statements by 31 August 2018.
- 4.4 Further to the review, the full risk register is attached at Appendix 3.

5.0 Engagement with the Pensions Regulator (TPR)

- 5.1 During the 2017/18 year the Fund self-reported to the Pension Regulator (TPR) on its ability to produce timely and accurate benefit statements. This breach report was submitted in December 2017 as the Fund was unable to produce annual benefit statements for 21% of its eligible active membership.

- 5.2 Since the breach report was filed, the Fund has maintained regular dialogue with TPR on the case investigation. The Fund has since provided further information and analysis, including details of those employers who made up a significant proportion of the 21% and the primary reasons for the failure to issue statements. Details have been shared with TPR on the steps being taken by the Fund to improve data quality with a view to maximise production of active benefit statements to be issued in 2018 and thereafter. In parallel with this, the Fund continues to escalate and liaise with employers to resolve the issues identified.
- 5.3 The Fund will maintain close dialogue with TPR regarding the case investigation and most recently met with representatives of TPR's Case Management Team on 18th June 2018.
- 5.4 The Fund is not unique in the challenges it faces with regard to obtaining the information and data required to issue benefits statements and administer the scheme. The Scheme Advisory Board is currently taking an active interest in measures which could be taken to support Scheme administration, recognising the additional burden the new CARE scheme and increasing employer numbers and payroll providers has placed on the Scheme.
- 5.5 Through its own transition to monthly returns, the Fund has engaged widely with employers, payroll providers and administration system providers, many of whom are still developing tools to work with the scheme and the data requirements for the LGPS (which now include, for example, multiple pensionable pay figures to administer pre and post 2014 benefits). As a constituent member of the Metropolitan Group of LGPS Funds, the Fund is also engaging with TPR alongside this collective to increase the dialogue with TPR on Public Sector Schemes and develop best practice.

6.0 Investment Pooling and compliance monitoring

Investment Pooling

- 6.1 Following the transition of passively managed equity assets into newly launched LGPS Central sub funds, discussions have been underway with Partner Funds in relation to the internal assurance provided by the Company on the direct management of assets and activity undertaken under discretionary and advisory investment management agreements.
- 6.2 Officers from Internal Audit departments of the 8 Partner Funds recently met with the Company to discuss the expected standard of reporting and the format that might be received from the Company, with the aim of collaborating on a single approach which will provide assurance to the Funds.
- 6.3 Discussions continue in this area, as the operator Company, LGPS Central Limited, looks to establish its own audit framework and develop more products and services. It is noted that further transparency is needed to meet the expectations and reporting requirements of Partner Funds and dialogue is ongoing to ensure this is delivered.

6.4 The Fund has in place a compliance programme which aims to ensure its internal and external (including LGPS Central) operations meet acceptable standards and best practice. This programme is directly linked to the Fund's risk register, testing the effectiveness of controls in place

6.5 The results of the tests carried out for the period April to June 2018 are summarised below on an exception basis.

6.6 Finance and Investments

Late Trades

6.7 The Fund continues to monitor late trades and for the period of April and May the number of late trades was 7, to which there was no detriment to the Fund.

Contributions

6.8 The Finance team continue to engage with employers to ensure contributions are received on a monthly basis and in line with the Actuary's rates and adjustment certificate. The procedures for monthly reconciliation of contributions have been revised with an enhanced process and this continues to be embedded within the monthly return process.

6.9 During May the Fund received 92 employer contributions (£1,842,029 in value) after the due date. Investigations continue to determine whether these are attributable to the high turnover of employers at year end.

Information Governance

6.10 This quarter the Fund is reporting 2 data breaches in connection with the management of information together with 4 recorded 'near misses'. Following the implementation of the Data Protection Act 2018, the Fund now records near misses the same as a data breach to ensure learning and controls are actioned appropriately.

6.11 In relation to the data breaches, the Fund determined there was no material impact or detriment to the individuals as information was incorrectly shared with statutory/professional bodies whose compliance with Data Protection Law meets that level expected by law.

6.12 The Fund have received no Freedom of Information requests this quarter and no Subject Access Requests.

Compliance Manual Review

6.13 Following the transition of assets to LGPS Central the Fund has reviewed its Compliance Manual to reflect the internal controls in place in the management of the Fund's assets.

6.14 While the Fund retains control for setting investment strategy, asset allocation and a wide range of investment decision making, trading is now carried out by LGPS Central Limited. As such, stricter controls previously implemented by the Fund in relation to personal dealing and front running are no longer applicable to the majority of Fund employees. This requirement now only rests with specific senior and investment roles. The manual has therefore removed detailed reference to the Financial Conduct Authority's regulations and instead focused on the Fund's obligations in relation to pension regulation. This continues to be developed as we further develop the relationship with Central's compliance team and our understanding of the expectations of the Pensions Regulator.

7.0 Key Performance Indicators

7.1 The Fund continues to note year on year improvements across almost all service areas for our Key Performance Indicators and the significant progress in managing retirement quotations in the early part of 2018.

7.2 The Fund continues its project of maximising benefit statements and has seen a reduction in the number of complaints received from members compared to the same time last year. The production of deferred benefit statements has increased from last year with work ongoing to reduce large volumes of work in the leaver processes.

7.3 This quarter the Fund has seen an impact on the production of retirement quotes for active members as the team were maintaining the production of deferred member quotes which has seen a comparative increase. Both spikes in demand are largely driven by the recent member disclosure mailings, providing an update on LGPS regulations and the potential impact on member benefit options.

7.4 This quarter the Fund has developed its system reports for assessing the common and conditional data held by the Fund in line with tPR standards. Work continues to progress in this area for the conditional data report, where guidance is shortly expected to be issued by the Scheme Advisory Board to enable and encourage standardisation across the LGPS.

7.5 Work continues to develop the Fund's performance monitoring framework and review not only the reporting of performance but also the activities measured to ensure the Fund reports on elements key to the service delivery for our members.

7.6 A copy of performance relative to KPIs is attached at Appendix 4.

8.0 Developing the Service Plan

8.1 In preparation for the Service Plan 2018 – 2023 the Fund engaged with colleagues and stakeholders to consider the drivers for change and challenges faced by both the Fund and the industry as well as considering what goals and objectives it wanted to achieve for individual services areas, together with the measurable outcomes.

- 8.2 With this in mind, the Fund has reflected on its objectives for 2017 – 2022 refreshing its outlook to ensure it delivers on our members’ and employers’ expectations of the services provided. The Fund headed into 2018 with a continued focus on improving scheme data, employer and fund administration performance, enhancing member communication and ensuring sound financial management through investment strategy and funding monitoring.
- 8.3 The Fund’s core objectives have been reviewed and updated. Our core objectives reflect how we propose to work to continue to deliver the Fund’s mission to ensure pension benefits for our members’ future.
- 8.4 The Service Plan 2018 – 2023 provides information on:
- A) Our mission and core objectives
 - B) The operating environment
 - C) Our corporate priorities for 2018-2023 and beyond
 - D) The key performance indicators that the Fund will use to measure its progress towards achieving its objectives and priorities
 - E) The resourcing implications of the Service Plan, expressed in terms of both staffing and finances.
- 8.5 The LGPS landscape continues to be fast-changing, and the Fund needs to ensure it positions itself to respond proactively to changes in its operating environment. The Fund manages change through ongoing horizon-scanning through active involvement at a national level on new initiatives and policy and regularly reviews its position, resource and approach to ensure it is able to meet and deliver change for its customers.
- 8.6 This year, the Fund has identified 8 drivers for change and sets out in the Service Plan how it proposes to manage these drivers:
- a) Delivering a smooth transition to LGPS Central
 - b) Continue to develop our Responsible Investment Framework
 - c) Changes to data protection and the introduction of the General Data Protection Regulations
 - d) Continued focus on maintaining records and data quality
 - e) The Age of the Digital Customer
 - f) Monitoring employer changes
 - g) Funding and cost efficiencies
 - h) Continual complexities in scheme rules
- 8.7 The Key Performance Indicators that the Fund uses to monitor its progress in achieving core objectives and corporate priorities are set out in the Service Plan. These provide assurance to our customers on the ongoing monitoring and review of Fund performance.

- 8.8 In line with the Fund's objectives and corporate priorities, the Fund has continued to develop its services, transforming the way it engages with customers. In July, the Fund received confirmation of its ongoing accreditation of Customer Service Excellence, achieving 4 areas of compliance plus, the highest standard of accreditation with the Member Services Team achieving this level for a second year running. The Fund's new format Pensions Portal was also recognised as compliance plus, together with our overall approach to the monitoring and delivery of our Customer Journey. The work of the Fund has been recognised at a national level, having been shortlisted for 2 awards for our system development and Scheme Governance.
- 8.9 In meeting our challenges and drivers for change for 2018 – 2023, the Fund continues to work with our national partners in shaping the LGPS for our customers. Officers from the Fund have been invited to sit on numerous working groups, including the LGPS procurement Framework assessment groups, where tenders are being re-let. Officers also continue to work with the Scheme Advisory Board and the Pension Regulator, responding to surveys and consultations. Most recently the Fund responded to a survey from the Pension Regulator on creating a consistent approach to the management of data across the LGPS and our Head of Pensions sits on the tPR working group across the Metropolitan Authority pension funds within the LGPS.
- 8.10 Ongoing monitoring of the Fund's corporate objectives continues as we deliver service improvement, the latest update is attached at Appendix 5.

9.0 National Scheme Advisory Board Update

- 9.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) every year produces its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.
- 9.2 The SAB produces its report based on published annual report and accounts of all LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the Scheme-wide position from the individual fund 2017 year-end annual reports and is a useful point of reference for a variety of stakeholders.
- 9.3 Key LGPS Highlights for 2017 as noted by the SAB include:
- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.2m in 2016.
 - The total membership of employers increased from 12,915 in 2016 to over 14,000 in 2017.
 - The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).
 - The Local Authority return on investment over 2016/2017 was 19.5%. This was reflective of the better market conditions during the year and set against the UK Return of 22%.

- The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m; this was excluding investment income, however.
- The funds all received unqualified external financial audit certificates from the Scheme's external statutory auditors.
- Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman. Overall the LGPS has had relatively few upheld complaints.

9.4 In comparison, WMPF's (Main Fund) highlights for the year to 31 March 2017 show

- The total membership grew from 287,874 to 296,542 (2.92%)
- Employers increased from 536 to 586 (8.5%)
- The Fund's total assets increased from £11.6billion to £15.5 billion (25%)
- The total number of pensioners paid during the year was 87,979
- Throughout 2016/17 the Fund received 631 complaints of which only 3 were referred to the Pension Ombudsman.

9.5 For the West Midlands Integrated Transport Authority Fund it is difficult to use the national average as a comparator due to the closed status of the Fund and it having only 2 employers. The majority of those members are in receipt of their pension benefits with just over half being supported by the purchase of an annuity buy-in contract held in the name of the Fund.

10.0 Social Responsibility

10.1 Throughout 2017/18 the Fund undertook a number of events to raise money for various local and national charities and raised £1071.28. The staff forum set the charities each year based upon suggestions and feedback from colleagues with a focus on two local and two national charities each year.

11.0 Financial implications

11.1 Failure by the Fund to adhere to regulatory requirements could result in fines being imposed on the Fund by either the Pensions Regulator or the Information Commissioner.

12.0 Legal implications

12.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 7(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016*.

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

13.0 Equalities implications

13.1 There are no implications

14.0 Environmental implications

14.1 There are no implications

15.0 Human resources implications

15.1 There are no implications

16.0 Corporate landlord implications

16.1 There are no implications

17.0 Schedule of background papers

17.1 Service Plan 2018 – 2023

<http://wolverhampton.moderngov.co.uk/documents/s68493/Service%20Plan%202018-2023.pdf>

18.0 Schedule of Appendices

18.1 Appendix 1: DRAFT Pension Board Terms of Reference 2018/19

18.2 Appendix 2: DRAFT Pensions Board Training Schedule 2018-19

18.3 Appendix 3:
(A) Full Risk Register
(B) Top Risks

18.4 Appendix 4: Key Performance Indicators

18.5 Appendix 5: Corporate Priorities Update 2018

Pension Board Terms of Reference

1. All persons appointed to the Board will adhere to the Fund's Code of Conduct, including the duty to report conflicts and undertake training as required to ensure they meet the legislative requirement to have the knowledge and understanding required of them to undertake their role.
2. While not a formal committee of Council, meetings of the pension board will be formal occasions to be minuted adhering to the due process and rules of procedure so far as such do not make the business of the board unviable. Business to be conducted by the Pension Board shall be noted on a formal Agenda at least five working days in advance of the meeting. Additional business may be added to the Agenda at a later date with the consent of the Chair. Business not noted on the Agenda may only be considered at the meeting if agreed by majority vote. This is to ensure all information is available and has been read and understood by pension board members.
3. The Pensions Board shall meet a minimum of four times a year on a quarterly basis. The ability to call additional meetings rests with the board and with pensions committee, such additional meetings to meet the minimum quorum requirement.
4. Persons appointed to the pensions board have the same right of access to information and documents to be considered as elected members as outlined in the The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 and The Openness of Local Government Bodies Regulations 2014. Save as all other provisions of these regulations do not apply to the pension board.
5. The Pension Board shall adhere to the operational policies of the Fund.

Membership

7. The Pensions Board consists of 12 persons made up of 6 employer and 6 member representatives in equal proportion 2 of which will be Elected Members of the Administering Authority.
8. Recruitment to the board will follow the Fund's 'Pension Board nomination policy'
9. The quorum is four which must include a minimum of two member and two employer representatives and include either the Chair or the Vice Chair.

10. The term of office for a person appointed to the Pension Board shall be for a period no shorter than one year and no longer than two rotations of nominations or their term of office (where the person is an elected Councillor, whichever is the shortest). Nomination to the Pension Board shall take annual rotation with one third nominations received in year 2 and one third nominations received in year 3, and so on. This is to ensure a consistency of knowledge within the Pension Board and to assist with the development of knowledge and experience.
11. Nominations to the pensions board will be sought from the nominating body group on each occasion as the rotation for appointment arises. Trade Union member representatives will be nominated by the relevant Trade Union. Where more than one nomination is received for employer representatives from the Fund employer base, interviews for the vacant position will be held by the Chair or Vice Chair (where they are not on rotation) one employer and one member representative, together with the Director of Pensions (or their nominated officer).
12. Person's appointed to the Pensions Board are expected to make themselves available to attend meetings and to complete relevant training. Person's appointed who fail to meet the 22 hour training target and/or attend less than two meetings and one structure training event each year will be asked to leave the Board and a replacement sought from their nominating body unless there are exceptional reasons for their failure to attend. Such reasons to be considered by the pensions board.
13. Other than by ceasing to be eligible to sit on the pensions board (to include failure to attend meetings), a person appointed to the pensions board may only be removed from the position during their term of office by majority vote of the pensions board.
14. A person appointed to the pensions board may retire their position at any time. In such cases a nomination will be sought from their nominating body.

Chairing the Board

15. It shall be the first business of the Board at its annual meeting (July) to nominate a Chair and a Vice-Chair for that year
16. In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

Information

17. Information relating to the work of the pension board (including any relevant minutes) will be published on the fund's website, save where such information is confidential or exempt under Schedule 12A.
18. Information detailing the pensions boards terms of reference shall be published on the fund's website together with the any vacancies as they arise.

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Training Schedule 2018/19- Pensions Board

Date	Trustee or Pensions Board	Details/location	Proposed topics include
5 November 2018	Trustees and Pension Board joint training	Mander House	<ul style="list-style-type: none"> • LGPS Discretionary Policies and Powers • Investment Governance Principles • Public Procurement Policy, Procedures and Legislation • Investment Performance Monitoring • Early and Ill Health Retirement Cost monitoring
13 th November 2018	AGM	Molineux	<ul style="list-style-type: none"> • Developments within WMPF and across the LGPS • National LGPS Framework- Accessing support from third-parties • Preparing for 2019 Valuation • Cost Management and Reporting • Investment Strategy and Risk Management
22 January 2019	Pension Board meeting and training	Committee Room 3, Civic Centre Civic Centre	<ul style="list-style-type: none"> • Stakeholders of the Pension Fund • Breaches of the law and how they are reported • AVC Principles and Arrangements • Risk and Performance Monitoring of Outsourced Providers • Valuation preparation Inc. the Implications of New and Ceasing Employers to the Fund

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Risk ID	Top Risks	Risk Description	Impact	Likelihood	Risk Rating	Movement from Last Quarter		Last Reviewed
						No Change	Increase Decrease	
Pooling / Investments / Finance								
P1	Yes	Failures in Systems and Controls - LGPS Central	5	3	15		↔	Jun-18
P2	Yes	Transition Risk - Fund incurs additional cost (of central pool) because of pooling resulting in loss of value or ongoing costs	5	4	20		↔	Jun-18
P3	Yes	Transition timeline slips causing additional cost/resource on the fund	5	4	20		↔	Jun-18
P4	Yes	Investments not reflecting Funds investment strategy putting investment returns at risk	4	4	16		↔	Jun-18
P5		Custody of funds assets and failure to ensure the security and safe custody of funds assets leading to a financial loss	4	2	8		↔	Jun-18
P6		Resourcing - Staff transition to LGPSC leaving insufficient resources to manage legacy assets	5	2	10		5↓	Jun-18
P7	Yes	Partner funds unable to agree on strategy or investment requirements leading to a stalling in transition of assets to the pool and not delivering cost savings	5	3	15		↔	Jun-18
P8	Yes	Pool and Partner Funds unable to agree on key issues	5	3	15		↔	Jun-18
P9	Yes	Cost savings fail to be delivered - higher regulatory and other costs, anticipated savings do not materialise	5	3	20		↔	Jun-18
I1		Investment strategy is poorly implemented	4	3	12		↔	Jun-18
I2	Yes	Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives	4	4	16		↔	Jun-18
I3		The Fund has an inappropriate asset allocation/investment strategy	4	3	12		↔	Jun-18
I4		Poor fund manager selection	3	3	9		↔	Jun-18
I5		Investment Managers/custodian internal control arrangements expose the Fund to loss of asset	5	2	10		↔	Jun-18
I6		Impact of the markets in Financial Instruments Directive (MiFID II) on LGPS investment	2	1	2		↔	Jun-18
I7	Yes	The Funds SIAB currency exposure does not meet the stated funding objectives	5	3	15		↔	Jun-18
F1		Payments are delayed	2	3	6		↔	Jun-18
F2		Inability to settle trades due to inadequate cash flow	3	3	9		↔	Jun-18
F3		The Fund is unable to comply with CIPFA cost disclosure guidance for the annual accounts	3	3	9		↔	Jun-18
F4		Budget overspend	2	2	4		↔	Jun-18
F5	Yes	Annual report and accounts late	5	3	15		↔	Jun-18
F6	Yes	Non-payment of / or receipt of monies due to the fund	5	3	15		↔	Jun-18
Governance								
G1		The fund fails to adhere to Data Protection legislation, including the preparation for GDPR	4	2	8		↔	Jun-18
G2		The Fund is unable to meet its statutory requirements on Data Quality	4	3	12		3↓	Jun-18
G3		Loss of Data	4	2	8		↔	Jun-18
G4		Lack of knowledge and understanding by the Pension Committee, and the Local Pension Board resulting in a failure to meet statutory duty	4	2	8		↔	Jun-18
G5		The Fund cannot continue to operate and deliver its priority services following an IT disaster, IT incident or Data Loss scenario	4	2	8		4↓	Jun-18
G6		The Fund becomes a party to fraudulent activity on a members record	4	2	8		↔	Jun-18
G7		Failure to recruit and retain people with the right experience, qualifications and skill sets	3	3	9		3↑	Jun-18
G8	Yes	Failure to produce Annual Benefit Statements for the Fund's Members	4	4	16		New Risk	Jun-18
G9		Failure to adhere to statutory requirements/LGPS regulations	4	2	8		↔	Jun-18
G10	Yes	Change in government policy/LGPS reforms	4	4	16		4↑	Jun-18
Operations								
OP1		Pensions benefits are calculated with inaccurate or incomplete data (leading to under/overpayments)	4	3	12		↔	Jun-18
OP2		Payment of pensions are not made	5	2	10		↔	Jun-18
OP3		Increase in take-up of freedom of choice	3	3	6		↔	Jun-18
OP4	Yes	Failure to adhere to statutory regulatory requirements	4	4	16		8↑	Jun-18
OP5		Failure of or poor transmission of electronic data and information exchange	4	3	12		↔	Jun-18
OP6		Payment of pensions increase is not made	4	2	8		↔	Jun-18
OP7		Poor quality and/or late deliveries/upgrades by the Pension Administration System provider leading to an inability to process member data creating backlogs and delays	4	3	12		↔	Jun-18
OP8		Lack of skills and/or knowledge to understand complex regulatory changes or understand their impact	4	3	12		↔	Jun-18
OP9		Failure in systems	5	2	10		↔	Jun-18
OP10		Cyber Security	5	2	10		↔	Jun-18
Pension Services								
PA1	Yes	Pensions Administration Strategy (PAS) not complied with by employers	4	4	16		↔	Jun-18
PA2		Liabilities need to be orphaned across the funds remaining employers in the event of an employer failing	4	3	12		↔	Jun-18
PA3		The fund does not complete the Guaranteed Minimum Pension (GMP) reconciliation	4	3	12		↔	Jun-18
PA4		Future liabilities increase	4	3	12		↔	Jun-18
PA5		Failure to adhere to statutory requirements /LGPS regulations	4	2	8		↔	Jun-18
PA6		Insufficient call handling of member and employer helplines / Breach of KPI / Spike in complaints	2	3	4		2↑	Jun-18
PA7		Legal agreements are not sufficiently robust (e.g. Admissions, Supplementary agreements etc)	4	3	12		↔	Jun-18
PA8		Communications are inaccurate or Non Compliant with Regulators	4	2	8		↔	Jun-18
PA9		Insufficient or Inadequate engagement with members and employers	3	2	6		↔	Jun-18
PA10		Marketing and targeted member communications are inaccurate, insufficient / Timing of issue is poor	4	2	8		New Risk	Jun-18
PA11		Insufficient team resources	4	2	8		New Risk	Jun-18

Risk Overview (April-June)

3 Risks have increased in rating this quarter
3 Risks have decreased in rating this quarter
44 Risks have remained at the same rating this quarter
2 New risks this quarter (PA10, PA11)

52 Total number of risks on fund register (14 Red / 36 Amber / 2 Green)

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Appendix 3 (B) West Midlands Pension Fund - TOP RISKS

Jun-18

Risk ID		Risk Description	Risk Rating	Movement from Last Qtr / Positions	Last Reviewed	
POOLING / INVESTMENTS / FINANCE						
P1	Pooling	Failures in Systems and Controls - LGPS Central	15		No Change	
		Controls				> Assurance that LGPSC is adhering to FCA standards, (COND, PRIN, SYSC)
						> Assurance of conflicts on interest policy (Personal Dealing) procedures are monitored
						> Assurance of compliance monitoring (Second Line of Defence) with outcomes
		> Assurance of breach reporting to relevant regulators and the fund				
P2	Pooling	Transition Risk - Fund incurs additional cost (of central pooling) because of pooling resulting in loss of value or ongoing costs	20		No Change	
		Controls				> Regular budget monitoring controls against business plan
						> Benchmarking costs with other LGPS funds transitioning to ensure not disproportionate
						> Robust Client Services Agreement and Contract Management of LGPSC
P3	Pooling	Transition timeline slips causing additional cost/resource on the fund	20		No Change	
		Controls				> Transition plan is monitored and regularly updated to pension committee
						> Robust Client Services Agreement and Contract Management of LGPSC
P4	Pooling	Investments not reflecting Funds investment strategy putting investment returns at risk	16		No Change	
		Controls				> Assurance of Investment managers mandate monitoring and adherence
						> Analysis of performance against Fund's objectives; Quarterly reporting; regular dialogue with LGPSC
						> Pension committee review and approve investment strategy
		> Investment working group of PAF effective in feeding requirements back to LGPSC				
P7	Pooling	Partner Funds unable to agree on strategy or investment requirements leading to a stalling in transition of assets to the pool and not delivering cost savings	15		No Change	
		Controls				> Regular meetings and working groups to agree investment requirements and changes to strategy
						> Access to investment staff and external providers to help develop strategy
						> Agree high level principles on investment objectives
P8	Pooling	Pool and Partner Funds unable to agree on key issues	15		No Change	
		Controls				> 2 way communication - ongoing dialogue
						> Open and transparent reporting
						> Agreed key deliverables
P9	Pooling	Cost savings fail to be delivered - higher regulatory and other costs, anticipated savings do not materialise	20		No Change	
		Controls				> Oversight and scrutiny of budgets and cost savings
						> Benchmarking costs, Cost transparency reporting
						> Financial model projections assessed and reviewed on ongoing basis
I2	Investments	Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives	16		No Change	
		Controls				> Diversified portfolio
						> Regular reviews of asset allocation/investment strategy
						> Monitoring of investment managers quarterly
		> Regular monitoring of market conditions				
I7	Investments	The funds SIAB currency exposure does not meet the stated funding objectives	15		No Change	
		Controls				> LGPS and internal staff to review currency exposure of benchmark V the funding objectives, to present to Pensions Committee recommending an action to mitigate
F5	Finance	Annual report and accounts late	15		No Change	
		Controls				Detailed close down timetable produced prior to year end
						> List of information required from officers (including responsible officers) for annual report and accounts. Sent to officers prior to year end
						> Set challenging deadlines ahead of strategic deadlines for contingency
						> During close down status updates are performed each week to monitor progress
		> Processes are in place to chase and take action on outstanding items				
F6	Finance	Non payment of receipt of monies due to the fund	15		No Change	
Controls	Monthly monitoring of ongoing (FSR) and deficit (PSD) contribution payments by Finance. Finance are working in conjunction with the Employer and Data Teams through monthly submissions with more analysis, reviews and feedback					
GOVERNANCE						
G9	Governance	Change in government policy/LGPS reforms	16		4	
		Controls				> The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds
OPERATIONS						
OP4	Operations	Failure to adhere to statutory regulatory requirements	16		8	
		Controls				> Technical team in place to translate regulations and working group to review and discuss impacts of any changes
						> Robust testing process for any system changes
						> Work with other Pension Funds to develop understanding i.e. Civica Technical Group and SPOG
						> Project management for the delivery of key changes and Statutory requirements and regulations i.e. benefit statements
		> Monitoring of KPI's and performance against disclosure				
PENSION SERVICES						
PA1	Pension Operations	Pension Administration Strategy (PAS) not complied with by employers	16		No Change	
		Controls				> Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it
						> Employers adherence to the PAS is monitored
						> PAS regularly reviewed by committee
		> Reports produced for all employers highlighting issues with data files. Regularly meetings with districts to review progress and all other employers have been assigned a "data guru" who will be responsible and the main point of contact for any issues or queries				

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Appendix 4- Key Performance Indicators

Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
REFUNDS								
M	Notify member of Refund within 15 days	90%	AR	● 82.3%	Apr 18 - July 18	● 91.1%	Apr 18 - June 18	↓ -8.8%
	Refund payments processed within 5 days	90%		● 97.9%	Apr 18 - July 18	● 97.9%	Apr 18 - June 18	→ 0.0%
RETIREMENTS								
M	Retirement options to members within 15 days	90%	AR	● 72.2%	Apr 18 - July 18	● 77.0%	Apr 18 - June 18	↓ -4.8%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 98.8%		● 98.3%		↑ 0.5%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 78.2%		● 70.2%		↑ 8.0%
DEFERRED RETIREMENTS								
M	Retirement options to members within 30 days	90%	AR	● 96.0%	Apr 18 - July 18	● 96.3%	Apr 18 - June 18	↓ -0.3%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 96.6%		● 95.3%		↑ 1.2%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 86.7%		● 80.9%		↑ 5.8%
TRANSFERS IN								
M	Transfer in quotations processed within 10 days of receiving all the required information	90%	AR	● 94.2%	Apr 18 - July 18	● 97.2%	Apr 18 - June 18	↓ -3.0%
	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		● 96.7%		● 95.1%		↑ 1.6%
TRANSFERS OUT								
M	Transfer out quotations processed within 20 days	90%	AR	● 96.7%	Apr 18 - July 18	● 97.9%	Apr 18 - June 18	↓ -1.1%
	Transfer out payments processed within 10 days	90%		● 92.4%		● 98.5%		↓ -6.1%
DEATHS								
M	Acknowledgement of a death within 5 days of receiving the notification.	90%	AR	● 97.9%	Apr 18 - July 18	● 97.5%	Apr 18 - June 18	↑ 0.4%
	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		● 91.5%		● 90.8%		↑ 0.7%
	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%		● 100.0%		● 100.0%		→ 0.0%
EMPLOYER AND MEMBER SERVICE - CALLS								
M	85% of calls received to the customer helpline to be answered.	85%	ST	● 86.6%	Apr 18 - July 18	● 87.9%	Apr 18 - June 18	↓ -1.3%
M	85% of calls received to the employer helpline to be answered.	85%	ST	● 92.8%	Apr 18 - July 18	● 92.0%	Apr 18 - June 18	↑ 0.8%
CUSTOMER SATISFACTION/SURVEY								
M	Overall member satisfaction score for members to be 90%.	90%	ST	● 100.0%	Apr 18 - July 18	● 100.0%	Apr 18 - June 18	→ 0.0%
M	Overall employer satisfaction score for employers to be 90%.	90%	ST	● 97.0%	Apr 18 - July 18	● 100.0%	Apr 18 - June 18	↓ -3.0%
6 M	Satisfaction rate from feedback of trustee training/pension board events to be 90%.	90%	RH		April 18 - Sept 18	● 100.0%	Apr 17 - Mar 18	
Q	Web Portal Registrations	65000	ST	● 62555	April 18 - June 18	● 89.0%	Mar-18	↑ 8.9%
INVESTMENT RETURNS/OVERALL FUND PERFORMANCE								
M	Main Fund - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	0.50%	JD	BENCHMARK	Apr-18	BENCHMARK	Mar-18	↓ -0.08%
				9.01%		8.43%		
				ACTUAL		ACTUAL		
9.47%	8.97%							
RELATIVE	RELATIVE							
● 0.46%	● 0.54%							
M	ITA Fund - Returns to match the benchmark (3 Yr. Rolling)	0.00%	JD	BENCHMARK	Apr-18	BENCHMARK	Mar-18	↑ 0.15%
				7.28%		6.88%		
				ACTUAL		ACTUAL		
6.87%	6.32%							
RELATIVE	RELATIVE							
● -0.41%	● -0.56%							
BENEFIT STATEMENTS								
A	ABS produced for 100% of entitled active member records	100%	RH		Aug-18	● 79.0%	Aug-17	
	DBS produced for 100% of entitled deferred member records	100%		● 87.6%	Aug-18	● 85.0%	Aug-17	↑ 2.6%
CONTRIBUTIONS RECEIVED								
M	Main Fund - Employers to pay contributions	100%	JD	● 98.4%	Mar-18	● 99.2%	Feb-18	↓ -0.8%
	ITA Fund - Employers to pay contributions	100%		● 100.0%	Mar-18	● 100.0%	Feb-18	→ 0.0%

Appendix 4- Key Performance Indicators

Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
SICKNESS ABSENCE								
M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	RH	● 7.9	Apr 18 - July 18	● 9.5	Apr 18 - June 18	↑ -1.6
COST PER MEMBER								
Q	Administration and governance cost per member to be reduced from budgeted figure of £23.20	£ 23.20	DS	● £22.27	Jun-18	● £21.17	Mar-18	↓ £1.10
TRAINING HOURS								
Q	Average CPD per Fund employee to be 22 hours or more.	22 Hours	RH	● 56.9	June 18 Quarter Apr 18 - June 18 (projected)	● 40.2	March 18 Quarter Jan 18 - Mar 18 (projected)	↑ 16.7
DATA QUALITY								
Q	Common data	99%>	RH	● 96.0%	Jul-18	N/A	Sep-17	
	Conditional data	95%>				N/A		
TRUSTEE TRAINING AND PENSIONS BOARD								
6 M	Attendance rate of completed training of trustees/board members	85%	RH	● 58.9%	April 18 - Sept 18	● 58.9%	Apr 17 - Mar 18	→ 0.0%
	Amount of training provided to trustees/board members during the year.	22 hours		● 114.0	April 18 - Sept 18	● 114.0	Apr 17 - March 18	→ 0.0%
STAFF TURNOVER								
M	Staff turnover to be between 5-10% in a financial year	5% - 10%	All	● 5.5%	Apr 18 - July 18	● 3.9%	Apr 18 - June 18	↑ 1.6%
AVAILABILITY OF ONLINE SERVICES								
M	Website and web portal to be available 95% of the time (based on working hours as monitored)	95%	AR	● 98.2%	Apr 18 - July 18	● 97.7%	Apr 18 - June 18	↑ 0.5%
M	Number of occurrences web portal is unavailable	10 per month		● 3.0	Apr 18 - July 18	● 4.0	Apr 18 - June 18	↑ -1.0
QUARTERLY ACCOUNTS								
Q	Days taken to prepare quarterly accounts	20 days	JD	● 19.0 days	Dec-17	● 22.0 days	Sep-17	↑ -3.0
IDRP								
A	All IDRP cases completed within 60 days	60 days	AR		Apr 18 - Mar 19	● 64.4 days	Apr 17 - Mar 18	
COMPLAINTS MONITORING								
M	All complaints to be completed within 15 working days of receipt	100%	ST	● 100.0%	Apr 18 - July 18	● 100.0%	Apr 18 - June 18	→ 0.0%

FREQUENCY KEY	
T	Triennial
A	Annual
Q	Quarterly
6 M	6 Monthly

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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Investing to increase capacity	We will invest in our services to ensure that they deliver for our members and employers both in terms of available resources (Fund officers) and through reviewing how we provide our services to ensure they meet the changing demands of our customers through our digital transformation programme	2018-2020	Head of Operations	<p>The focus for this quarter has been the production of annual benefit statements maximising production on a rolling program through to December 2018. This has led to impact on the Digital Transformation program as resources have been diverted to ensure the delivery and support of the monthly submissions and annual conversion program.</p> <p>The Fund has seen positive inroads to volumes of work due to the support gained from our summer placement students and overall the Fund's key performance indicators have shown a positive trend and improvement year on year.</p>
	We will invest in our employers providing training and resource to educate and support them in their understanding of the Fund and the LGPS.	Every year	Head of Pensions	In consultation with Employers the Fund has developed an Employer Engagement Roadmap and re-developed its Customer Engagement strategy which seeks to educate, enable and create opportunities for action by employers.
	We will invest in our workforce to ensure they are trained and developed in their specialised area able to respond to and support our customers and employers with their queries.	Every year	People and Corporate Services Manager	The Fund continues to develop its workforce development strategy with training hours for employees far exceeding the KPI. Recently the Fund has hosted a number employee development workshops focussed on developing behaviour and soft skill qualities. This quarter the Fund has advanced its "grow your own culture" through developing a graduate placement program, apprenticeships and Fund Trainees. Recruitment in these areas is ongoing.
	We will invest in our Trustees and Pension Board Members to ensure they are able to meet their statutory duty on knowledge and	Every year	Head of Governance	This quarter the Fund hosted its annual 3-day structured training program for Trustees with additional induction sessions held for new Committee and Local Pension Board members.

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	understanding to equip them with the ability to fulfil their fiduciary responsibility and to challenge decisions where necessary to protect our members' benefits.			As part of the ongoing Governance Framework, a knowledge and skills matrix has been developed to ensure Trustees and Board Members are receiving training and information relevant to their roles and that meets the CIPFA knowledge and skills requirements.
	We will invest in our resources and technology to deliver our investment strategy seeking superior risk-adjusted returns, securing the future benefits for our members.	Every year	Assistant Director – Investments and Finance	Work continues to develop the products and services on offer from LGPS Central together with understanding the internal resource requirements in the Fund's investments and finance team.
Partnering for Success	We will work with our employers and members to help shape and develop our processes to ensure they delivery to their expectations.	2018 – 2023	Head of Pensions	Through the Customer Engagement Strategy and Employer Engagement Roadmap, the Fund invites feedback and review from our employers for any changes in process and system developments. The Fund's employer peer group acts as a sounding board for proposed business development ensuring that all considerations which may impact employers are taken on board.
	We will work with our employers and members to develop their understanding of the LGPS.	Every year	Head of Pensions	The Fund continues to deliver and develop employer coaching sessions offering day-to-day support for employers through its employer helpline. The Customer Engagement Strategy focusses on Educating and Enabling our customers.
	We will partner with other LGPS Funds and national organisations to help shape and develop national policy and legislation.	Every year	Senior Managers	This quarter the Fund has engaged with Cross-Pool groups and the LGPS national frameworks helping to shape outcomes and develop learning for operational improvement. Work continues to develop with the Scheme Advisory Board with officers sitting on a number of working groups considering national policy and legislative reform.

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will work with our Partner Funds in LGPS Central to ensure the delivery of our investment strategy and to ensure that LGPS Central is high performing and efficient.	Every year	Assistant Director – Investments and Finance	<p>Through working on the investment pooling program, the Fund has developed good relationships with partner funds who see value in collaborative working. Work has begun to develop a strategic pension administration working group.</p> <p>The work with the Practitioner’s Advisory Forum and Shareholder groups with LGPS Central continue to be productive as further understanding is developed of how the relationships, services and products will be established in future.</p>
	We will work with our members to help them plan for future retirement income.	Every year	Head of Pensions	The Fund’s member services team continues to develop member literature preparing for roadshow events in September. Member communications have been very active with disclosure requirements which has seen an increase in calls to our Customer call centre.
Drive Efficiencies and Cost Savings	We will ensure our services are delivered efficiently for our members and employers	Every year	SMT for relevant service areas	The Fund continues to monitor its performance on a cost per member basis (which has reduced again this quarter). The main focus for work is in ensuring effective practices which deliver to the needs of our customers.
	We will continue drive cost efficiencies whilst delivering a high level of services.	Every year	Senior Managers	The Fund continues to review its working practices which has notably seen an increase in performance measurements across operations in relation to timely retirement quotes, development of the Pensions Portal and more automation of systems, reducing processing time which has helped the Fund target resources more efficiently.
	We will continue to review and manage investment costs seeking return and low-cost	Every year	Assistant Director – Investments and Finance	Work continues to develop the products and services on offer from LGPS Central together with understanding the internal resource requirements in the Fund’s investments and finance team.

Appendix 5

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	implementation through the development of LGPS Central.			
	We will work with our employers to apply appropriate contribution rates as part of our valuation.	2018 – 2020	Head of Pensions	Working towards the 2019 valuation will be a key focus area for the Fund in the forthcoming months with a dedicated project team. Early engagement with employers is key and the Employer Engagement Roadmap and Customer Engagement Strategy will be a leading path in this project.
	We will continue to target our investment returns to assist in the management of Fund deficits.	Every year	Senior Managers	The Fund’s Investment Advisory Panel continue to assist investment officers in the monitoring of investment performance ensuring appropriate strategy is developed for the Fund’s investments and desired returns.
Engage nationally to improve outcomes for our customers	We will work with national groups (TPR, LGA, SAB, PLSA) to respond to consultation to on national policy/legislation.	Every year	Head of Governance	This quarter, the Fund has engaged with Cross-Pool groups and the LGPS national framework is helping to shape outcomes and develop learning for operational improvement. Work continues to develop with the Scheme Advisory Board with officers sitting on a number of working groups considering national policy and legislative reform.
	We will work with both public sector and private sector pension funds to develop our understanding and delivery new initiatives for our members and employers	Every year	Head of Operations	Through engagement at a national level, the Fund is able be proactive in assessing service developments which are relevant and advantageous to our membership. Fund officers sit on a number of national groups and working parties to help shape policy and the Fund’s response to change.
	We will work with our trade unions to shape and deliver our understanding and delivery new	Every year	Head of Pensions	Through the engagement of our Pension Board and Committee representatives the Fund is able to engage with Trade Unions on matters most pertinent to our membership.

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	initiatives for our members and employers.			
To be a responsible asset owner, employer and local community partner	We will maintain a responsible investment framework and be robust in challenging the companies and managers that we invest in to adhere to best principles of responsible investment believing that this will delivery long-term superior investment returns for our stakeholders.	Every year	Assistant Director – Investment and Finance	The Fund reports quarterly to committee on its EGS framework which is monitored in conjunction with the Investment Strategy Statement. When approached the Fund responds positively to communications from campaign groups noting the concerns of the members with the overriding objective of paying member benefits.
	We will continue to partner with others to protect and enhance the value of our investments.	Every year	Assistant Director – Investment and Finance	The Fund has a developed and active Responsible Investment Framework, driven by investment beliefs and applied through an engagement and stewardship programme. The Fund partners with a number of UK and Global organisations (including LAPFF, PRI, IIGCC) to increase the reach of engagement activity and has this quarter been recognised by the Environment Audit Committee as being “more engaged” in response to the risks of climate change and leading in disclosure and reporting, in line with the recommendations of the Task Force on Climate-related Disclosures (TCFD). The Fund is advancing the integration of ESG-risks into its investment due diligence processes (both where investment is made by the Fund and through LGPS Central). The Pension Committee Chair and Director of Pensions have recently been appointed to the LAPFF Executive.

Appendix 5

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will continue to take a proactive approach to voting globally.	Every year	Assistant Director – Investment and Finance	The Fund has a bespoke UK voting policy and works with a proxy voting provider and its custodian to ensure all shares are voted. Voting activity is reported via a portal on the Fund website and reported to Pensions Committee each quarter.
	We will acknowledge and value the contribution that staff make to the effective and efficient running of the organisation.	Every year	Assistant Director – Investment and Finance	This year through its staff survey, the Fund saw an increase in employee satisfaction for the third year running with employees feeling valued and recognised for the hard work they produce on behalf of our customers. Development opportunities were also noted to have increased with more internal movement and promotions.
	We will be an organisation that respects the local community and proactively engages and contributes to it.	Every year	People and Corporate Services Manager	Through the Fund’s staff forum, employees raised in excess of £1000 in the year to 31 March 2018 for local and national charities with further events planned later this year.

Pensions Board

25 September 2018

Report title	Policy Review Update 2018	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for action

The Board are recommended to:

1. Promote the Fund's Customer Engagement Strategy amongst their representative groups.

Recommendations for noting

The Board is asked to note:

1. The actions taken by the Fund to review the Policies in line with the Annual Review Plan
2. The Fund's updated Customer Engagement Strategy and Responsible Investment Framework

1.0 Purpose

- 1.1 To provide an overview of the Fund's statutory duty and good practice policies, noting the Committee's adoption of the policies for the year 2018/19

2.0 Background

- 2.1 Each year Committee are asked to review and agree the Fund's operational policies. Some of these policies are required by statute. Others are adopted for operational purposes and to provide our customers with information about the Fund and the service they can expect to receive.
- 2.2 In conducting the annual review of the Fund's policies, the Fund needs to consider whether current versions are still relevant to its work, whether any new requirements have been imposed by legislation, together with considering whether the Fund is conducting its business in the most efficient way securing the best outcomes for our members.
- 2.3 Following the delegation in January 2015 from the Integrated Transport Authority (ITA), which was confirmed in the creation order of the West Midlands Combined Authority, to the West Midlands Pension Committee, the Fund has developed its policies which take into account its management of both Funds ensuring members and employers of ITA Pension Fund are fully represented and considered in the drafting of Fund policies.
- 2.4 A copy of the annual plan for policy review is attached as Appendix 1.

3.0 Policy Review to Date

- 3.1 During the 2017/18 year it was necessary to review certain statutory policies to ensure the Fund was prepared for the start of asset pooling within LGPS Central on 1 April 2018. The Fund's Governance Compliance Statement, Investment Strategy Statement and Responsible Investment Framework, together with the Pension Committee Terms of Reference were all approved at the March committee in readiness for the 1 April Go-Live date for LGPS Central.
- 3.2 Also in 2017/18 the Fund undertook a review of its Information Governance Framework as part of its preparation for the General Data Protection Regulations. A copy of the Fund's draft Data Protection Policy was presented to Committee in March with no major changes being required to date. The Fund will continue to monitor the development of the policy as GDPR beds in on a national level and following the enactment of the UK Data Protection Act 2018. All other Information Governance Framework policies have been reviewed to ensure their ongoing compliance with GDPR, these have been published on the Fund's website.

4.0 Policies recently adopted

Customer Engagement Strategy

- 4.1 The Fund has reported at each board meeting the work it has undertaken to develop its customer engagement through both its employer and member services teams. The work undertaken in this area has seen a positive impact on the Fund's customer satisfaction surveys and has enabled a smooth roll out of service changes during 2017/18 which included the change to monthly submissions from employers and the launch of the new Pensions Portal.
- 4.2 During 2017/18 the Fund also undertook a number of pilot engagements including a pensioner workshop which aimed to review the Fund's process leading up to retirement ensuring members received information when they needed it.
- 4.3 The Fund has consulted with employers on the revised Pension Administration Strategy and Employer Engagement Roadmap which feed into the Fund's Data Improvement plan.
- 4.4 In considering customer feedback and growing demand over the last 12 months the Fund has revised its communication and customer engagement policies, which outline the Fund's approach to engaging and communicating with each category of customer. A copy of the customer engagement policy is attached at Appendix 2.

Policy on Surplus and Termination Funding for Employers 2018

- 4.5 This policy review is currently on hold following the issuance of new regulations issued in May 2018 which amend previous legislation enabling Funds to pay a surplus credit if an employer exits the Funds with funding surplus. Further guidance and actuarial advice is needed to determine how this will operate in practice and proposals for changes to managing exit debts are also expected to emerge later this year which are likely to impact Fund policies and practice.

Administering Authority Policy Statement

- 4.6 Under the Local Government Pension Scheme Regulations, the Fund is required to publish its policy on 'discretions' where the Administering Authority (City of Wolverhampton Council), is required to carry out a task, but an element of choice is seen to exist in how that task is completed. An example of this is in relation to admission bodies or the requirement for a member to undergo a medical assessment before entering into a contract to purchase Additional Pension Contributions (APCs).
- 4.7 Under the General Data Protection Regulations, medical information is classed as special categories of data and is afforded a higher level of protection under the Regulations. As the Administering Authority Policy Statement refers to discretions which require a member to provide medical information, a Privacy Impact Assessment has been conducted on the management of medical information at the Fund. The outcome of the assessment determined that there is no significant risk to the medical information

which might be requested under this policy and therefore no change has been made to this requirement under the Policy.

Responsible Investment Framework

4.8 At its March meeting, Committee were asked to approve the updated Responsible Investment Framework, which is provided in Appendix 3. The majority of the framework remained unchanged. Aside from removal of areas of duplication, there were three main types of update. Firstly, some points of detail were updated, for example reference to the Fund's Statement of Investment Principles was replaced with reference to the Fund's Investment Strategy Statement. Secondly, the document's structure was previously divided in terms of its RI activities by groups of actors in the investment chain (the Fund, investment managers, investee companies) but is now structured by type of RI activity (selection, stewardship, transparency & disclosure). Thirdly, the role of LGPS Central and its relevance for the Fund's RI activities is noted. The Fund is committed to maintaining a leading RI Framework and it is believed that the updated Framework furthers that commitment.

5.0 Financial implications

5.1 Failure by the Fund to implement statutory policies may subject the Fund to fines imposed by the Regulator. Each policy has been drafted with this in mind and the implications were outlined as each policy is presented for approval.

6.0 Legal implications

6.1 The Fund is required under regulations to produce, publish and keep under review various strategies and policy statements. These are designed to establish best practice and accountability in the management of the Fund's assets.

7.0 Equalities implications

7.1 The Fund's policies are reviewed in line with the requirement to conduct an Equality Impact Assessment. There are no implications contained within this report.

8.0 Environmental implications

8.1 There are no implications

9.0 Human resources implications

9.1 There are no implications

10.0 Corporate landlord implications

10.1 There are no implications

11.0 Background Information

11.1 The Information Governance Framework of the West Midlands Pension Fund
www.wmpfonline.com/informationgovernance

11.2 The policies referred to in paragraph 3
www.wmpfonline.com/corporateinformation

12.0 Schedule of Appendices

12.1 Appendix 1: Policy Review Plan 2018/2019

12.2 Appendix 2: Customer Engagement Strategy 2018

12.3 Appendix 3: Responsible Investment Framework 2018

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West Midlands Pension Board Policy Review Plan 2018/2019

Name of Policy	Responsible Officer	Frequency of Review	Requirement	For approval by Pension Committee
Governance Compliance Statement*	Head of Governance	Annually (Sept) to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – statement of operational governance structure including delegations and meeting arrangements	March 2018
Pensions Administration Strategy*	Director of Pensions	Annually (Sept) to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – outlining the service standards for the Fund and employers	June 2018
Funding Strategy Statement*	Director of Pensions	Monitored annually with a full review and update following each triennial valuation	Compliance – to ensure the Fund meets its duty to pay pensions when they fall due	Sept 2018 following the issuance of the new regulations on exit credits

Name of Policy	Responsible Officer	Frequency of Review	Requirement	For approval by Pension Committee
Investment Strategy Statement (ISS) (currently Statement of Investment Principles)*	Assistant Director, Investments and Finance	Annually (Sept) to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – investment strategy and implementation typically reviewed and updated alongside each triennial valuation and also in line with key market influences and world events	March 2018
Responsible Investment Statement*	Investment Officer	Annually (Sept) to confirm relevant and up to date and ensure the legislative duty has been complied with	Best Practice – outlines Fund beliefs and approach to integration with investment strategy. Supplements the ISS	March 2018
Compliance with the Stewardship Code for Institutional Investors	Investment Officer	Annually (March)	Best Practice – the Fund’s supports and seeks to apply principles in investment activities.	March 2018

Name of Policy	Responsible Officer	Frequency of Review	Requirement	For approval by Pension Committee
Risk and Assurance Framework*	Assistant Director, Investments and Finance	Annually (June)	<p>Best Practice – to ensure the Fund’s approach to investment is managed in consideration of risk</p> <p>To ensure the Fund has in place an appropriate risk register ensuring the Fund mitigates against potential impacts</p>	September 2018 as part of the Compliance Manual review
Customer Engagement Strategy	Head of Governance and Corporate Services	Annually (June)	Best Practice – broadens the communication policy to review effective engagement	June 2018

Name of Policy	Responsible Officer	Frequency of Review	Requirement	For approval by Pension Committee
Communications Policy*	Head of Governance and Corporate Services	Annually to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – legal duty to publish a communications policy outlining how we communicate and with who	June 2018
Customer Feedback Policy	Head of Governance and Corporate Services	Annually (Dec)	Event driven	September 2018
Administering Authority Policy Statement*	Director of Pensions	Annually to confirm legislative duty has been complied with	Compliance – published policy on the exercise of discretionary administration functions	July 2018

Name of Policy	Responsible Officer	Frequency of Review	Requirement	For approval by Pension Committee
Pension Board Member Conduct Review Policy	Head of Governance and Corporate Services	Annually in line with statutory guidance from the Scheme Advisory Board	Compliance – to outline how the Fund will manage complaints against Board members. Required under the Public Service Pensions Act 2013	N/A Adopted by Pension Board at their July meeting
Freedom of Information and Data Protection	Head of Governance and Corporate Services	Annual review of the information governance policies	Compliance – new regulations coming into force May 2018	June 2018
Policy on Termination Funding for Employers	Director of Pensions	Annually monitored to confirm legislative duty has been complied with	Best Practice – formally reviewed as part of each triennial valuation	September 2018 following issuance of new regulations.

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Customer Engagement Strategy 2018

June 2018

Customer Engagement Strategy 2018

Background

The West Midlands Pension Fund ("The Fund") is one of the UK's largest pension funds managing and administering the pension interests of 313,399 members and 623 scheme employers as at 31 March 2018. It is administered by the City of Wolverhampton Council on behalf of all West Midlands local authority bodies.

Our core mission is to ensure that our members receive their pension benefits when they fall due, contributing together for our members' future. The *Customer Engagement Strategy* sets out how we will engage, consult and involve our customers as we seek to address the diverse requirements of all our stakeholders.

Aim and Objectives

The aim of this Engagement Strategy is to:



Through increasing dialogue with our customers on the Local Government Pension Scheme, its membership and benefits, the West Midlands Pension Fund carries out its role as administering authority in partnership with employers playing a key role in enabling employers to meet their statutory obligations assisting members' planning their retirement.

P PARTNERING FOR SUCCESS

R RESPONSIBLE ASSET OWNER, EMPLOYER AND LOCAL COMMUNITY PARTNER

I INVESTING TO INCREASE CAPACITY

D DRIVE EFFICIENCIES AND COST SAVINGS

E ENGAGE TO IMPROVE OUTCOMES FOR CUSTOMERS

In line with the Fund's objectives, the *Customer Engagement Strategy* plays a key role in ensuring the Fund drives continuous improvement and develops working practices, systems and process which are informed and prioritised according to the needs of our customer base.

We actively engage with our customers to keep them informed about the scheme, the performance of the Fund in the delivery of its services, ensuring these meet both the legal and regulatory duty of scheme administration as set out in The Pension Regulator's Code of Practice, and the Fund's own objectives for service development.

Our success is dependent on building and maintaining good working relationships with our employers and scheme members, and this strategy aims to ensure customer focus is embedded in Fund operations and exhibited in our behaviours.

Our strategy outlines:

- What customer engagement is to the West Midlands Pension Fund.
- Who we will engage with regarding the delivery of our services.
- The types of engagement activities we undertake.
- How the insights from customer engagement activities are used.
- How we feed back to our customers the results and actions arising from their engagement with us
- How our customers can engage with us.

Scope

The information contained in this document guides how the Fund will engage with its customers and outlines the opportunities for our customers to become engaged in the services we offer. It is relevant to all customers both internal and external, all membership groups and employers, together with the suppliers and providers we partner with.

What Customer Engagement is to the West Midlands Pension Fund

For the Fund, customer engagement is about encouraging our customers to interact and share in their experiences of the services we deliver, offering the opportunity to get involved and proactively shape future service and engagement activity. Active engagement from our scheme members and employers helps us to respond to our customers' needs while providing the Fund with an opportunity to keep up to date with changes in development relevant to their experience with the Fund. This engagement helps to ensure our service is effective and efficient whilst continuing to meet the requirements of our customers. It is through building effective partnerships that we are able to contribute together for our members' future.



Through delivering this strategy, the Fund will:

- Create opportunities for our customers to become involved in the way we develop and deliver our services
- Create efficiencies in our processes, with the aim of increasing capacity to develop new ways of working with a focus on adding value to our cost per member
- Ensure we are proactive in our approach to delivering our services and remain up to date with service improvements
- Maintain partnerships with our stakeholders creating opportunities for the Fund to deliver improvement collaboratively and efficiently.

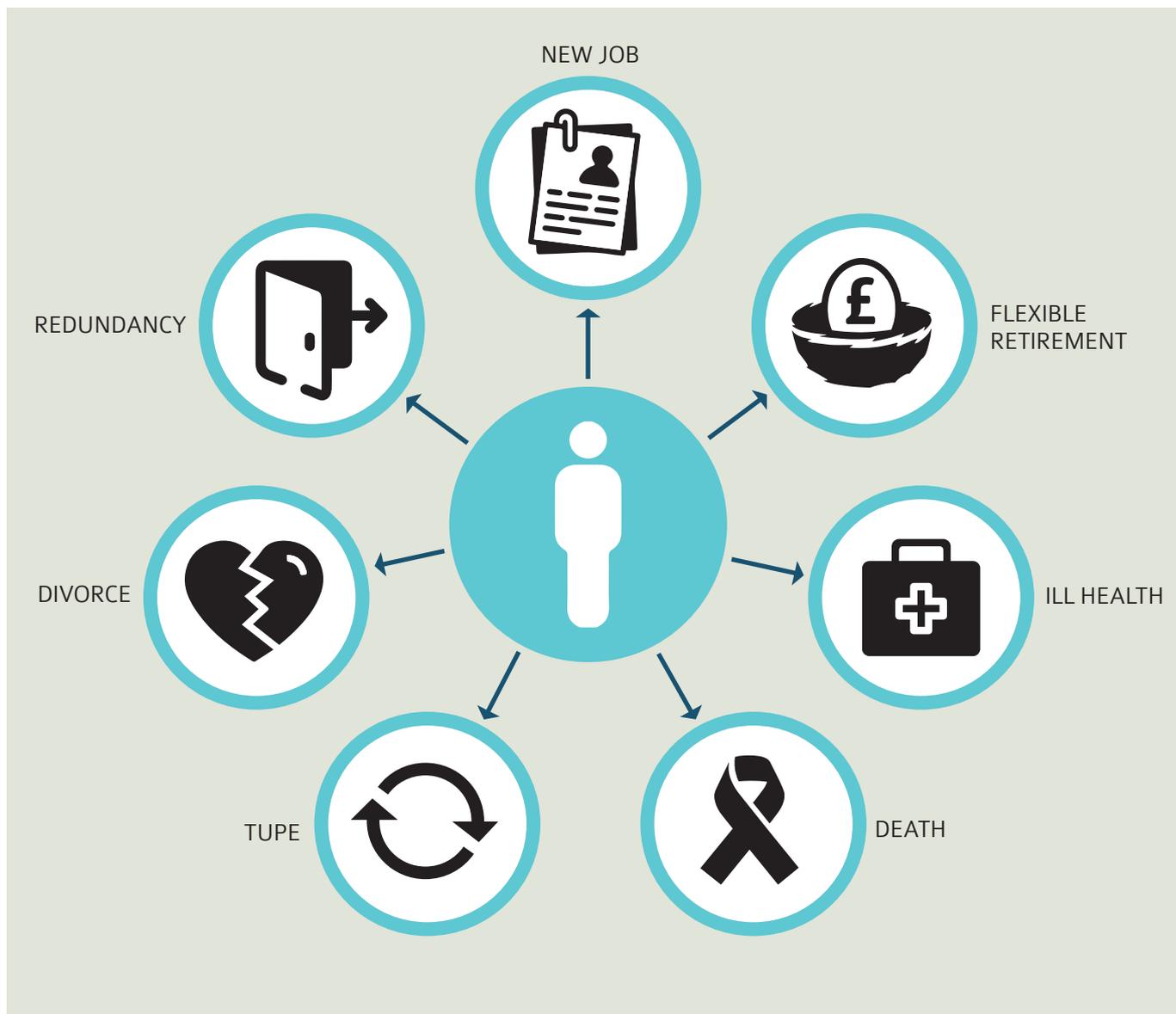
By taking the time to engage with our customers about the services we deliver, we have the opportunity to shape our customer's journey through listening to their feedback and understanding their expectations of the Fund.

Types of Customer Engagement

The Fund manages over 310,000 membership records (including active, deferred, pensioner and beneficiary). To ensure effective engagement, activities are developed in consideration of the knowledge, range of personal circumstances and channel preferences across the membership.



The Fund is also keen to ensure relevant information is available to its members at the right time. Recognising that the journey of our customers can span a significant portion of their lifetime and vary between generations, as life events such as changing jobs and reducing hours before retirement impact on pension benefits and options.



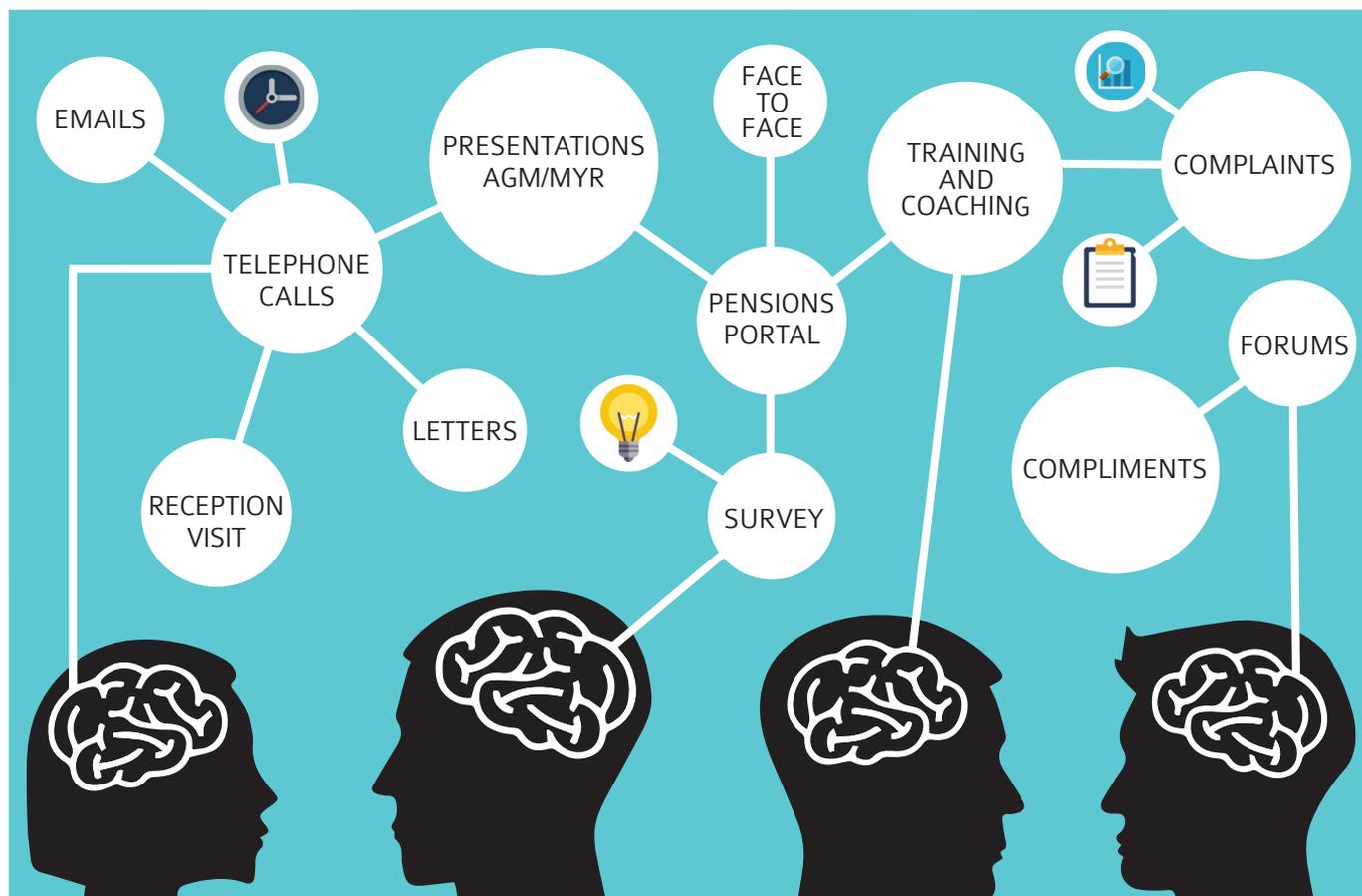
Our employers are also customers of the Fund, and our Engagement Strategy ensures the delivery and improvement of our services for all our employers whether they are just starting their journey with the Fund or going through a transition.



The Fund recognises that engagement is all about being involved with people and their day-to-day experience of the Fund. The Fund seeks the input of our customers on the quality of service they receive through regular routine feedback requests and targeted feedback from events held by the Fund.

We recognise that as well as regularly collecting feedback, it is important that we review, analyse and respond to these independent service assessments and comments and address any concerns or queries raised.

Engagement can come in many forms, but it is the outcome from that engagement that drives valued-added changes and the Fund therefore offers tailored opportunities for customers to get involved in the development of the services they receive, for example, through roadshows and consultation meetings.



Opportunities for Engagement

When people talk about pensions they are often considered as an end-of-career event, and something that is always available on retirement and provided by the Government and employer, with workplace pensions.

More recently, people (through active campaigning by Government and national associations) have become more aware of the need to plan for retirement, have been given more choices and options to consider both before and at retirement, with the focus much more on income and “wages in retirement”.

The Fund plays a role in providing information to members to assist members in planning for their retirement and in providing accurate and complete information that will enable them to make an informed decision about options and actions they can take to manage their income in retirement.

Raising Awareness and Facilitating Learning

Building customer awareness, knowledge and understanding requires us to be there with information when our customers need it, and the Fund recognises that engagement is most likely to lead to changing behaviour if there are mutual benefits. Engagement is maintained when an individual, during that change in circumstance, has support and the ability to action simple practical solutions enabling them to take decisions as and when these are required.

The table below highlights the ways the Fund raises awareness and facilitates customer learning

Members	
Pre-Retirement	Member Services Team – The Fund has a dedicated member services team who provide individual as well as general support to the Fund’s membership.
	Roadshow events – Our Member Services Team attend various employment locations across the West Midlands offering face-to-face services and appointments to our members to discuss their retirement benefits, including AVC and APC options.
	Bespoke employer events – These events are hosted for individual employers who are going through business change that affects individuals and can include retirement seminars, redundancy, TUPE, as well as information for high earners.
	Drop-in sessions – The Fund has a dedicated reception to welcome members of the Fund who want to talk to our officers about their retirement benefits on a one-to-one basis.
	Presentations – As well as roadshows and bespoke employer events, the Fund attends various corporate inductions for employees who are new to their employer outlining the benefits and rules which govern their membership of the LGPS.
	Workshops – These are hosted by the Fund to educate members on new initiatives or changes to services. Most recently, the Fund hosted workshops on our new Pensions Portal educating members on the new ways they can interact and inform the Fund.
	Member newsletter – These are issued to members on an annual basis to keep them informed and updated about changes to the scheme which could impact on their pension benefits or contribution rate.
	Statutory disclosures – These relate to changes in legislation or to the legal duty the Fund has to inform members about changes to the rules which govern their pension.
	In addition to the above, the Fund offers engagement specific for our deferred members which includes regular mailings and correspondence encouraging our deferred members to stay in contact through updating their details on our Pensions Portal.
Retirement	Pensioner workshops – These are hosted by the Fund to learn from our members’ experiences of going through the retirement process. They also offer an opportunity to educate our pensioners on the self service options available to them to keep the Fund updated on their personal information via the Pensions Portal.
	Pensioner mailings and newsletters – the Fund produces regular payslips for our members on a monthly, quarterly and annual basis (depending on how a member is paid). In addition with every April payslip the Fund issues a P60 to all our pensioners.
	This offers an opportunity for the Fund to educate our pensioners on pensions increase.
	Together with the P60 the Fund issues a pensioner newsletter which outlines opportunities for our pensioner members to become involved in the work of the Fund, details any changes to their pension benefits, payment dates, etc.
	The Fund also has a number of overseas members and the Fund recognises the importance of keeping these members informed, all correspondence and mailings as noted above are issued to our overseas members, the majority of which choose to receive their information via email, to ensure they receive it immediately it is issued. This is useful for the Fund as it promotes the use of our Pensions Portal.

Members	
Employers	<p>The Fund has a dedicated employer services team, who support new, existing and exiting employers from the Fund. In recognising a member's journey through the Fund, it is important we also recognise an employer's journey as they join and potentially exit the Fund.</p> <p>Employer coaching sessions – The Fund offers regularly coaching sessions to employers which vary in topic from what it means to be an employer in the Fund, to training on Fund processes, including submitting financial information and monthly return files for reconciling the Fund's membership.</p> <p>Employer Briefing Note – On a quarterly basis, the Fund issues an employer briefing note which details changes in legislation, Fund processes (such as changes under GDPR) and informs employers about upcoming events.</p> <p>Employer Peer Group – This is a group of employer representatives who meet on a quarterly basis and discuss new initiatives and changes to the scheme processes and policies. The group played an integral part in the shaping of the Fund's monthly submission process.</p> <p>Employer events (Mid-Year Review and Annual General Meeting) – The Fund hosts employer events on a bi-annual basis and invites all employers to attend a half-day session to learn about the LGPS industry, and includes presentations on investment, regulation and employer and Fund performance.</p> <p>Employer survey – Every year, the Fund issues an employer survey seeking feedback on the services provided and what services they want to see provided for the forthcoming year. This serves as a valuable education piece for the Fund enabling us to review the services we offer and ensure they deliver for our employers addressing their concerns.</p>
Trustees and Pensions Board Members	<p>The Fund has a tailored training and development program for our Trustees and Pensions Board Members which assists them to meet their statutory requirement of having 22 hours training each year.</p>

Enabling Action and Self Service

The Fund continues to work to provide tools to support our customers in taking action to support delivery of benefits to our members.

Pensions Portal	<p>In 2017 the Fund launched its new Pensions Portal, an online self-service platform for members. The portal allows members to run retirement quotes (active members), upload documents and change their personal information. Through the Fund's digital transformation program, the aim is to provide for online services and updates to a member as their journey through the retirement cycle progresses.</p>
Employer Portal	<p>In addition to the member portal, the Fund also has an employer portal, whereby employers can action and upload information (including monthly submission files). Most recently the Fund has worked with its employers to develop employer worktrays which link directly to the Fund's software system extending workflow management systems to the employer. The aim being to facilitate efficiency in working practices, thereby improving the service received by our members.</p>

Who We Engage With

The Fund aims to have an inclusive and consistent approach to its customer engagement, while recognising the need to tailor services but balance this against delivery cost and operational efficiency. In delivering its engagement strategy, the Fund seeks opportunities to reach out to representatives across the employer and member base to ensure a valued service is delivered.



Employers

The Fund has in excess of 600 employers varying from district councils and academies to charities and contracting bodies.

In recognising the range of employers we have, the Fund tailors its engagement to ensure it delivers for differing employer needs.

As employers, the Fund recognises that engagement with them works on two levels.

1 Employers as intermediary between the Fund and its members

Employers offer a direct opportunity for the Fund to engage and communicate with its membership offering at-work engagement through the Fund's presentations and roadshows.

2 Employers as customers of the Fund

Receiving products and services to better their understanding of their role as a Fund employer, as well as providing the opportunity to consult on changes to process and products as part of the Fund's ongoing review of its customer delivery.

The role of employers as customers is integral to ensuring the reputation of the Fund is transposed to our members through the high quality service received. The Fund is reliant on the messaging from employers to their employees about the benefits of the Local Government Pension Scheme, and it is important the Fund partners with employers as much as it delivers information to members.

Trade Unions

The Fund offers a direct link for our members to the Fund and its decisions, by inviting representatives from our trade unions to sit on Pensions Committee as observers. As observers, they are invited to engage and debate issues relevant to our members, ensuring a direct link to the decisions taken. Five trade union representatives currently sit as member representatives on the Fund's Local Pensions Board.

Partner Organisations

Being one of 88 Local Government Pension Scheme funds, we recognise the value in engagement with our partner organisations, be it other LGPS funds or industry partners. The opportunity to learn from each other's experiences offers a valuable insight to new initiatives and is an effective way to share resource across partner organisations, delivering on our objectives of partnering for success and driving efficiencies.

Statutory Bodies

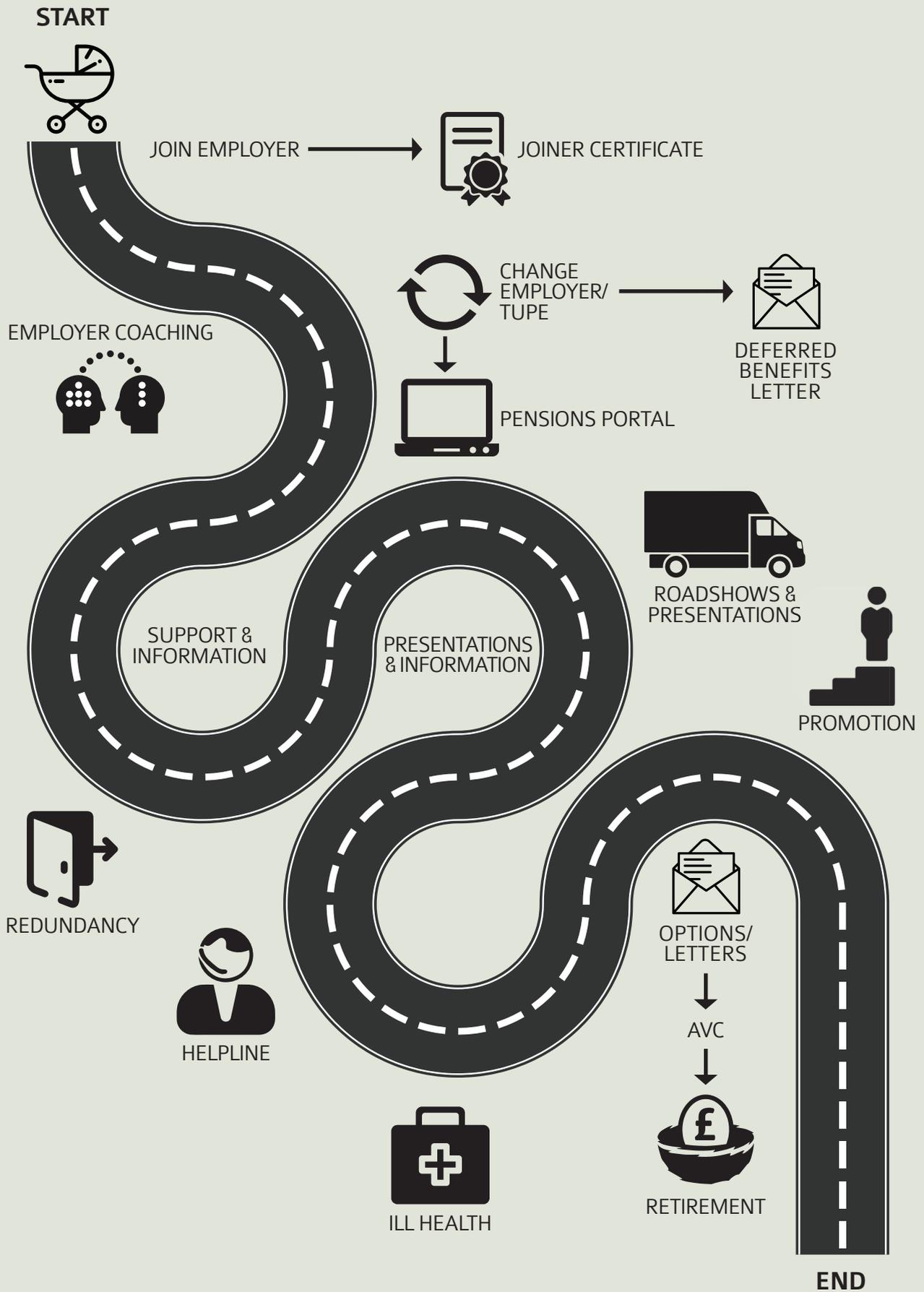
While being a service provider to our customers, the Fund is also a service user of national policy, guidance and legislation and engages at a national level on behalf of its customers, responding to consultation, ensuring the LGPS continues to deliver for employers and members.

How Our Customers Can Engage With Us

The Fund is committed to creating opportunities to engage and to ensuring it offers a range of forums to collate feedback. The Fund's pension services teams deliver a region-wide service and opportunity for engagement through the Fund's roadshows and employer coaching events. Attending on site at our customer's locations provides easy access to the Fund information about the services we offer, to seek assistance and information, and to provide feedback on how we have performed.

Our *Customer Engagement Plan* is appended to this document highlighting the various events and locations where our customers can engage with the Fund.

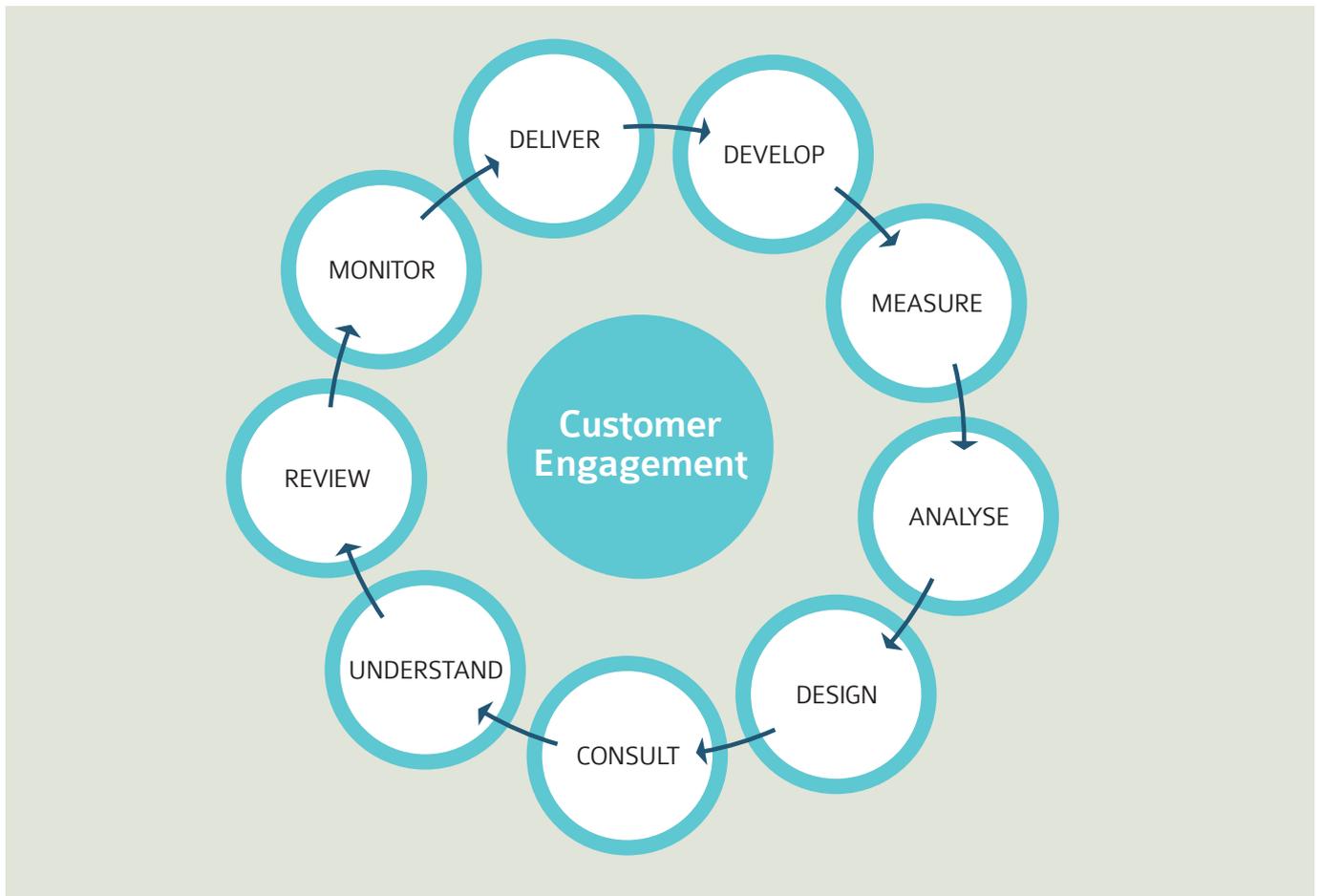
THE PENSION JOURNEY



How We Ensure the Ongoing Development of Our Services

Overriding all aspects of this strategy is the Fund’s mission to contribute together for our members’ future. Through active engagement, the Fund is able to understand the utilisation of its services, keep up to date with customer experience and changing needs, resolve any issues identified and ensure lessons are learned and understanding developed to ensure the Fund can meet its objectives.

Engagement sessions are not just about delivering information, but about enabling members and employers to act. Through direct contact with our customers, we are able to develop our understanding of our customer experience and to be proactive in our delivery of service improvement.



Through regular feedback and monitoring, we are able to better understand external impacts on our customers, review the information we provide and the time we provide it while supporting our customers through significant events.

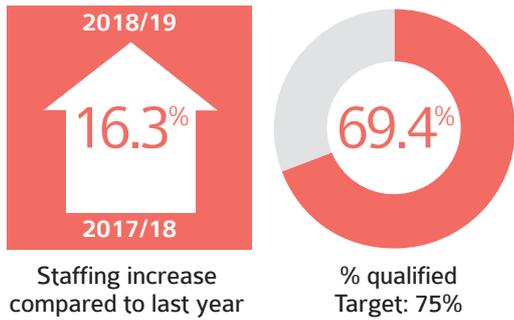
Through the feedback received the Fund is able to analyse performance, understand customer concerns and deliver a service that is easy to access, effective and represents value for money.

Communicating the actions taken in response to feedback and responding to any concerns raised is key in demonstrating how the Fund listens to its customers.

Keeping Our Customers Informed

Through our engagement activities, we report back on the successes or challenges of our engagement which have led to service development and improvements, reporting on a quarterly basis to our Pensions Committee our key performance indicators (KPIs) on customer service.

People

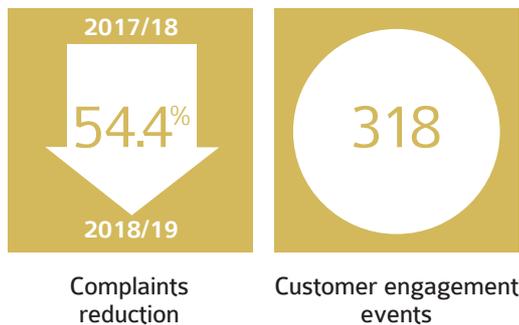


Process

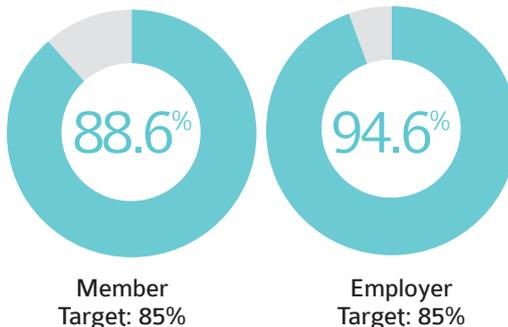


NOTE: this area of work has improved dramatically over the course of the year; the figures are cumulative

Customer



Call Handling



Financial

Cost Per Member - Main Fund



Cost Per Member - ITA Fund



Budget



It is the Fund's aim to ensure continuing improvement on those KPIs and see all feedback, including negative feedback, as an opportunity to improve and shape our services so that they deliver for our customers.

Measuring Our Success

As with all initiatives, this *Customer Engagement Strategy* is on a program of continual review and development to ensure the activities and opportunities we present achieve our aims and objectives. To test this success, the Fund will focus on the following outputs:

- Reduction in member complaints in the area of processes, communication and accessibility of online services.
- Maintaining and improving Fund performance for processing member benefits.
- Reduction in outstanding data queries.
- Improvement in timely and accurate submission of information to the Fund.

Our Focus For 2018/19

In line with our Service Plan 2018 – 2023 the Fund has focused this year’s customer engagement on the following priorities:

- Data improvement in line with TPR's expectations of data quality and the delivery of benefit statements.
- Digital transformation including service development that assists employers processing of monthly submissions.
- Continued engagement with other funds to develop annual benefit statements for 2019 and the national communication with members.
- Engage with employers on the monthly submissions process one year after implementation to consider lessons learned and ideas for future development.
- Increase registrations for Pensions Portal and encourage self service of our members.

Ownership of the Customer Engagement Strategy

This strategy is owned and overseen by the Head of Governance and Corporate Services. The day-to-day implementation has been delegated to the Communications and Events Officer with support from the Fund’s Customer Services manager alongside stakeholders from across the business.

Strategy owner:	Head of Governance and Corporate Services
Last updated:	May 2018
Next review:	May 2019

West Midlands Pension Fund

PO Box 3948
Wolverhampton
WV1 1 XP
United Kingdom



Responsible Investment Framework 2018

March 2018

Responsible Investment Framework 2018

1) Introduction

About This Document

This framework defines the commitment of West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund (together: 'the Fund') to responsible investment (RI). Its purpose is to detail the approach that Fund aims to follow in integrating environmental, social and governance (ESG) issues in its investments. It is considered supplementary to the Fund's *Investment Strategy Statement* and thus in alignment with its fiduciary duty. This framework has been developed in the context of relevant regulations, statutory guidance and the advice of the Law Commission.

The Pensions Committee is at all times responsible for the Fund's investments, including oversight of the RI strategy. Responsibility for oversight of the Fund's RI framework sits with the Director of Pensions. This policy applies to all members of the Pensions Committee and the Fund officers.

The Pensions Committee will review this policy at a minimum annually, or at such time as the Fund sees fit to revise its RI policies and procedures.

LGPS Central

From April 2018 it is likely that a significant proportion of the Fund's RI activities will be executed on the Fund's behalf by LGPS Central Limited ("Central"). Central is the company established by the Fund and seven regional partners to operate collective investment vehicles through which the Fund may invest to save costs over the long term. Central is expected to have a leading approach to RI. Where this document refers to "fund management arrangements", this is defined to include arrangements with Central. Where this document refers to directly held assets, this does not refer to assets managed by Central.

Definitions of Responsible Investment and Stewardship

The term 'responsible investment' refers to the integration of financially material environmental, social and corporate governance ("ESG") factors into investment processes. It has relevance both before and after the investment decision and is a core part of fiduciary duty. It is not simply a box-ticking exercise nor is it merely a matter of managing reputational risk. It is distinct from 'ethical investment', which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.

We define the concept of stewardship in the same way as the Financial Reporting Council (FRC), the organisation that oversees the UK Stewardship Code:

"Stewardship aims to promote the long-term success of companies in such a way that the ultimate providers of capital also prosper. For investors, stewardship is more than just voting. Activities may include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration. Engagement is purposeful dialogue with companies on these matters as well as on issues that are the immediate subject of votes at general meetings."

Please refer to the glossary for more definitions of terms.

2) Beliefs and Guiding Principles

RI Integration

The Fund believes that effective management of financially material RI risks should support the Fund's requirement to protect returns over the long term. The Fund considers RI to be relevant to the performance of the entire Fund across asset classes.

There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.

The Fund recognises the importance of taking 'proper advice' (as defined in the regulations) and of coming to investment decisions after adequate scrutiny of a robust evidence base.

Engagement Versus Exclusion

Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is risk but also opportunity in holding companies that have weak governance of financially material RI issues. Thus, the Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund extends this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of fund managers who are at an early stage of developing its RI approach.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone. The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

Remuneration, Fees and Incentives

Executive remuneration and investment management costs matter, particularly in low-return environments. Fee arrangements with fund managers and the remuneration policies of investee companies should be aligned with the Fund's long-term interests. The Fund recognises that it is part of its fiduciary duty to ensure that there is appropriate alignment.

Climate Change¹

Financial markets could be materially impacted by climate change and by the response of climate policy-makers. Responsible investors should proactively manage this risk factor through stewardship activities, using partnerships of like-minded investors where feasible.

3) In Practice

Either directly or through fund management arrangements, the Fund aims to put its responsible investment beliefs into practice through actions taken both before the investment decision (which we refer to as the selection of investments) and after the investment decision (the stewardship of investments). The Fund aims to be transparent to its stakeholders through regular, high quality disclosure. These ambitions yield the Fund's three RI pillars: Selection, Stewardship and Transparency & Disclosure.

Selection

The Fund aims to be aware of and monitor financially material RI issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Fund will monitor:

- RI issues in relation to directly managed investments;
- the extent to which fund managers incorporate RI issues into their investment processes, with the expectation that managers' processes will improve over time. This is managed at the due diligence and appointment states as further explained below:

Fund Manager Due Diligence

The Fund collects the following information from each manager before they are appointed where applicable to the asset class:

- Copy of their RI or stewardship policies (or equivalent) which articulates how RI factors, whether stemming from research, stewardship activities or other sources, are integrated into their investment process.

- Case studies or examples of where RI issues have influenced an investment decision.
- Information on the process for integrating any third party RI data into their company financial models, investment strategies and portfolio construction.
- Fee transparency and evidence of disclosure.
- RI reporting format.
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and UK (or other) Stewardship Code, copy of their PRI public report and annual assessment scores if applicable.

Fund Manager Appointments

The Fund assesses the RI capability of a fund manager as a factor within each of the people, process and performance categories. In its decision to appoint a fund manager, the Fund takes a balanced consideration of all relevant factors including RI. However, the Fund will pay particular attention to adherence to relevant soft regulatory codes² depending on the market in which it invests.

In practice, this means the Fund is willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over time.

In alignment with our guiding principles on 'engagement versus exclusion', the Fund believes that there is added value in working with them to improve their approach.

LGPS Central

LGPS Central will begin to manage assets on the Fund's behalf from April 2018. Central will operate an investment process that integrates RI factors alongside "traditional" factors, as detailed in Central's *Responsible Investment and Engagement Framework*. RI integration is expected to feature in the investment process for all major asset classes invested in by Central, whether the investments are managed internally or externally.

Stewardship

The Fund aims to make full use of its stewardship rights, including voting and engagement activities. From April 2018 this will be executed on the Fund's behalf by LGPS Central for certain investments.

¹ By highlighting climate change, rather than other RI risk factors, we are not asserting that climate risk has, for all assets, greater economic significance than other factors. Our motivation for referring specifically to climate change risk derives from our recognition that it is a risk factor of particular importance to a number of stakeholders, and we have communicated our investment beliefs about climate change for reasons of transparency.

² For example, UK and Japanese Stewardship Codes

Company Engagement

The Fund's approach includes bottom-up engagement – which targets improvements on specific issues at individual companies – and top-down engagement – which identifies particular themes of long-term economic significance and of relevance for stakeholders. The Fund will, either directly, collaboratively or through specialist service providers or fund management arrangements:

- hold constructive dialogue with investee companies;
- encourage the disclosure by companies of RI issues;
- participate in the development of public policy on RI issues; and
- disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of the Fund's beneficiaries first.

Fund Manager Monitoring

Each fund manager is expected to report³ at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of RI issues into its investment and stewardship activities.
- How investment and stewardship functions are combined to protect and/or enhance value.
- Any outcomes arising from the manager's engagement with companies and their effectiveness.

Industry Engagement

In collaboration with other like-minded investors, the Fund may engage with public policy makers, regulators, trade bodies, indexes and other players in the financial markets to further support the Fund's fiduciary responsibilities. The Fund considers these initiatives on a case-by-case basis.

Shareholder Litigation

The Fund is eligible to participate in certain individual and class action securities litigation. Securities litigation may be used as an escalation technique within an engagement process. There are a number of litigation options available when a company has violated securities laws that result in losses to the Fund.

For US-based claims, the options would be to:

- remain in the class action and file proof of claim through our claims administrator;

- participate as a lead plaintiff in a class action; or
- opt out and file a private action.

For non-US based claims, the options would be to join an existing group action or file a group action as a lead plaintiff.

The Fund takes a case-by-case approach in determining whether or not to join a class action but considers factors such as:

- advantages and disadvantages of the Fund becoming actively involved;
- relative size of the Fund's potential losses compared to other organisations;
- likelihood of success; and
- whether the Fund is fully indemnified against costs, expenses, counterclaims and any other losses.

Voting

The Fund uses its voting rights to support the long term economic interests of its stakeholders and to ensure boards of directors are accountable to shareholders. The Fund expects UK companies to adhere to the UK Corporate Governance Code on a comply or explain basis. Further, the Fund has a bespoke UK voting policy (available on the Fund's website⁴), which aims to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards.

The Fund expects companies outside the UK to adhere to international voting principles, recognising local application and development.

Where practical⁵, the Fund aims to vote in every single market in which it invests. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. These arrangements are reviewed on a regular basis.

Securities Lending Programme

The Fund has an active securities lending programme. To ensure that the Fund is able to vote all its shares at important meetings has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund monitors the meetings and proportion of the securities on loan, and will restrict and/or recall lent stock in select circumstances.

³ Refers to either formal written reporting and to informal verbal communications, which can be regular and/or ad-hoc in frequency.

⁴ <http://www.wmpfonline.com/article/5693/Voting-Globally>

⁵ Issues such as power of attorney or share blocking in certain markets may prevent the Fund's ability to do so

Climate Change Stewardship⁶

The Fund, either directly, through partnerships or fund management arrangements, aims to:

- encourage improvement in the level of disclosure by companies of material climate change risks through collaborative initiatives, for example via our affiliations with LAPFF, CDP, and the Institutional Investors Group on Climate Change (IIGCC);
- support – and where applicable co-file – reasonable shareholder proposals to disclose/justify a company’s approach to climate change risk;
- review its fund managers to understand their approach to incorporating climate change considerations and encourage improvements in identifying and assessing the potential impact of climate change;
- contribute to public policy with regard to climate change as it relates to investment considerations through participation with organisations such as the IIGCC. In support of this aim, the Fund is a signatory to the Global Investor Statement on Climate Change⁷;
- increase awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives;
- keep up to date on the latest research and thinking on the financial materiality and interconnectedness of climate change within and across asset classes;
- use and encourage adoption of the Transition Pathway Initiative’s (TPI) toolkit for climate change management and performance; and
- disclose using the framework recommended by the Taskforce on Climate-related Financial Disclosures (TCFD), which is recognised as best practice.

Memberships and Affiliations

Local Authority Pension Fund Forum

The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund’s Director of Pensions is currently LAPFF’s Honorary Treasurer. LAPFF is the UK’s leading collaborative shareholder engagement group encompassing more than 70 local authority pension funds from across the country with combined assets of around £200 billion. The Fund is an active participant in LAPFF’s engagement programs. Membership of LAPFF provides the Fund with:

- independent research and advice on the RI risks of companies to inform further stakeholder engagement;
- advice on the governance practices of companies; and
- a forum to engage with companies to improve governance practices.

Other Initiatives

The Fund is currently a signatory to the UN-backed Principles for Responsible Investment and is a member signatory of the CDP. The Fund is presently a member of Institutional Investors Group on Climate Change (IIGCC), the Pensions and Lifetime Savings Association (PLSA), Transition Pathway Initiative (TPI) and the 30% Club Investor Group. Memberships are reviewed on a regular basis.

Transparency & Disclosure

The Fund aims to keep its beneficiaries aware of its RI activities through:

- making its RI policy documents public, eg. voting policies, RI policy;
- providing a summary of the Fund’s RI activities, including voting activity⁸, in the annual report ;
- providing a summary of the Fund’s RI activities in the quarterly reports to the Fund’s Pensions Committee;
- publishing aggregate voting and company engagement statistics on a quarterly basis;
- disclosing the outcomes of its voting decisions on a vote-by-vote basis; and
- disclose the Fund’s approach to managing climate change risk using the TCFD framework.

4) Appendix: Glossary of Terms

Responsible Investment

The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and stewardship practices in the belief that these factors can have an impact on financial performance. The Fund also supports the PRI’s definition of responsible investment which can be found here: <http://www.unpri.org/introducing-responsible-investment>

ESG

Environmental, social and governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence and audit function.

Governance

The process and principles by which a company or organisation undertakes its business. For the Fund, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

⁶ Please refer to the previous footnote regarding climate change risk

⁷ <http://www.iigcc.org/publications/publication/2014-global-investor-statement-on-climate-change>

⁸ In line with Regulation 57 of the 2013 Regulations.

Stewardship

Refers to the responsibility of the Fund to participate, where appropriate, in the governance decision-making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognises the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.

Fund

West Midlands Pension Fund and West Midlands Integrated Transport Authority Pension Fund

Pensions Committee

Body established by City of Wolverhampton Council (the administering authority) in charge of the management of the administration of benefits and strategic management of the Fund's assets, which has representation from the seven West Midlands metropolitan district councils and local trade unions.

Pensions Board

The role of the Pensions Board is to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties. The Board consists of six employer and six member representatives consisting of five employer (officer) and five member (trade union) representatives together with two City of Wolverhampton councilors (one sitting as an employer representative and one as a member representative). The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules. The Fund's policies, including the ISS and the RI Framework, are reviewed annually by the Pensions Board.

Social Investments

Investments that deliver social impact as well as a financial return are often described as "social investments".

The Fund considers opportunities in social investments alongside other opportunities and will assess their relative merits on fundamental grounds and with reference to suitability of fit for the Fund.

Investments Division

PO Box 5327
Wolverhampton
WV1 9LS
United Kingdom

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Pensions Board

25 September 2018

Report title	Data Quality and Employer Performance	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The implementation of monthly submissions as business as usual
2. The quality of data held by the Fund and the comparison on quality for the 2016/17 and 2018/19 year.
3. The performance of employers in the area of data quality
4. Changes made to maximise production of 2018 Annual Benefit Statements

1.0 Purpose

- 1.1 To provide an update to Pensions Board on the work of the Fund in the area of data quality and to provide assurance on the action the Fund is taking with employers to improve scheme record keeping and enable issue of benefit information to members.

2.0 Background

- 2.1 All Local Government Pension Schemes collect and hold records about scheme members' identities, personal data, pay and their time in the scheme in order to calculate and pay out pension benefits.
- 2.2 Record keeping is a vital part of running a scheme and failure to maintain complete and accurate records means the Fund is at risk of failing to meet its legal obligations. Crucially, it can affect the Fund's ability to complete basic functions such as paying members the right amount at the right time and issuing annual benefit statements as required under the Local Government Pension Scheme Regulations.

3.0 Monthly Submissions

- 3.1 Following the introduction of monthly submissions in April 2017 (with all employers going live from September 2017), the Fund has successfully received the majority of all monthly files expected from employers. This is a significant achievement by the Fund and our employers and highlights the collaboration and commitment of both to deliver a high-quality service to our members.
- 3.2 Those employers who have not submitted a monthly file, are either small employers (with 1 or 2 employee records that can easily be rectified) or are employers who changed payroll provider during the financial year (known limitations) for whom the Fund has granted an extension to their "go-live" date to enable them to implement the change with their new payroll provider.
- 3.3 Having now established the monthly submissions process, the Fund is reviewing the project to identify lessons learned and areas for further development. It has also reviewed the performance of the Fund and employers in relation to timescales for the submission and return of analysed data files and has developed both internal and external Key Performance Indicators to monitor the delivery of monthly submissions. The KPI's have been developed in line with the Fund's Pension Administration Strategy and Employer Engagement Roadmap, all of which inform the ongoing development and review of the Fund's Data Improvement Plan.
- 3.4 Engagement continues with Fund employers with face-to-face meetings ongoing with our larger employers. Through its active engagement, the Fund receives regular feedback and will shortly be submitting its annual survey to employers to develop our understanding of areas for further development. Further detail on the Fund's work in this area is outlined in the Fund's Customer Engagement Report.

4.0 Year on Year comparison

- 4.1 Since introducing monthly submissions in 2017, the Fund has been monitoring the progress of employer files uploaded as part of their data submissions month on month. For the year 2017/18, the Fund has seen a 53% increase in the quality of data received from employers than the same time last year (under the Annual Returns process) with the overall error rate dropping from 9.29% to 4.92%. This is a significant improvement in the quality of information being received from employers for current data (i.e. data relating to the current financial year).
- 4.2 The main areas of concern remain with identification of possible gaps in notifications of those leaving the scheme during the year, with 75% of overall errors falling into this category. Possible leavers are where the Fund has a record for a member, but that member is no longer showing on the employer monthly file, this raises a query as to whether the member has left the employment of the employer and flags as an error on the monthly file until the leaver query has been resolved.
- 4.3 One of the benefits of monthly is that we are now able to identify and raise discrepancies earlier and throughout the year which is expected to lead to swifter resolution.

5.0 Employer Performance

- 5.1 In line with the Pension Administration Strategy (PAS), the Fund monitors employer performance against data quality on both timeliness and accuracy of information provided. The PAS monitors not only the submission of information through the monthly submissions process, but also performance in relation to business as usual data queries, those that arise at the point of processing a member's benefits.
- 5.2 While the performance of monthly submission files has been really positive, the trend in historical data (data which pre-dates the current financial year) has not followed suit and the Fund is aware that where employers are putting resource and commitment to the monthly submission process, business as usual activities have been impacted. Outstanding data items identified from many of the 2017 Annual Return (which were fed back to all employers by June 2017) remain and work is ongoing by employers and the Fund to review and process these records.
- 5.3 During the 2017/18 year only 35% of leaver notifications are received within the target timescale and only 45% of retirement notifications. This represents an improvement relative to 2016/17 but is still below the target level set. The Fund stressed at its employer Mid-Year Review event in May the importance of these timely notifications to ensure the Fund is able to provide members with the information they need at the time they need it. This message continues to be delivered in the Fund's Employer Briefing Note which is created and distributed quarterly to employers.
- 5.4 Historic data queries with employers (historic is classified as anything that pre-dates the previous financial year (31 March 2017)) are being fed back to employers each month with their monthly submission data queries.

5.5 Targeted workplans are being developed with the Fund's larger employers or those with the highest error rate. This includes the production of a dashboard summary sheet which note the main areas of focus for employers as the Fund moves towards the production of annual benefit statements.

6.0 Data Improvement Plan and the Production of 2018 Annual Benefit Statements

6.1 In compliance with its statutory obligations, the Fund must produce an Annual Benefit Statement for all members by 31 August each year stating their benefit entitlement as at 31 March.

6.2 As outlined in the Annual Governance Report, the Fund took the active step to report itself to the Pension Regulator (TPR) on the issuance of 79% of its active member benefit statements by 31 August 2017 and since that time work has been underway to improve the production of statements through the development and delivery of our Data Improvement Plan.

6.3 The production of annual benefit statements follows a series of activity to review and update member records. Routine employer notifications and data feeds are validated (pre-2014 membership is linked to final salary and up to date CARE pensions calculated) with current and future benefit illustrations being prepared for inclusion on annual benefit statements. The statements are reviewed as an annual exercise to confirm the information they present together with any explanatory notes and are uploaded to our member Pensions Portal. To maximise the delivery of the 2018 annual benefit statements the Fund has implemented a rolling benefit statement project which will see a weekly cycle of benefit statements being produced to provide an extended timescale to resolve and rectify queries raised with employers. This cycle will continue to run until December 2018.

6.4 The Fund has engaged with employers on the production of benefit statements with communications and support offered to help manage member expectations with communications placed on our website. A face-to-face meeting with employers has been arranged to discuss the program of work and how they can help the Fund going forward to maximise benefit statement production.

6.5 In addition to this overarching improvement plan, through the engagement with the largest employers, the Fund has also developed individual employer data improvement plans which are being presented at face-to-face meetings with the aim of focusing on those areas required for the delivery of benefit statements to those employer's members by 31 August, and highlighting those areas which need improvement by 31 March 2019 when the Fund will begin work on the 2019 Actuarial Valuation.

6.6 In addition to the review of incoming data and information from employers, a wider review of scheme data is obtained from a common and conditional data review report embedded in the Fund's pension administration software system, UPM. This is routinely run and will be developed as work continues at a national level to determine standard conditional data set across the LGPS. Common data refers to information required by all pension schemes, (names, DOB, address), conditional data refers to scheme specific data and

includes pay and hours. Further information on the work in this area will be presented to January Pensions Board.

7.0 Financial implications

7.1 The late receipt of membership data and/or data errors can increase the administration cost of the Fund and risks penalty charges if as a result the Fund is unable to meet its obligations to members. The Fund monitors employer performance to identify issues early and escalates to appropriate senior officers within those employers where action needs to be taken. The Fund has the ability to recover costs from employers where additional work is required and will be recharging for additional costs incurred for additional work required for the resolution of large volumes of outstanding data and is managing this on a case by case basis.

8.0 Legal implications

8.1 The Fund has a legal duty to meet with legislation and statutory best practice, failure to do so may open the Fund to challenge from the Pensions Regulator or the National Scheme Advisory Board and may incur severe penalties from the ICO with the implementation of the General Data Protection Regulations.

8.2 The Fund is able to recharge employers (to cover any costs incurred) through its pension administration strategy.

9.0 Equalities implications

9.1 The Data Improvement Policy has been written in compliance with the Equalities Act 2010 and has been assessed under GDPR via a Privacy Impact Assessment.

10.0 Environmental implications

10.1 There are no implications

11.0 Human resources implications

11.1 There are no implications

12.0 Corporate landlord implications

12.1 There are no implications

13.0 Schedule of background papers

13.1 There are no background papers.

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Pensions Board

25 September 2018

Report title	Annual Report and Accounts 2017/18	
Originating service	Pension Services	
Accountable employee(s)	Darshan Singh	Head of Finance
	Tel	01902 555768
	Email	darshan.singh@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendation for action or decision:

The Board is recommended to note:

1. The Statement of Accounts for West Midlands Pension Fund (WMPF) for the year ending 31 March 2018 was audited and completed by 31 July 2018.
2. The draft Annual Report & Accounts for WMPF were considered by Pensions Committee on 5 September and are now subject to audit by the Fund's external auditors, Grant Thornton.
3. The accounts for the West Midlands Integrated Transport Authority (ITA) for the year ending 31 March 2018 were audited and completed on 20 July 2018.

1.0 Purpose

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2018 and the latter's publication on the Fund's website.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce a Statement of Accounts and an Annual Report. These must be subject to external audit and published no later than 31 July (accounts) and 1 December (annual report) respectively.
- 2.2 In preparing their Annual Report and accounts, Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. These are:
- for the Statement of Accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18' (CIPFA) ('the Code');
 - for the Annual Report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).
- 2.3 As well as being published in the Fund's own Annual Report, its accounts must be included in the Statement of Accounts of the Administering Authority (in this case, the City of Wolverhampton Council or West Midlands Combined Authority). It is important to note that the transactions and balances of the Funds are completely separate and not combined with those of the Administering Authority.
- 2.4 The draft accounts are required to be certified by the Section 151 Officer on or before 31 May following the year end. The certification was given by the City of Wolverhampton Council's Chief Accountant on 31 May 2018 and by the Combined Authority's Finance Director on 18 May 2018.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 With effect from 2017/18, the accounts closure timetable was brought forward significantly with certification of draft accounts required by the end of May and, the audited accounts to be published by the end of July. These deadlines were achieved in a challenging period for WMPF with a complete change in the Finance team, implementation of new processes and systems and the transition of employees and assets to LGPS Central Limited during closedown.
- 3.2 A combined Annual Report has been prepared which contains the report and accounts for both West Midlands Pension Fund and the ITA in the same document.

4.0 Draft Annual Report 2017/18

4.1 The draft Annual Report will shortly be made available on the Fund's website, <http://www.wmpfonline.com/annualreports>. The Fund has prepared a single Annual Report that includes both the WMPF and the ITA fund. The contents of the Annual Report are as follows:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Further Information

4.2 The Annual Report provides a thorough review of the Fund's activities during the year and notes some particular successes including:

- Maintaining the cost of administration, oversight and governance per member within budget (£21.07 versus £23.20).
- Achieving a return on investments (WMPF) of 8.9% p.a. over the three years to 31 March 2018 compared to a benchmark return of 8.4% p.a.
- Further streamlining portfolio management arrangements resulting in savings in investment management fees.
- Working with the Fund's investment pooling partners to launch LGPS Central Limited in line with the Government's Investment Pooling Guidance of 1 April 2018.
- Playing a key role through both the Local Authority Pension Fund Forum and the United Nations Principles for Responsible Investment (PRI) in advancing the responsible investment agenda.
- Continuing to develop the Fund's electronic business model including a rise in the number of members registered with the web portal to over 62,500 at 31 March 2018.

5.0 Statement of Accounts 2017/18

5.1 The purpose of the Statement of Accounts is to report the Fund's financial performance for the year and its balances and reserves as at the year end. There are two primary statements; the Fund Account, which is concerned with transactions during the year, and the Net Assets Statement, which reports balances at the year end. These statements are supplemented by a series of notes to the accounts which expand on items in the primary statements or provide further information about the Fund.

5.2 During 2017/18, the WMPF grew in value by £1.1 billion. The reasons for this were:

	Increase/(Decrease) in Fund £m
Net contributions receivable/benefits payable	663.8
Investment income receivable	241.0
Net gains in the value of investment assets	302.8
Sub-total net increases	1,207.6
Net transfers by members out of the Fund	(15.4)
Management expenses charged to the Fund	(66.8)
Sub-total net decreases	(82.2)
Total increase in the Fund value	1,125.4

- 5.3 It is worth noting the sizeable balance of contributions receivable over benefits payable in 2017/18 – the £663.8 million shown in the table above. This follows on from the actuarial valuation as at 31 March 2016 and some of the local authorities choosing to pay their entire 3-year future service and past service deficit employer contributions as lump sums in April 2017, hence the significant increase in net contributions over the year. It is expected that this margin will decrease for the next two years as employer contribution receipts will be lower and the number of pensioners continues to rise more quickly than the number of active members. The £663.8 million also includes £34.6 million of early retirement contributions from employers as a consequence of their staffing decisions during the year.
- 5.4 Net assets of WMPF at 31 March 2018 stood at £15.4 billion up from £14.3 billion at 31 March 2017. This comprised investment assets of £15.3 billion and working balances of £134.3 million.
- 5.5 The Fund has taken the option under the CIPFA code to disclose the present value of all Fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS19 basis, stood at £22.1 billion at 31 March 2018. This is a slight decrease on the 31 March 2017 figure of £22.2 billion primarily due to changes in actuarial assumptions mitigated by annual interest on the liabilities to pay benefits and new benefits accrued over 17/18.

5.6 The ITA Fund decreased in value by £10.8 million. The reasons for this were:

	Increase/(Decrease) in Fund £m
Investment income	17.8
Net decrease in the value of investments	(11.9)
Sub-total net returns on investments	5.9
Net transfers by members out of the Fund	(0.8)
Net contributions receivable/benefits payable	(14.9)
Management expenses charged to the Fund	(1)
Sub-total net withdrawals & expenses	(16.7)
Total decrease in the Fund value	(10.8)

5.7 Benefits payable exceeded contributions receivable by a significant margin reflecting the greater maturity of the ITA Fund and the fact that it is a closed fund.

5.8 Net assets of the ITA Fund at 31 March 2018 stood at £492.0 million down from £502.8 million at 31 March 2017. This comprised investment assets of £488.9 million and working balances of £3.1 million.

6.0 Financial implications

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

7.0 Legal implications

7.1 The Statement of Accounts of the Administering Authority (of which the Fund's accounts form part) must be prepared in accordance with the statutory framework established by the Accounts and Audit Regulations 2015. The audit of the financial statements will be undertaken in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

8.0 Equalities implications

8.1 This report has no equalities implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 The report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

Pensions Board

25 September 2018

Report title	LGPS Central Update	
Originating service	Pension Services	
Accountable employee(s)	Jill Davys Tel Email	Assistant Director, Investments & Finance 01902 550555 Jill.davys@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is recommended to note:

1. The update on LGPS Central progress.

1.0 Purpose and background

- 1.1 This report provides an update on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State.
- 1.2 LGPS Central Ltd (“the Company”) obtained FCA authorisation of the operator and Authorised Contractual Scheme (ACS) in January and February 2018 respectively. These represented key achievements for both the Company and partner Funds in progressing delivery of a full operating model ahead of the April 2018 deadline and establishing a platform to assist in securing longer term investment cost savings and meet partner Funds’ strategic investment objectives.

2.0 Recruitment and HR

- 2.1 Recruitment to additional key roles since the last update to Committee have included appointments to the Head of Human Resources and Business Services, Head of Client Services and Stakeholder Relations and Head of Operations. The Head of Human Resources and Business Services will work with the senior management team to implement a programme of induction, training and support for all employees and will also develop a graduate training programme. A number of other roles have also been recruited including roles in risk and compliance to support Chief Compliance and Risk Officer along with finance roles to support Head of Finance.
- 2.2 Two Senior Portfolio Managers have been appointed to support Investment Directors as LGPS Central looks to build out further investment opportunities for Partner Funds as part of a programme of product development which will see the launch of investment sub funds over the next 2-3 years.
- 2.3 Employees involved in day-to-day investment activity in West Midlands Pension Fund and Derbyshire Pension Fund (both managing investments internally), were subject to Transfer of Undertakings (Protection of Employment) regulations (TUPE) and moved to LGPS Central at the start of April. This followed a period of meetings and consultation with those affected and Trade Union representatives. The Company has provided through its payroll provider, a facility for employees to pay union membership fees by direct debit and is continuing to discuss union membership with Unison.
- 2.4 The Company participates in the LGPS via the West Midlands Pension Fund and employees transferring under TUPE have continuous service and membership in the Scheme.

3.0 Investment Sub-Fund Development

- 3.1 The first three sub-funds were successfully launched on 3 April 2018 for internal passive equity sub-funds covering UK, Global ex UK and Dividend Growth with West Midlands Pension Fund assets of around £5.2bn being transitioned into the new sub-funds on launch via a mix of in-specie stock transfers and cash assets.

- 3.2 Following the launch of the three-internal passive sub-funds, the focus for both LGPS Central and Partner Funds is on the product development pipeline to deliver new sub-funds to meet Partner Fund strategic requirements. Over the next 2-3 years, a range of internally and externally managed sub funds are expected to be developed for liquid (e.g. equities and bonds) and alternative more-illiquid asset classes (e.g. private equity, property, infrastructure).
- 3.3 The key focus from an investment perspective since the last Pensions Board has been the development of the active external global equity sub-fund, which is now scheduled for launch at the end of November 2018. Partner Funds have been actively engaging with LGPS Central Ltd in the development of this and have been kept updated of progress. Work is now underway on transition arrangements to assist Partner Funds with the transition of existing assets across to the new sub-fund once launched.
- 3.4 The emerging market external active sub-fund is currently in development phase and a strong response from potential providers has been received and currently being reviewed. Partner Funds are working closely with the Company to develop the sub-fund structure and style to ensure that it meets the strategic requirements of the Funds themselves. In addition, LGPS Central Ltd is also looking to launch a Private Equity (vintage 2018) sub-fund in October under a Scottish Limited Partnership structure following approval of Shareholders at the recent AGM. A Corporate Bonds sub-fund is under development and due for launch in early 2019 following consultation with Partner Funds on strategic requirements.
- 3.5 West Midlands Pension Fund officers continue to work closely with Partner Funds and the Company in considering the future product development pipeline for sub-fund launches, recognising that changing priorities, available resource and the potential for cost savings will continue to have an impact on priorities sub-fund launches. It is recognised that the development pipeline needs to be flexible and may well differ from the original timetable set out in the business plan.

4.0 Governance

- 4.1 Governance arrangements for LGPS Central Limited include a Shareholder Forum (as the group of “owner” representatives) and the Joint Committee (focused on investment matters and client-side). The Practitioners Advisory Forum, PAF (officer group) support both groups and acts as a liaison with the Company.
- 4.2 LGPS Central Ltd.’s business plan and budget for 2018/19 were approved by Shareholders at their meeting on 20 February 2018. The AGM took place on 10 September 2018 at which LGPS Central’s first Annual Report and Accounts were considered and approved for publication. All directors (executive and non-executive) were reappointed for another year and the resolution to establish a Scottish Limited Partnership Company to deliver private equities was approved by shareholders. Reports from the Audit, Risk, Compliance and Remuneration Committees were also received.

- 4.3 The first meeting of the Joint Committee took place on 23 March 2018 and included a presentation from Eversheds on the roles and responsibilities as shareholders and investors as well as a discussion on LGPS Central Responsible Investment Framework and Policy. The Committee has invited a Trade-union representative to join as a non-voting member. The second meeting of the Joint Committee took place on 29 June 2018 at which the Committee received updates from the company on the product development pipeline, regulatory compliance, responsible investment, a pool risk register and an update from the workstreams of the Practitioners Advisory Forum. In addition, a representative from the Local Government Association presented a comprehensive overview of developments not just from wider investment pooling but also the LGPS more broadly. A link to the papers for the Joint Committee can be found here: <http://www.cheshirepensionfund.org/governance-of-the-cheshire-pension-fund/lgps-central-committee/>
- 4.4 The Practitioners Advisory Forum (PAF) continues to meet monthly, with working groups also having been established covering investment product development, responsible investment, finance, client reporting and governance to support the ongoing work programme of the Central pool.
- 4.5 LGPS Central Limited's own governance arrangements include an Investment Committee, Executive Committee and oversight from the Non-Executives through the company board and sub committees (Remuneration and Audit and Compliance). The Company Board is currently meeting monthly.

5.0 Financial implications

5.1 Set up costs

The final cost of setting up the jointly owned company (over the period July 2016 to launch in April 2018) was just over £4 million; this has been shared equally between the Partner Funds, with West Midlands' share being slightly over £500,000. Not included with this are the significant transition costs as existing investment mandates are unwound and funds are transferred into new collective investment vehicles. It is not possible to accurately predict these costs, but the initial business case included an estimate of approximately £50 million for transition to pooled vehicles.

	Final outturn LGPSC Ltd set-up costs to 31 March 2018 £000
Staff Costs	1,354
Professional Advisors	1,366
Other (inc. Premises, Technology, FCA fees)	1,294
Total	4,014
West Midlands' Share (one eighth)	501

5.2 The Company's provisional operating budget for 2018/19 is £9.1 million and assumes a progressive build of employees and capability over the year. The operating budget forecast for 2019/20 and 2020/21 is £10.6m and £11.0m, respectively. The budget reflects 63 FTE (full time equivalent staff) in accordance with the phased recruitment, and the planned phasing of the transition of assets into the ACS and other collective investment structures.

6.0 Communications

6.1 A new website for LGPS Central has been developed and, together with updates from the Fund, will be a key source of information for Committee and Board members and all interested parties. A link to the updated website can be found at: <http://www.lgpscentral.co.uk/>

6.2 The Head of Client Services and Stakeholder Relations, Callum Campbell is working with colleagues and Partner Funds to develop a future communications and liaison strategy. Included within this will be a quarterly engagement report on responsible investment activity from the Director of Responsible Investment and Engagement, the first of which will be available shortly and will be posted on the website. A client reporting framework for reporting on investment sub funds is being developed to ensure that the standard of reporting which Funds currently receive from both internal and external services is maintained and enhanced.

7.0 Legal implications

7.1 The requirement to pool fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria and timetable for delivery may result in Government intervention.

7.2 The key risks are: -

- failure to manage costs and savings in line with the agreed business case
- failure to meet the requirements of the FCA regulator
- failure to recruit appropriately skilled and experienced senior personnel to the new company

7.3 Comprehensive programme governance arrangements are in place to ensure that the statutory deadline for the implementation of pooling was achieved and that costs and savings are managed in accordance with the agreed business case. The S151 officers of each of the Partner Funds (or their nominated representative) sit on the Practitioners Advisory Forum, the Director of Pensions and Assistant Director, Investments and Finance are the WMPF/WMITA representatives on PAF. Regular meetings are held between the Chairs and/or Vice-Chairs/ Nominated representative of the respective Pension Fund Committees which forms the Shareholders Forum and the Joint Committee.

8.0 Equalities implications

8.1 There are no direct implications

9.0 Environmental implications

9.1 There are no direct implications

10.0 Human resources implications

10.1 Employees who were previously employed by the partner Funds to manage their investments or perform other related activities transferred under the Transfer of Undertakings (Protection of Employment) regulations (TUPE) to the new company in April. This followed detailed consideration of current and future roles, TUPE meetings with all relevant staff and formal notification of the transfers.

11.0 Corporate landlord implications

11.1 It has been agreed that LGPS Central Ltd will be based at 2 locations. The headquarters will be based in Wolverhampton with a satellite office in Matlock, Derbyshire.

11.2 The office in Wolverhampton will be based in Mander House, and the office in Matlock will be based in Derbyshire County Council Offices.

12.0 Schedule of background papers

12.1 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
<http://www.legislation.gov.uk/uksi/2016/946/contents/made>

12.2 Public Contracts Regulations 2015
<http://www.legislation.gov.uk/uksi/2015/102/contents/made>

Pensions Board

25 September 2018

Report title	Regulatory Update 2018	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The regulatory updates from the Scheme Advisory Board and the Pensions Regulator and the work of the Fund to ensure it has effective arrangements in place to ensure compliance.

1.0 Purpose

- 1.1 To provide the Board with regulatory updates and guidance from national bodies and to outline the steps taken by the Fund to ensure its compliance.

2.0 Background

- 2.1 The Scheme Advisory Board (SAB) was created under the Public Service Pensions Act 2013. The purpose of the Board is to be both reactive and proactive, seeking to encourage best practice, increase transparency and coordinate technical and standards issues. Each year the SAB set an annual workplan highlighting areas to be the key focus of their work in making recommendations on the governance and administration of the Local Government Pension Scheme (LGPS).
- 2.2 The Pensions Regulator took over responsibility for public service pensions schemes under the same Act and has responsibility for regulatory oversight of LGPS Funds ensuring their compliance with legislation and statutory guidance. Each year the TPR publishes their Corporate Plan noting their own Key Performance Indicators and areas they intend to engage to improve the management of LGPS Funds.

3.0 Scheme Advisory Board

Investment Pooling

- 3.1 The Scheme Advisory Board continues to focus its attention on investment pooling and the progress made by Funds in creating their investment pools. A cross pool group has been established with LGPS Funds with representatives from their pooling companies, LGPS Central's Chief Operating Officer attends with the Fund's Assistant Director Finance and Investments.
- 3.2 The Cross-Pool Group focuses on progress in establishing the asset pools and shares best practice on governance and organisational structures.
- 3.3 In its most recent statement, the SAB reiterated the point that investment strategy remains with the individual pension funds and welcomed engagement from member representatives as part of the oversight of investment pooling. Board are aware that the Fund appoints trade union representatives to both the Pension Committee and the Local Pension Board. Decisions as shareholders and customers of LGPS Central as a company, remain with the individual fund's pensions committees.

Cost Transparency

- 3.4 Work continues to develop investment cost transparency across the LGPS. SAB recently reported that over 60 Fund Managers have now signed up to the cost transparency mark.

- 3.5 Investment Pools are also being encouraged to sign up to the Transparency Code to show their commitment as started by the Funds in disclosing to enable monitoring and management of investment management costs. This year in its annual report and accounts, the Fund is reporting a reduction in investment management costs of £11million.

Review of Academies

- 3.6 As previously reported to the Board, work is underway by the SAB to investigate the issues around Academisation of local authority schools and what it means for the LGPS and their host authorities. As part of this work, SAB appointed PWC to produce a report on the options for academies.
- 3.7 That report continues to be reviewed by SAB who have since established 2 working groups, one for administration and one for funding. The groups meet every 4/5 weeks to discuss data collection, valuing of assets, training, pooling and contribution rates. It is expected that a recommendation to SAB will be made in November 2018 with recommendations to Ministers early 2019.

4.0 The Pension Regulator – Clearer, Quicker Tougher

- 4.1 At the recent Pensions and Lifetime Savings Association conference, the Pensions Regulator set out their Corporate Plan to be a clearer, quicker and tougher force across the pensions industry, including within the LGPS with the aim of improving their effectiveness through acting in a broader more visible way with the aim of improving outcomes for retirement savers.
- 4.2 Following the outcomes of its recent survey the Regulator noted that on average across the LGPS, only 45% of LGPS members received an annual benefit statement for the 2017 year. This has focussed their attention quite heavily on data quality in the LGPS and the ability of Funds to inform members about their future retirement income.
- 4.3 Also in focus was the impact poor data could have on valuation and funding assessments, with the Government Actuary Department noting the policy decisions which could emerge from both the Public Sector / LGPS Cost cap review and the “section 13” review of 2016 actuarial valuations. In seeking to improve this area across the LGPS, the Regulator has noted its intention to undertake a range of engagement activities, touching all LGPS funds during 2018/19, including review of practices within 10 LGPS Funds as part of a ‘deep dive’ to understand the risks and challenges faced by Funds.

4.4 Risk Landscape

As part of its Corporate Plan, the Regulator highlights its risk landscape for the forthcoming year which have determined its focus in work;

- The impact of changes in the economic and political environment
- A general shift towards an ageing population
- Opportunities and threats from the increased use of technology
- As a result of automatic enrolment, there has been an increase in the number of people saving for a pension

All of these have been identified and addressed by the Fund in its 2018 – 2023 Service Plan.

4.5 As outlined in the Annual Governance Report, the Fund engages with the Regulator on a consistent basis to share best practice and learning.

5.0 Legal and Regulatory changes

- 5.1 On 27 May 2016, the Ministry for Housing, Communities and Local Government (MHCLG) opened a consultation on proposed changes to the LGPS in England and Wales. On 19 April 2018, the LGPS (Amendment) Regulations 2019 were laid before parliament with the new regulations coming into force on 14 May 2018 with the provisions having effect from 1 April 2014.
- 5.2 In line with disclosure requirements the West Midlands Pension Fund are required to inform members of the changes to the Regulations which include changes to deferred benefits at age 55 for leavers before 1 April 1998. The Fund will shortly be issuing disclosure letters to all of the Fund's membership informing them of all the changes.
- 5.3 In addition to changes for members, the regulations also provide for an "exit credit" to be paid to employers on exiting the Fund. The new Regulations came into force on 14 May 2018, and will apply to all cessations from that date, regardless of when the employer joined a fund. It is not clear if exit credits will apply to cessation valuations with calculation dates before 14 May that are processed on or after 14 May, however the general consensus amongst funds and actuarial firms at this stage is that such cases would be exempt.
- 5.4 The new Regulations also set out a three-month period during which exit credits should be paid. Further guidance is being sought on the practical application of this payment period, as in many cases this may not be sufficient to allow any outstanding data cleansing and administrative issues to be completed before the final funding position is reviewed.
- 5.5 There are potential taxation issues to be considered, for example, whether exit credits will be subject to an authorised surplus payment (ASP) charge of 35%, or be treated as a public service scheme payment (PSSP) and be exempt from tax.

5.6 The Fund understands that this matter is being discussed between MHCLG and HMRC, with further clarity to be provided.

5.7 As a result of the new amendment Regulations, the Fund will be considering its associated policies and procedures, primarily the Funding Strategy Statement (FSS) and associated Termination Policy, both of which will require revision to reflect the new legislation.

5.8 In addition, the Fund will review the funding position and profile of its employer base, to include those employers in a surplus position at the 2016 valuation, those that have entered surplus since then, and those employers with a contract-end date prior to the 2019 actuarial valuation. The Fund are expecting further guidance to be issued.

6.0 Financial implications

6.1 Failure by the Fund to adhere to regulatory requirements could result in fines being imposed on the Fund by either the Pensions Regulator or the Information Commissioner.

7.0 Legal implications

7.1 The Fund is required to adhere to all statutory guidance and legislation. Failure to do so could result in significant fines from the regulator as well as Judicial Review of our working practices.

8.0 Equalities implications

8.1 There are no implications

9.0 Environmental implications

9.1 There are no implications

10.0 Human resources implications

10.1 There are no implications

11.0 Corporate landlord implications

11.1 There are no implications

12.0 Schedule of Appendices

None

13.0 Schedule of background papers

- 13.1 The Pension Regulator Corporate Plan 2018 – 2021
<http://www.thepensionsregulator.gov.uk/docs/corporate-plan-2018-2021.pdf>

Pensions Board

25 September 2018

Report title	Internal Audit Plan 2018-2019	
Originating service	Pension Services	
Accountable employee(s)	Amanda McDonald	Client Lead Auditor
	Tel	01902 550411
	Email	Amanda.mcdonald@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The internal audit plan for 2018-2019
2. The internal audit annual report for 2017-18

1.0 Purpose

- 1.1 To provide the Pensions Board with the outline work programme for internal audit for 2018 – 2019 and also the outcome of the work programme from 2017 2018.

2.0 Background

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

3.0 Work Plan 2018-2019

- 3.1 A copy of the agreed work plan for 2018 – 2019 is attached at Appendix 1.

4.0 Annual Report 2017-2018

- 4.1 A copy of the outcome report is attached at Appendix 2.
- 4.2 The report confirms that no significant audit issues have arisen throughout the year and most importantly, where identified weaknesses / improvements have been identified during the course of audit work, management have agreed recommendations.

5.0 Financial implications

- 5.1 Internal audit is a key part of the Fund's governance and financial control framework, and seeks to provide assurance that the Fund's systems, processes and controls are operating effectively and in support of the Fund's overall aims and objectives.

6.0 Legal implications

- 6.1 This report contains no direct legal implications.

7.0 Equalities implications

- 7.1 This report contains no equal opportunities implications.

8.0 Environmental implications

- 8.1 This report contains no environmental implications.

9.0 Human resources implications

- 9.1 This report contains no direct human resources implications.

10.0 Corporate landlord implications

10.1 This report contains no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 None

12.0 Schedule of Appendices

12.1 Appendix 1 – Audit plan 2018 – 2019.

12.2 Appendix 2 – Annual Report 2017- 2018.

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West Midlands Pension Fund

**Internal Audit Plan
2018-19**

Index	
-	A quick guide to the audit and assurance planning process
-	Glossary of Terms
1	Introduction
2	Assessing the effectiveness of risk management and governance
3	Assessing the effectiveness of the system of control
4	The assessment of assurance needs methodology
5	The assessment of assurance needs
6	Identify the audit universe
7	Developing an internal audit plan
8	Considerations required of the Pensions Committee and Directors
9	How the internal audit service will be delivered
10	The internal audit plan

A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

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

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



Step 2 – Ranking

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



Step 3 – Three year cycle

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



Step 4 - Next Year's Plan

List the themes and where appropriate the types of work that will be undertaken in 2018-19 in the internal audit plan.

A glossary of terms

Definition of internal auditing

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

Governance

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

Control environment

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

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

System of internal control

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

Risk Management

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

Risk based audit and assurance reviews

A review that:

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

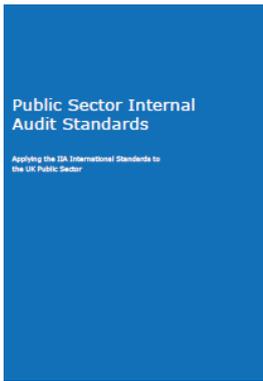
Pensions Committee

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

Assurance

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

Internal Audit standards



The internal audit team comply with the standards as laid out in the Public Sector Internal Audit Standards.

Assessing the effectiveness of risk management and governance

The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Directors and the Pensions Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

Introduction

- The purpose of internal audit is to provide the Directors and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. To provide this opinion, we are required to review annually the risk management and governance processes within the Fund. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- The purpose of this document is to provide the Fund with an internal audit plan, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Fund which are assessed as generating the greatest risk to the achievement of its objectives.

Assessing the effectiveness of the system of control

In order to be adequate and effective, management should:

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

The plan contained within this report is our assessment of the audit work required to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

Assessment of assurance needs methodology

- Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Fund and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Fund's objectives.
- Activities that contribute significantly to the Fund's internal control system, and to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative assurance need value. The purpose of this approach is to enable the delivery of assurance to the Fund over the reliability of its system of control in an effective and efficient manner.

We have undertaken our assessment using the following process:

We identified the core objectives of the Fund and, where available, the specific key risks associated with the achievement of those objectives.

We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.

We assigned assurance need values to the auditable themes and areas, based on the evidence we obtained.

The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2018/19 financial year and is detailed at the end of this document.

The assessment of assurance needs - identifying the Fund's priorities and the associated risks

The following are the Fund's goals:

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

The Fund has identified the following top ten strategic risks as potentially impacting upon its ability to achieve its key priorities:

- The pensions administration strategy (PAS) is not complied with.
- Orphaned liabilities and covenants.
- Inaccurate data for calculations.
- Guaranteed minimum pensions reconciliation.
- Future liabilities increase.
- Currency exposure.
- Data security and data quality.
- Lack of trustee independence.
- Change in government policy and LPGA reforms.
- Non-payment or receipt of monies due to the fund.

Identifying the “audit universe”

- In order to undertake the assessment of assurance need, it is first necessary to define the audit universe for the Fund. The audit universe describes all the systems, functions, operations and activities undertaken by the Fund. Given that the key risk to the Fund is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Fund, as identified above, and the management objectives above. These auditable areas include the control processes put in place to address the key risks.
- In addition to this, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Developing an internal audit plan

- The internal audit plan is based, wherever possible, on management’s risk priorities, as set out in the Fund’s own risk analysis/assessment. The plan has been designed to, wherever possible, cover the key risks identified by such risk analysis.
- In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.
- It is recognised that a good internal audit plan should achieve a balance between setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year.
- Auditor’s judgement will be applied in assessing the number of days required for each audit identified in the plan.
- This exercise builds on and supersedes previous internal audit plans.
- Included within the plan, in addition to audit days for field assignments are:
 - a contingency allocation, which will be utilised for example, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, used for management, quality control, client and external audit liaison and for attendance at meetings and Committees etc.

Considerations required of the Pensions Committee and the Directors

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

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by relevant professional standards. These arrangements are set out in the division's standards manual and require that all working papers and reports are subject to thorough review by professionally qualified accountancy staff.

How the internal audit service will be delivered

Staffing

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



Resources required

It is estimated that approximately 140 internal audit days (including fraud, assurance and contingency work) will be required to deliver the audit plan.

City of Wolverhampton Council's Audit Service

The City of Council's Audit Services also provide the internal audit service for the following clients:


 Wolverhampton Homes
 building homes you will love
 Wolverhampton's Recruitment Agency


The internal audit plan 2018-19

The following reviews and associated services will be delivered:

Auditable Area	Purpose	Risk Rating
General Data Protection Regulations	An operational review of compliance with the new regulations which commence in May 2018.	High
Trustee Governance Arrangements	A review of compliance with regulatory requirements including conflict of interest, attendance, training needs assessment, member conduct.	Medium
Compliance Programme Review	A two-part audit examining revised arrangements for financial and regulatory compliance programme.	Medium
Annual Benefits Statements	A review of procedures for the accurate and timely issue of annual benefit statements.	High
Payroll	A full system review of payroll processes, including starters, leavers, beneficiary pensions, payment confirmation.	Medium
Transfer of assets	A review of arrangements for the transfer of assets to LGPS Central.	High
Treasury Management	A review of procedures for the management of cash held by the Fund.	High
Members Communications	A review of Fund communications with members, including guidance stated by The Pensions Regulator and the Scheme Advisory Board.	Medium

Pensions Administration Strategy	A review of the updated PAS, including the effectiveness of the introduction of fines to employers.	High
GMP Reconciliation	A review of the final project stages in preparation for the HMRC deadline	High
Key Financial Systems Reviews	A review and targeted sample testing key financial controls within main systems to ensure they are operating effectively throughout the year.	Medium
Follow up Reviews	To follow up key recommendations made across the fund in 2017-18.	Medium

Corporate Activities

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

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Internal Audit Annual Report 2017-2018

Contents	
1	Introduction
2	Internal Audit opinion
3	Compliance with Public Sector Internal Audit Standards
4	Summary of work completed

1. Introduction

Our internal audit work for the period 2017/2018 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of West Midlands Pension Fund's (the Fund) governance, risk management and control processes.

In this way our annual report provides one element of the evidence that underpins the Fund's assurance framework, which supports the Annual Governance Statement. And WMPF annual report. This is only one aspect of the assurances available to the Fund as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Fund may rely, could include:

- The work of the external auditors;
- Statutory policies and plans;
- Compliance reviews;
- Other pieces of consultancy or work designed to alert the Fund to areas of improvement.

Internal Audit is central to this framework of assurance and is required to acquire an understanding not only of the Fund's risks and its overall whole control environment but also all sources of assurance. In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

The definition of internal audit, as described in the Public Sector Internal Audit Standards, is:

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

Overall Assurance

As the providers of internal audit to the Fund, we are required to provide the Managing Director, Director of Pensions and Section 151 Officer with an opinion on the adequacy and effectiveness of the governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Managing Director, Director of Pensions and Section 151 Officer is reasonable assurance that there are no major weaknesses in the Fund's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:

- All audits undertaken during 2017/2018.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit

2. Internal audit opinion

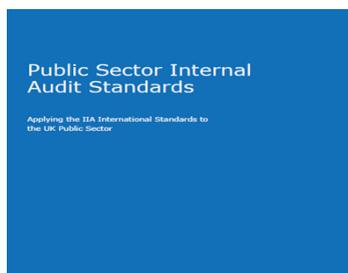
We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in the paragraph above, our opinion is as follows:

Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Fund by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the Fund has adequate and effective governance, risk management and internal control processes.

In reaching our opinion, the following factors were taken into consideration:

- The need for management to plan appropriate and timely action to implement our and other assurance providers' recommendations.
- Key areas of significance, identified as a result of our audit work performed in year.

3. Compliance with the Public Sector Internal Audit Standards



Internal Audit has a quality assurance and improvement programme. During the year, the internal audit activity has followed this programme and there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

4. Summary of work completed

A detailed written report and action plan is prepared and issued for every review. The responsible employee will be asked to respond to the report by completing and returning an action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Limited	Satisfactory	Substantial
There is a risk of objectives not being met due to serious control failings.	A framework of controls is in place, but controls need to be strengthened further.	There is a robust framework of controls which are applied continuously.

The following internal audit reviews were completed during 2017/2018:

Audit Reviews	Date	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
<p>Responsible Investments</p> <p>We reviewed the controls and adherence to the Fund's responsible investment framework</p>	July 17		1	7	8	8	Satisfactory
<p>Freedom and Choice</p> <p>£12.7 m has been transferred from the Fund by members since the introduction of rules in April 2016. This audit provided assurance that appropriate controls had been established over transfers.</p>	Sept 17		2	2	4	4	Satisfactory
<p>Custodian Arrangements</p> <p>This audit assessed whether the Fund had appropriate controls in place and could rely on the existing custodian arrangements before transfer of assets to the new custodian.</p>	Sept 17		2	3	5	5	Satisfactory
<p>Guaranteed Minimum Pension (GMP)</p> <p>We ensured the Fund had a robust project plan for the reconciliation of membership records to HMRC records in readiness for the December 2018 deadline.</p>	Nov 17		2	2	4	4	Satisfactory
<p>General Data Protection Regulations (GDPR)</p> <p>We reviewed the arrangements in place to gain assurance that the Fund had appropriate project controls in readiness for the May 2018 regulations.</p>	Nov 17	Recommendations not rated – assessment of Fund against the Information Commissioners checklist '12 steps to take now' document.					Satisfactory
<p>Workforce Development</p> <p>This audit ensured that the Fund follows and applies the Corporate Human Resources Policies and Procedures for workforce matters</p>	Jan 18			5	5	5	Substantial
<p>Contracting Arrangements</p> <p>This audit examined the control and procedures for the provision of the Fund's administration software contract.</p>	Feb 18			3	3	3	Substantial

Audit Reviews	Date	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
<p>Monthly Returns</p> <p>We reviewed the new system for monthly data submissions to ensure robust project controls were in place.</p>	May 18			4	4	4	Substantial

Key Financial Systems Work

A review of the main controls operated within the Fund's key financial systems has been undertaken. This included payroll, benefits calculations, income and expenditure and overall governance arrangements. We evidenced robust systems and the continuous application of internal controls. Overall we provided a substantial level of assurance for this work.

Follow up Reviews

A review of recommendations made as part of the 2016/2017 internal audit programme confirmed that all actions have been appropriately implemented.

Consultancy / ad hoc work

- Internal audit has completed 35 financial appraisals on behalf of the Fund during the year. These are undertaken when an organisation is seeking to obtain admitted body status and establishes whether an organisation will, or will not be able to meet its financial obligations to the Fund.
- In accordance with the Cabinet Office requirements, internal audit continues to be the Fund's key contact for the National Fraud Initiative. In addition, advice and support is provided throughout the year when requested.
- We have provided advice and consultancy on the transition arrangements to LGPS Central, development of the Fund's risk register, and debt monitoring policies.
- In addition, we have provided ongoing support to the Funds external auditors throughout the year.

Pensions Board

25 September 2018

Report title	Pension Administration Strategy 2018	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor	Head of Pensions
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to:

1. Note the revised Pension Administration Strategy

1.0 Purpose

- 1.1 To outline the revisions made to the Pension Administration Strategy (PAS) and the publication of an associated Employer Engagement Roadmap, as approved by Pension Committee on 20 June 2018, with the revised strategy being implemented from July 2018.

2.0 Background

- 2.1 Under the LGPS Regulations, the Fund may produce and publish a PAS and should ensure it is regularly reviewed and revised as appropriate. The PAS sets out a framework for assessing Fund and employer performance standards developed to ensure delivery of a cost-effective and quality pensions administration service.
- 2.2 The Fund published the latest version of its PAS in 2017. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies.
- 2.3 Through the PAS the Fund aims to:
- Enable provision of a high-quality pension service to all Fund members
 - Set out the quality and performance standards expected of the Fund and its scheme employers;
 - Promote good working relationships and improve efficiency of the exchange of information between the Fund and its scheme employers.
- 2.4 The PAS is a critical document in outlining responsibilities and setting expectations for both Fund and employer administration performance to ensure delivery of statutory functions and a quality service to members. The strategy enables the Fund to manage and, if necessary, re-charge costs where performance falls below the standards required. The PAS is increasingly significant in the context of greater employer numbers and diversity, the involvement of more payroll providers and greater scrutiny from the Pensions Regulator. It is also key to efficient record keeping and outlining the support available to employers from the Fund to help achieve the required level of performance.
- 2.5 The PAS covers primary matters as outlined in the Regulations such as payment of contributions to the scheme and member information together with the key undertakings and responsibilities of both the Fund and participating employers.
- 2.6 The PAS confirms the expected levels of performance and provides details about the action(s) that might be taken where poor performance or non-compliance occurs.

3.0 Changes to the strategy and the employer consultation

- 3.1 The Fund undertook an internal review of the PAS early in 2018, primarily to reflect the move from annual data collection to monthly data submissions, but also to include outstanding data and extended coverage of business as usual activity, which are critical elements in scheme record keeping and the production of annual benefit statements.

Key aspects of the review included an update of the roles and responsibilities of both employers and the Fund and the associated performance measures. As a result, the revised strategy incorporates changes to policy and working practices to be effective from July 2018.

3.2 The updated strategy includes and reflects:

- Change from annual to monthly data submissions and amendments to key roles and responsibilities as a result
- Greater reference to support available from the Fund
- Changes made to the charging and re-charging structure in the event of poor performance. The level and structure of charges have been reviewed to align to the monthly data submission process whilst maintaining transparency and proportionality.
- Reference to an employer engagement roadmap created to align to PAS
- Review of the timescales specified to again reflect the move to monthly data submissions and to ensure a balance between administering the scheme in line with the regulations and meeting member expectations, factoring in the practical constraints of employer systems and processes, and efficient delivery of information.

3.3 The PAS (appendix A) was issued to participating employers for consultation on 14 May 2018 and consultation ended on 8 June 2018. As part of the consultation process, the Fund invited a group of the largest employers to a meeting held at the Fund's offices on 6 June 2018. These employers included the seven Metropolitan Councils and representatives from the Employer Peer Group. The purpose of this meeting was to enable these employers to provide feedback and discuss any concerns directly with Fund officers.

3.4 Aligned to the PAS, an Employer Engagement Roadmap (appendix B) has been produced to outline the two-way engagement process between the Fund and participating employers. The purpose of the Engagement Roadmap is to outline the framework available to support performance improvement and the steps the Fund will take (including escalation) where any issues with performance are not being addressed and where the engagement and further support is unsuccessful. Consultation on the Engagement Roadmap has included the Employer Peer Group and the meeting with the largest employers on 6 June 2018.

3.5 The Fund has considered feedback from the Employer Peer Group, the meeting on 6 June 2018 and from the wider employer base in general with amendments to the PAS and/or the Employer Engagement Roadmap, made as appropriate. A summary of feedback and comments received is included in appendix C along with the associated changes made to the draft documents.

4.0 Implementation of the PAS and Employer Engagement Roadmap

- 4.1 Following the employer consultation and approval from Pensions Committee, the final versions of the PAS and Employer Engagement Roadmap are effective from 1 July 2018. These final versions will be issued to employers and uploaded onto the Fund's website.
- 4.2 The Fund will continue to monitor both employer and Fund performance in line with the PAS and keep the strategy under review the content to ensure it remains up to date and fit for purpose.

5.0 Financial implications

- 5.1 There are financial implications associated with this report in that the PAS includes the Fund's approach to the application of charges and re-charges in the event of non-compliance with key performance standards set out for participating employers.

6.0 Legal implications

- 6.1 The Fund has a legal duty to meet with legislation and statutory best practice, failure to do so may open the fund to challenge from the Pensions Regulator or the Scheme Advisory Board.
- 6.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

7.0 Equalities implications

- 7.1 There are no implications contained within this report

8.0 Environmental implications

- 8.1 There are no implications contained within this report

9.0 Human resources implications

- 9.1 There are no implications contained within this report

10.0 Corporate landlord implications

- 10.1 There are no implications contained within this report

11.0 Schedule of background papers

- 11.1 There are no background papers associated with this report.

12.0 Schedule of Appendices

- 12.1 Appendix A –Pensions Administration Strategy
- 12.2 Appendix B –Employer Engagement Roadmap
- 12.3 Appendix C – Summary of employer feedback

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Pensions Administration Strategy 2018

June 2018

Pensions Administration Strategy 2018

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1) Introduction and Regulatory Context

This is the pension administration strategy of West Midlands Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the City of Wolverhampton Council (the administering authority).

The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved by the Fund and employers to enable provision of a cost-effective and high quality pension administration service.

The LGPS is a statutory scheme and governed by regulations. The current regulations appertaining to administration are the LGPS Regulations 2013 (As Amended). In discharging their roles and responsibilities under these regulations, the Fund and employers are also required to comply with any pertinent overriding legislation and take appropriate recognition of any regulatory guidance or Code of Practice issued by The Pension Regulator.

An efficient and effective scheme administration service requires the following:

- Clear point of contact, roles and responsibility
- Timely exchange of information and payment of contributions
- Complete and accurate notifications and communications
- Early notification of material changes
- Clear and timely responses to requests and queries

This strategy outlines the performance expected and the monitoring in place to support service delivery

2) Aims

In line with the Fund's objectives, the aim of the PAS is to partner with our employers to provide a high quality service to our members delivered through efficient working practices.

We do that through detailing the expected performance of the Fund and its employers in meeting both the legal and regulatory duty of scheme administration as set out in the Pension Regulator's Code of Practice.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the Fund and scheme employers, most notably the timely exchange of accurate information in relation to scheme members.

The primary method of exchange is via the employer web portal providing a secure link which can be tracked for audit purposes.

This administration strategy sets out the expected levels of performance of the Fund and the scheme employers. The strategy provides details about the monitoring of performance levels and the action(s) that could be taken where standards are not met by employers and/or when persistent non-compliance occurs.

The administration strategy, of which this iteration is effective from June 2018, was introduced in April 2015, with revisions since that date captured in this document. The Fund will continue to keep the strategy and policy document under review and update as required to reflect changes in scheme regulations and Fund working practices.

3) Roles and Responsibilities

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. In addition, regulatory guidance sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies.

Function/Task		Expectation
1)	General information	
1.1	Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contact form via employer web portal	By 30 April each year (to be submitted via employer web portal)
1.2	Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute process (IDRP) and provide full up to date contact details to the Fund	Notify Employer Services at the Fund within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
1.3	Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within the LGPS ¹	A copy of the policy document is to be submitted to the Employer Services team at the Fund within one month of the change in policy
1.4	Distribute any information provided by the Fund to scheme members/potential scheme members (eg, scheme benefits or benefit statement production)	In a timely manner, as required
1.5	Notify the Fund in advance of any employer initiatives, policy decisions or practices which could have an impact on LGPS member benefits	As soon as possible once the decision has been made or initiative/practice has been finalised as a minimum Where possible, earlier contact is preferable to enable the Fund to discuss and understand the implications

Function/Task		Expectation
2)	Contributions	
2.1	Remit employer and employee contributions to the Fund	By 19th of the following month
2.2	Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates Adjustment Certificate issued by the Actuary following each triennial valuation or on commencement as a scheme employer within the Fund as notified in writing
2.3	Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave)	As required, typically monthly
2.4	Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
2.5	Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required, typically monthly
2.6	Make additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

¹For further information on which regulations require a policy, please see Regulation 60 in The Local Government Regulations 2013 (www.lgpsregs.org)

Function/Task		Expectation
3)	Contracting out of services	
3.1	Notify the Fund of the contracting out of services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	Where possible, three months prior but at latest the point of deciding to tender
3.2	Work with the Fund to arrange for an admission agreement to be put in place when contracting out a service, and assist in ensuring it is complied with	Three months in advance of the date of contract
3.3	Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as the decision is made (early discussion with the Fund is encouraged)

Function/Task		Expectation
4)	General administration and change notifications in relation to active members	
4.1	Provide the Fund with the following member information on one monthly file (via employer web portal): <ul style="list-style-type: none"> • new joiners • changes in employees' circumstances which may impact Fund benefits (eg, movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • employee and employer contributions and earnings 	On a monthly basis, by the 19th of the following month, as part of the monthly submission upload via the employer web portal
4.2	Notify the Fund (via employer web portal) when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	<ul style="list-style-type: none"> • Notify the Fund when a member is due to retire: <ul style="list-style-type: none"> - up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; - ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA)¹ S4 retirement/death in service form (S4RB) to be submitted via employer web portal ²
4.3	Notify the Fund (via employer web portal) when a member leaves employment including an accurate assessment of final pay details	Within 30 days of month end of date of leaving S4 early leaver form (S4EL/OPT) to be submitted via employer web portal ²
4.4	Notify the Fund (via employer web portal) of the death of a scheme member	As soon as practicable, but within a maximum of ten days of the employer being notified S4 retirement/death in service form (S4RB) to be submitted via employer web portal ²

¹Notification should not be given prior to the final earnings being known to avoid recalculation of member benefits

²On receipt of the appropriate S4 notification, where data is incomplete or inaccurate this may lead to delays in processing by the Fund should queries need to be raised

3.1.2 Performance Measurements

The table below sets out the areas that employer performance will be routinely measured. The Fund will periodically review other employer responsibilities to ensure performance is in line with the expectations detailed in this strategy.

Performance Area		Measurement (working days where applicable)
1)	Contributions	
1.1	Remit employer and employee contributions to the Fund	<p>Payment of monthly employee and employer contributions in full by the 19th of the following month.</p> <p>Under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, The Pensions Regulator may be notified if the above measurement is not met.</p>

Performance Area		Measurement (working days where applicable)
2)	General administration and change notifications in relation to active members	
2.1	<p>Submission of a monthly data file and web remittance advice via employer web portal which includes the following in month data:</p> <ul style="list-style-type: none"> • new joiners • changes in employees' circumstances which may impact Fund benefits (eg, movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • employee and employer contributions and earnings paid within that period 	By the 19th of the following month
2.2	To ensure optimum accuracy of monthly data files received.	Less than 5% of the active member count as at 1 April to error on import into the pension administration system
2.3	The rectification of an accurate monthly data file where it has been necessary to return the file due to data inaccuracies	Within 20 days of receipt of file.
2.4	Notify the Fund when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	<ul style="list-style-type: none"> • Notify the Fund when a member is due to retire: <ul style="list-style-type: none"> - up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; - ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA) <p>S4 form to be submitted via employer web portal</p>
2.5	Notify the Fund when a member leaves employment including an accurate assessment of final pay details using the method stipulated by the Fund	<p>Within 30 days of month end of date of leaving</p> <p>S4 form to be submitted via employer web portal</p>
2.6	Respond to enquiries from the Fund in regards to member notifications and submitted forms (ie, S15, N15 etc)	Within ten days from receipt of enquiry

In line with The Pension Regulator's Code of Practice, the Fund in conjunction with its employers has implemented a two-stage process for dealing with pension disputes when a member is unhappy with the first instance decision.

The table below details the expected timeframe for managing this internal dispute resolution process. Further details can be found in the Fund's *Internal Dispute Resolution Procedure*.

Performance Area		Measurement (working days where applicable)
3)	IDRP	
3.1	Notify the Fund's compliance team of the receipt of a complaint under the IDRP process	Within two days of receiving the complaint
3.2	Notify the Fund's compliance team that the first-stage decision has been issued	Within five days of issuing the decision
3.3	Timeframe for resolution of IDRP	Two months
	Notifying if timeframe is not going to be met	Immediately when known not going to meet original timeframe
3.4	Responding to Fund enquiries when Fund dealing with Stage 2	Within five days

3.2 West Midlands Pension Fund

3.2.1 Duties and Responsibilities

In setting the expectation of employers, the Fund recognises that the relationship and delivery of services, is also reliant on the Fund's performance and duties to its employers.

The table below outlines the key responsibilities of the Fund, what actions it will take and the timescales of its own performance in delivering the service to members and employers. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

Function/Task		Expectation
1)	General information	
1.1	Regularly review the Fund's pensions administration strategy and consult with all scheme employers	In advance of the policy being adopted. Consultation will take place during the year of the triennial valuation
1.2	Regularly review the Fund's funding strategy statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Publish by 31 March following the valuation date or as required
1.3	Regularly review the Fund's communication policy statement	Annual review and publish within 30 days of the policy being agreed by the Pensions Committee
1.4	Regularly review the Fund's termination policy statement and publish	Within 30 days of any changes being made to the policy
1.5	Review and communicate the Fund's publications listed below: <ul style="list-style-type: none"> • Annual Report • Annual Statement of Accounts • Governance and Compliance Statement 	By 31 October following the year-end

Function/Task		Expectation
2)	Contribution requirements	
2.1	Consult with employers on the outcomes of the triennial valuation	At least three months in advance of the signing of the final rates and adjustment certificate
2.2	Notify employers of contribution requirements for three years effective from the April following the actuarial valuation date	At least six weeks before the Actuary signs off the rates and adjustment certificate
2.3	Notify new scheme employers of their contribution requirements	Within six weeks of receipt of the notification of admission application or commencement as a scheme employer

Function/Task		Expectation
3)	Support for employers	
3.1	Provide support for employers through: <ul style="list-style-type: none"> • A dedicated helpline • Employer coaching • Employer Peer Group • Employer newsletters • Online support guides • Feedback on data quality • Face-to-face meetings (one-to-one where appropriate) • Employer web portal query support • Email support • Member Services presentations and roadshows 	<ul style="list-style-type: none"> • Dedicated helpline Monday - Thursday 8.30am - 5.00pm, Friday 8.30am - 4.30pm • Employer Forums to be held twice per annum (usually May/June and November/December) • Written communication as per the Fund's communication policy • Newsletters to be issued quarterly • Online support to be reviewed and updated regularly • Employer coaching and peer group content to be reviewed before each session for relevance and benefit. Sessions to be held quarterly for each.
3.2	Organise and provide coaching sessions on the roles and responsibilities of an employer in the Fund	Quarterly and upon request or as required for scheme employers
3.3	Notify scheme employers and scheme members of changes to the scheme rules	As per disclosure requirements with inclusion of an overview in the <i>Employer Brief</i>
3.4	Provide a facility (via employer web portal) for employers to calculate estimates and early retirement costs for active members	On an ongoing basis
3.5	Production and maintenance of an IDRPs employer guide	On an ongoing basis

Function/Task		Expectation
4)	General administration and member communications	
4.1	Produce annual benefit statements for active members as at 31 March and deferred members as at pensions increase date in April	By 31 August following the year-end
4.2	Produce and issue pension savings statements each year to members who have exceeded their annual allowance	By the end of the tax year, 6 October (provided receipt of all relevant information from the scheme employer)
4.3	Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision
4.4	Provide feedback on errors contained in monthly data submission files	Within 20 working days of the later of the 19th of each month or the date the file is received by the Fund

3.2.2 Performance Measurements

The Fund routinely reviews performance across all areas including the Pension Administration Strategy, which is scrutinised by the Pensions Committee and Local Pensions Board. Regular reporting is undertaken, and performance is also reported annually in the Fund's annual report and accounts. The table below sets out the Fund's key performance indicators in relation to processing scheme member records and benefits.

Performance Area		Measurement (working days where applicable)
1)	New joiners	
1.1	Set up a new starter and provide statutory notification to the member	Within 20 days of receipt of correct data file from a scheme employer
2)	Transfers	
2.1	Transfer in quotations processed	Within ten days of receipt of all the required information
2.2	Transfer notification of transferred in membership to be notified to the scheme member	Within ten days of receipt of payment
2.3	Transfer out quotations processed	Within 20 days
2.4	Transfer out payments processed	Within ten days

Performance Area		Measurement (working days where applicable)
3)	Additional contributions	
3.1	Notify the scheme employer of any scheme member's election to pay additional pension contributions (APCs), including all required information to enable deductions to commence	Within ten days of receipt of election from a scheme member
3.2	Process scheme member requests to pay/amend/cease additional voluntary contributions (AVCs)	Within five days of receipt of request from scheme member

Performance Area		Measurement (working days where applicable)
4)	Leavers	
4.1	Notify members of their deferred options	Within ten days of receipt of the leaver notification
4.2	Deferred benefits calculated	Within 15 days of receipt of all necessary information
4.3	Deferred benefits processed for payment following receipt of election (and all necessary information)	Within five days
4.4	Refund payments	Within five days from receipt of all necessary information

Performance Area		Measurement (working days where applicable)
5)	Retirements	
5.1	Provision of retirement options to members	Within 15 days of receipt of all necessary information
5.2	New retirement benefits processed for payment following receipt of election	Lump-sum payment within five days of receipt of all necessary documentation First pension payment on next available payroll run

Performance Area		Measurement (working days where applicable)
6)	Deaths	
6.1	Acknowledgement of a death	Within five days of receiving the notification.
6.2	Notification of benefits payable to dependents will be issued	Within five days of receiving the required information
6.3	Payment of death lump-sum will be made information	Within ten days of receipt of all the required

Performance Area		Measurement (working days where applicable)
7)	Customer service	
7.1	85% of calls received to the customer helpline to be answered	85%
7.2	85% of calls received to the employer helpline to be answered	85%
7.3	Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within ten days from receipt of enquiry
7.4	Acknowledge member complaints on initial receipt	Within five days of receipt
7.5	Issue full response to member complaints	Within 20 days of receipt
7.6	Monitor IDRPs cases and target completion of stage 1 and stage 2 reviews	Within two months. For further information, please see the Fund's IDRPs policy

4) Monitoring Performance

4.1 Working with our Employers

The Fund recognises that engagement is key to helping us understand our employers' individual circumstances, their challenges and their outcomes. Engaging with employers helps to build positive working relationships and ensures processes create efficiencies and deliver outcomes on both parts. The consistent application of standards across all employers enables fair and value for money service

The Fund will seek to work closely with employers when identifying areas of poor performance. At the earliest opportunity, the Fund will provide training and development to aid improvement of service levels in the future. Where performance issues are identified, in the first instance, the Fund will work to resolve the issues informally. However, where this is not possible and persistent sub-standards occur (with no measurable improvement demonstrated by the employer), additional steps may be taken by the Fund in line with its powers under the LGPS Regulations 2013.

The Fund aims to meet the training and development needs of its employers using (but not limited to) employer coaching, quarterly bulletins, website guidance and through day-to-day contact via email and telephone. There is also an open invite to visit the Fund's office to meet with a member of the Employer Services team, subject to notice, to discuss any aspect of co-operation, expectations and responsibilities.

4.2 Approach to Managing Performance

Ensuring compliance with the LGPS regulations and this administration strategy is the responsibility of the Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

The Fund and scheme employers are to ensure that all functions and tasks are carried out to the agreed quality standards. On a regular basis, the Fund will monitor, measure and report on both the Fund's and scheme employers' compliance with the agreed service standards outlined in this document.

The Fund will undertake a formal review of performance against the administration strategy on an annual basis and liaise with employers in relation to any concerns on performance. The Fund monitors its own performance against internal key performance indicators. Monitoring occurs on a monthly basis and is reported to the Fund's Pensions Committee on a quarterly basis. The performance of scheme employers against the standards set out in this document are incorporated into the reporting to the Committee, as appropriate, to include data quality. The Fund will also report back to employers about their individual performance, identifying any areas for improvement including outstanding data items.

Where persistent and ongoing failure occurs in relation to administration requirements and no improvement is demonstrated by an employer, and/or willingness is shown by the employer to resolve the identified issue(s). The following sets out the steps that will be taken in dealing with this situation:

- Write to the scheme employer, setting out area(s) of non-compliance with performance standards and offer support and, where applicable, request attendance at a training/coaching session.

- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the scheme employer, or no response is received to the initial letter, the scheme employer will be asked to attend a conference call/meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
- If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:
 - the area(s) of non-compliance with performance standards that have been identified;
 - the steps taken to resolve those area(s); and
 - provide notice that the additional costs will now be reclaimed.
- An invoice will be issued detailing the additional cost incurred, taking account of time and resources in resolving the specific area(s) of poor performance and in accordance with the charging scale set out in this document. A report will be presented to the quarterly Committee meeting detailing charges levied against scheme employers and outstanding payments.
- If poor performance continues, impacts the Fund's ability to perform statutory functions and/or measures are not being taken by the employer to address this, the Fund may need to report the employer to The Pension Regulator.

4.3 Policy on Charging Employers for Poor Performance

The LGPS regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where any such additional costs are to be recovered by the Fund, written notice will be provided stating:

- the reasons that the scheme employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis on how the additional cost was calculated; and
- the provisions of the administration strategy relevant to the decision to give notice.

It is the policy of the Fund to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any scheme employer (including the administering authority). With the objective of ensuring fairness across employers in avoiding other employers paying more to cover the higher administration costs incurred by others.

Please note that where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly. This includes charges and recharges levied under this policy.

4.4 Charging Scales for Administration

The table below sets out the charges which the Fund will levy on a scheme employer who fails to meet the standards required. Each item is referred to in the 'Scheme Employer Performance Measurement' section of this document.

Item		Charge
1)	Payment of future service contributions Failure to make payment of monthly employee and employer contributions ¹ in full by the 19th of the following month (but by the 22nd of the month where payment is made electronically).	£100 per occasion plus interest ²
2)	Monthly data collection Failure to comply with the following requirements: <ul style="list-style-type: none"> • Submission of the member data file by 22nd of the following month • Submission of the web remittance advice by 22nd of the following month 	£50 for each month the data file and/or web remittance advice is received after 22nd (ie, both items must be received so as to incur no penalty). There after for each monthly data file the charge will increase as follows: <ul style="list-style-type: none"> 5p per member³ per working day late for the first month following the deadline • 10p per member³ per working day late for the second month following the deadline • 15p per member³ per working day late for the third month following the deadline and every month thereafter A minimum daily rate will be set at: <ul style="list-style-type: none"> • £5 per day for the first 30 days following the deadline • £10 per day for the second 30 days following the deadline • £15 per day for the third 30 days and thereafter following the deadline Assessment of the overall charge will be made in aggregate at year-end of 31 March (final monthly file to be received by 19 April) to include any charges in (3) below. Invoices will subsequently be issued where a charge is applicable.
3)	Monthly data quality review⁴ Quality of the information provided to be below the acceptable tolerance level set at 5% of the employer active member count ³ (tolerance level will be assessed in aggregate until year-end date of the monitoring period)	The Fund will recover costs for the work involved to resolve these errors. Costs will be based on officer hourly rates, but will be determined based on the resources required to address errors above the tolerance in aggregate over a 12-month period and will be levied to include any charges incurred as a result of (2) above.
4)	Quality and timeliness of the provision of data To provide the Fund with accurate data (as detailed in the regulations) in a timely manner as specified in this strategy	The Fund will recover costs for the additional work involved to resolve these issues, in the context of persistent poor performance. Costs will be based on officer hourly rates and will be determined based on the resources required.
5)	Bulk member record amendments Correction or amendments of member records en masse as a result of employer initiatives, policy decisions or prior incorrect notifications	The Fund will recover the cost for the work involved. Costs will be based on officer hourly rates.

¹Future service contributions including additional contributions, eg, APP and APCs

²Interest will be charged in accordance with Regulation 44 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent

³For the purposes of monitoring and the application of charges the active member count will be set as at 1 April of the monitoring period (ie, based on the monthly data file for the 1 April in the monitoring period)

⁴A file will be rejected for one or more of the following reasons:

- Incorrect file layout
- Data formatting issues, eg, mandatory fields not populated, inclusion of incorrect characters, ie, speech marks, etc.
- The key financials in the data file do not balance with the final statement

4.5 Feedback From Employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments to wmpfemployerliaison2@wolverhampton.gov.uk

This feedback will be incorporated into the quarterly reports to the Committee.

West Midlands Pension Fund

PO Box 3948
Wolverhampton
WV1 1XP

Engagement Roadmap

West Midlands Pension Fund and Employers



Employer Engagement Roadmap

This guide covers:

- Background and Fund structure
- Purpose of the Engagement Roadmap
- Responsibilities of the Fund
- Expectations of the employer by the Fund
- Implications of low levels of engagement on successful partnerships
- What types of engagement will the Fund undertake?
- How will the Fund monitor and communicate areas of improvement with employers?
- Further information
- Contacts for discussion
- Appendices: Escalation Procedures
 - Benefit administration queries
 - Late and non-submission of monthly data
 - Data queries

BACKGROUND AND FUND STRUCTURE

The West Midlands Pension Fund is one of the largest pension funds in the United Kingdom with over 620 contributing employers. To maintain a high level of customer service, it is essential that the Fund develops strong partnerships with its stakeholders.

The City of Wolverhampton Council is the administering authority for the West Midlands Pension Fund under the Local Government Pension Scheme (LGPS). The LGPS is established by statute and its purpose is to provide death and retirement benefits for all eligible employees. The Fund is not a legal body in its own right, and all contracts and assets are held in the name of the City of Wolverhampton Council who became the administering authority under the Local Government Act 1985.

The Fund covers the seven districts in the West Midlands together with numerous other public sector employers. A full list of the employers within the Fund is contained within the Fund's annual report, available on request.

The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee which comprises 20 trustees (ten City of Wolverhampton Council members, one elected member from each of the six district councils and four (non-voting) trade union representatives), together with 12 Pensions Board members and 135 full-time equivalent staff.

The Managing Director of the City of Wolverhampton Council, who is also the Head of Paid Service, delegates certain responsibilities to the Director of Pensions who, in turn, delegates to officers.

In addition, the Fund has the statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty; they have no decision-making powers. The Local Pensions Board consists of an equal number of employer (6) and member (6) representatives.

All meet together as the Fund, which has ultimately responsibility for the management and administration of the West Midlands Pension Fund.

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



This document has been created to define the methods by which the Fund will support employers in attaining the expected standards and to formalise the ways in which it will support performance and monitor compliance. Furthermore, the Employer Engagement Roadmap has been designed to compliment both the *Pension Administration Strategy* and the *Customer Engagement Strategy* to improve outcomes for all stakeholders of the Fund.

PURPOSE OF THE ENGAGEMENT ROADMAP

The Fund needs to ensure that employers are providing accurate, relevant and timely information to ensure compliance with the Local Government Pension Scheme Regulations 2013, the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other statutory requirements. The purpose of the Engagement Roadmap is to outline the framework the Fund has implemented to enhance the performance of both the Fund and its employers through partnering and support.

The Fund is dedicated to evolving, developing and communicating effectively with its members and employers to drive efficiencies and deliver value-for-money services.

The intentions of the Engagement Roadmap are:

- to ensure the Fund is able provide a high-quality pension service to members and employers in line with the agreed standards outlined in the Pension Administration Strategy (PAS);
- to develop a collaborative partnership with the Fund and scheme employers to improve efficiency, quality and service to Fund members;
- to ensure the performance standards expected from employers are reasonable, monitored and delivered ensuring both the Fund and its employers are able to meet statutory responsibilities whilst ensuring the delivery of good customer service to Fund members;
- to ensure the Fund has an efficient and effective monitoring procedure for ensuring employer performance in line with the PAS;
- to provide feedback and support to help aid improvement and where appropriate levy charges where the Fund identifies a failure to meet the required standards as required by the PAS; and
- to provide transparency and clarity to employers outlining the actions that may be taken where performance standards are not met and/or when persistent non-compliance occurs.

RESPONSIBILITIES OF THE FUND

- The Fund will endeavor to maintain accurate and up-to-date employer contact information through the regular feedback and contact it has with its employers, noting the reliance on employers to inform the Fund of any changes.
- The Fund will provide ongoing support tools for employers to include but not limited to:
 - employer coaching
 - employer peer group
 - Employer Brief (quarterly newsletter)
 - web portal access including online support guides
 - employer surveys
 - telephone and email support
 - technical pensions support/regulatory updates
 - bulk data import functionality via the web portal

EXPECTATIONS OF THE EMPLOYER BY THE FUND

The Fund requests that employers recognise the importance of ensuring the following:

- The Fund is to be kept informed of any personnel/ resource changes to facilitate engagement. Changes to contact details are to be communicated to the Fund in a timely manner to avoid delays in the transfer and exchange of information.
- Engage with the Fund at an early stage where issues are identified that may impact on performance and/or data quality. Changes to the organisational structure which may impact on the Employers ability to perform its statutory functions to be communicated at the earliest opportunity.
- Embrace the Fund's provision of support. By actively participating with the Fund, employers can help shape the future service provision and become partners for success. Through effective partnership working the identification of new working practices and solutions will help exceed member expectations.
- Keep the Fund updated on significant movement of membership profile. Notification should be given to the Fund in advance where possible of any employer initiatives, policy decisions or practices which impact on member benefits.

IMPLICATIONS OF POOR PERFORMANCE AND LOW LEVELS OF ENGAGEMENT

Where performance issues exist or levels of engagement are deemed to be low, the Fund will work with employers. However, if improvement is not seen there could be the following implications:

- Members may not receive accurate benefit information and/or benefits may not be paid on time.
- Increased complaints from members where information and/or benefits are unable to be provided in a timely manner or are incorrect.
- Payments being made to members in recognition of distress and inconvenience (as and when directed by the Pension Ombudsman) where poor performance impacts on the ability to provide correct information and/or benefits.
- Reputational and potential financial consequences for the Fund and/or its employers where under performance results in a breach report being made to The Pensions Regulator.
- Reduced capacity for the Fund and/or employer to be able to carry out statutory functions
- Increased administration costs for the Fund, which may be passed to the relevant employer.

WHAT TYPES OF ENGAGEMENT ACTIVITIES WILL THE FUND UNDERTAKE?

The Fund will provide support and training to employers to aid improvement and increases performance levels using the following channels:

- Employer dashboards
- Employer coaching
- Bespoke training sessions and workshops
- One-to-one meeting attendance at the Fund's office or employer premises.
- Employer Peer Group
- Online Videos
- Employer consultation groups
- Online guidance and assistance

HOW WILL THE FUND MONITOR AND COMMUNICATE AREAS OF IMPROVEMENT WITH EMPLOYERS?

Data Improvement Plan

The Fund's Data Improvement Plan sets down its responsibilities in relation to record keeping and data quality, providing assurance to members that their data is managed in compliance with the statutory obligations placed upon the Fund.

The plan identifies areas for improvement in the Fund's record keeping based on complex analysis of the information the Fund holds and receives from its employers about its members.

Trustees and Scheme Managers should review their data at least once a year and if there are any issues, put an improvement plan in place to address them. The improvement plan clearly sets out the steps to be taken to improve the data held.

Failure to maintain accurate records can put the Fund and its officers at risk of failing to meet their legal obligations which could result in the Regulator taking enforcement action to remedy and rectify inaccurate data. There is therefore both a legal and reputational risk to holding inaccurate data.

Employer Brief

The Fund's quarterly newsletter will be used to communicate on areas of interest and benefit to its entire employer base – to include but not limited to:

- Technical, regulative and legislative updates
- Provide details on upcoming member and employer events
- Feedback on employer events
- Top tips to drive efficiencies and increase capacity
- Information regarding the Fund's current focus and workloads
- Information deemed useful to aid employer administration

Next Steps

Where the Fund identifies a need for intervention, it will monitor performance and the rate of improvement with regards to data quality and timeliness of employer requirements via the use of employer dashboards initially. The Fund will request to meet with the employer to discuss a way forward.

Where all options have been exhausted with respect to support or where the offer of assistance from the Fund is declined or ignored by the employer, the Fund may use its powers under the LGPS Regulations 2013 which can extend to consideration of a report to The Pension Regulator.

The following circumstances may result in the Fund taking more formal action against an employer:

- Performance continues to fall below that expected, and no improvement can be measured.
- All reasonable steps have been taken and exhausted by the Fund to improve employer performance.
- The Fund's ability to perform statutory functions and/or measures has been impacted.
- Additional costs are being incurred by the Fund due to employer underperformance.

The Appendices to this document provide clarification of the escalation procedures the Fund intends to follow where the performance of an employer falls below the required level, and where one or more of the above situations has or is liable to occur.

FURTHER INFORMATION

This document should be reviewed in conjunction with the following documents which can be found at www.theFundonline.com/corporateinfo

- Pension Administration Strategy (PAS)
- Customer Engagement Strategy
- Customer Engagement Plan
- Communications Policy Statement
- Service Plan

The Pension Regulator Code of Practice 14 (Governance and administration of public service pension schemes is referred to in this report. A full copy of this can be found at www.thepensionsregulator.gov.uk/codes/code-governance-administration-occupational-dc-trust-based-schemes.aspx

For more information on the rules governing the pension scheme, please visit <https://www.lgpsmember.org>

For more information on LGPS Regulations and Guidance, please visit <http://lgpsregs.org/schemeregs/lgpsregs2013/timeline.php>

CONTACTS FOR FURTHER DISCUSSION



For further information, please see contact details set out below:

WMPFemployerliaison2@wolverhampton.gov.uk

0300 111 6516

ESCALATION PROCEDURES

a) Benefit administration queries escalation procedure

Timeline	Action	Responsible team/officer at the Fund	Employer contact level
Day 0	Original query raised with employer ¹	Benefit Operations – Pensions Administrator/Assistant	HR/Payroll/Pension Manager
Day 10	Contact the employer again to chase the response to the query ²	Benefit Operations – Pensions Administrator/Assistant	HR/Payroll/Pension Manager
Day 20	Contact the employer again to request response to the query and agree a date for response ³	Benefit Operations – Team Leader	HR/Payroll/Pension Manager
Day 25	Contact the employer to chase the response to the query ⁴	Benefit Operations – Team Leader	HR/Payroll/Pension Manager
Day 30	Contact the employer to confirm the details have been passed to Employer Services for further escalation ⁵	Benefit Operations – Team Manager	HR/Payroll/Pension Manager
By Day 40	Employer Services to contact employer to confirm a date for response on outstanding queries and/or agree a date for a formal meeting ⁶	Employer Services	HR/Payroll/Pension Manager

¹ When the original query is raised with the employer, the employer is advised that they have ten working days to respond to the query. The member should be updated of the current position at this point.

² When chasing the query, the Fund Officer should advise that a response is required within ten working days, at which point, the case will be referred to a team leader at the Fund for further escalation.

³ Where necessary the team leader will arrange for all outstanding queries to be collated for sending to the employer. An email will be sent alerting the employers that a query remains outstanding and will emphasise that delays may impact the calculation and payment of any member benefits due. When agreeing a date for response, the employer should be advised that the case will be referred to senior personnel within the employer if a satisfactory response is not received within the timescale agreed (suggest five working days, unless the employer offers an alternative mutually agreeable date).

⁴ When chasing the outstanding information, the employer should be advised that the case will be escalated internally at the Fund to the Employer Services team for raising further with the employer if a response/update is not received within five working days.

⁵ Contact the employer to confirm the issues have been escalated internally at the Fund due to the impact non-compliance is having on the provision of services to members by the Fund. Benefit Operations Manager and/or Team Leader to liaise with the Employer Services team to discuss what actions need to be taken in order to resolve the ongoing issues.

⁶ A suitable date for the response to the query to be submitted should be determined at this point (usually three working days). At this point, we should advise the employer that they may be registered on a performance monitoring log if there is no response to the query in the agreed timescale. In addition, a reminder to be made to the employer of the statutory and disclosure requirements which the Fund must adhere to. The Fund to also advise that, if required (particularly for retirements and deferments), we will write to the individual member within two months of the date of retirement/deferment to advise that due to outstanding queries with the employer the Fund has been unable to process their benefits until the queries are resolved.

b) Late and non-submission of monthly data and/or payment of contributions escalation procedure

Timeline	Action	Responsible team/officer at the Fund	Employer contact level
Day -7	Bulk reminder email ¹	Employer Services	Employer main payroll contact
Day 5	Overdue monthly submission bulk email ²	Employer Services	Employer main payroll contact
Day 10	Telephone call to be made to employer payroll contact ³	Employer Services	Employer main payroll contact
Day 20	Further emails and telephone calls to principal employer contacts.	Employer Services	HR/Payroll/Pension Manager
Day 30+	Email or telephone call to principal employer contacts ⁴	Data Manager/ Relationship Management Officer	HR/Payroll/ Pension Manager
Day 50	Email or telephone call to the employer to discuss the outstanding queries and agree a date for responses or a formal meeting ⁵	Head of Client and Funding Management	Head of Service/Director/Chief Executive
Day 90	Formal letter detailing poor performance to be issued requesting specific actions be taken ⁶	Head of Client and Funding Management	Head of Service/Director/Chief Executive

¹ An email will be sent reminding all employers of the deadline date and providing links to online tools to support with the process. The email urges the employer to make contact in advance in case of any issues that may delay or prevent timely submission and sets out the implications of non-compliance.

² An email will be sent alerting the employers that their monthly submission data file and/or contribution payment is now overdue and will state that delays may impact of the calculation of any member benefits. The email will once again provide links to online support tools and set out the implications of non-compliance.

³ If the monthly data has not been submitted and/or non-payment of contributions has occurred the employer or payroll representative will be contacted by the Employer Services team to find out what the issues are and when we can expect submission to commence. A follow-up email to be sent to the employer by the Fund to confirm the agreed actions.

⁴ Email or telephone contact to be made by the Data Manager or Relationship Management Officer on a weekly basis. Engagement with the employer to be documented by the Fund.

⁵ If continued non-submission and/or non-payment occurs, contact to be made by the Head of Client and Funding Management to arrange a formal meeting to discuss the implications of poor employer performance, both in terms of member benefits and possible breach reports being made to The Pensions Regulator. The employer will be reminded at this stage of its legal duty to make payment of contributions and the Fund's statutory duty to issue annual benefit statements to active members by the 31 August and, that failure to do so, could result in the Fund reporting both the Fund and the employer to The Pensions Regulator.

⁶ Continued non-compliance will result in the issuing of a formal letter by the Fund highlighting the issues experienced in obtaining statutory information from the employer. Details of engagement attempted, support given and issues arising as a result of the employer's poor performance to be included. The requirements of the Fund will be set out clearly within the letter together with the impact on the employer, the members and the Fund if significant efforts are not taken to improve the situation. A request for a face-to-face meeting will be made and notice given that additional costs may be reclaimed from the employer.

c) Data queries escalation procedure (including monthly submissions)

Timeline	Action	Responsible team/officer at the Fund	Employer contact level
Day 0	Monthly data or query response due to be received by the Fund ¹	N/A (Employer)	
By Day 20	Issue queries on data submitted to the employer ²	Business Performance and Data Team	Employer main payroll contact
Day 40+	Continuous email or telephone contact to be attempted by the Fund to the employer if no response received to outstanding queries ³	Business Performance and Data Team/ Employer Services	Employer main payroll contact Employer main payroll contact
By Day 50	Email or telephone call to the employer to discuss any outstanding queries and to agree a date for responses or a formal meeting ⁴	Data Manager/ Relationship Management Officer	Employer main payroll contact
Day 70+	Email or telephone call to the employer to invite to a formal meeting to discuss outstanding queries and agree an action plan ⁵	Head of Client and Funding Management	Head of Service/Director/Chief Executive
Day 90	Formal letter detailing poor performance to be issued requesting specific actions be taken ⁶	Head of Client and Funding Management	Head of Service/Director/Chief Executive

¹ To be received by 19th of each month together with the web remittance advice detailing financials.

² Data queries to be issued by the Fund within 20 working days. For larger employers and districts it is anticipated this may take up to 20 working days to collate however for smaller employers this may be less. A request to be made for query responses to be returned within 14 working days of the original queries being returned (to be extended to no more than 20 working days for larger employers dependent on volume and nature of queries, in which case the timeline would be extended by this amount).

³ Date of first reminder email issued to be dependent on size of employer. First reminder to be issued between 14 and 20 working days from date of original request by the Fund. Size of Employer is defined by the active member count being greater or less than 1,000.

⁴ Data Manager and/or Relationship Management Officer to make contact with the employer to discuss the outstanding requirements, offer additional support and discuss the implications of non-submission of data. Agreed actions to be confirmed by email from the Fund to the employer – email to state that non-compliance will result in the case being referred internally to the Head of Funding and Client Management to make contact with the employer's Director/Chief Executive.

⁵ The Head of Funding and Client Management to make contact with the Employer to discuss the outstanding requirements, and discuss the possibility that non-submission of data may result in the Fund levying a charge or in extreme cases submitting a breach report to The Pensions Regulator. The employer should be reminded at this stage of the Fund's statutory duty to issue annual benefit statements to active members by the 31 August and that failure to do so could result in the Fund reporting both the Fund and the employer to The Pensions Regulator.

⁶ Continued non-compliance will result in the issuing of a formal letter by the Fund, highlighting the issues experienced by the Fund in obtaining statutory information from the employer. Details of engagement attempted, support given and issues arising as a result of the employer's poor performance to be included. The requirements of the Fund will be set out clearly within the letter together with the impact on the employer, the members and the Fund if significant efforts are not taken to improve the situation. A request for a face-to-face meeting will be made and notice given that additional costs may be reclaimed from the employer.

**Appendix C: Pension Administration Strategy 2018
Outcomes of the Employer Consultation – June 2018**

<u>Meeting:</u>	<u>Attendee (employer):</u>
Employer Peer Group – 5 th June 2018	Bishop Cleary Catholic MAT Coventry CC Halesowen College Matrix Academy Trust Sandwell MBC Solihull College University of Wolverhampton Wolverhampton CC
Larger Employer Group - 6 th June 2018	Birmingham CC Birmingham City University Coventry University Dudley MBC Solihull MBC West Midlands Police Wolverhampton CC Wolverhampton University

	Employer Comment	Fund Response
1.	Introduction and Regulatory Context	
	No comments	
2.	Aims	
	No comments	
3.	Roles and Responsibilities	
4.2	Arrears payments (predominately relating casual workers) tend to be paid one month after the leave/retirement date, therefore expectations cannot be met. Employers we reluctant to submit leaver documentation prior to the payment date due to the revised forms which would need to be completed subsequently.	ACTION/COMMENT: No change proposed – In cases where arrears occur it is acknowledged there may be a consequential delay, however the timescales set are to enable statutory disclosure timescales to be met factoring in standard processing requirements.
4.3	Payroll teams are not always notified when a member leaves employment within 30 days of the month end date of leaving.	ACTION/COMMENT: No change proposed – Understand/acknowledge administrative issue for employers, but standards set are based on required processing time for the Fund with the member focus in line with disclosure requirements.

3.1.2	Performance Measurements	
	The performance measure deadlines seem difficult to meet?	These deadlines are aligned to The Pensions Act disclosure regulations with a member focus and allowing for required processing timescales for the Fund
2.6	Is there a timescale for when the Fund are required to respond to employer enquiries	The Fund has in place key performance indicators which set the standards the Fund expects to adhere to. Performance against these KPI's are reported to and reviewed by Senior Management on a monthly basis and to Pension Committee on a quarterly basis.
3.2.1	West Midlands Pension Fund – Duties and Responsibilities	
3.2.1 3.1	Can additional information be provided alongside monthly submission error feedback.	The Fund aims to provide regular feedback to participating employers on their performance, particularly that relating to monthly data submissions. The intention is to summarise this performance using a high-level dashboard and to issue associated guidance and notes on error messages to facilitate employers with self-monitoring progress.
4.	Monitoring Performance	
	Is Fund performance measured, and if so, can this information be shared with scheme employers?	The performance standards set out in the PAS confirm the processing requirements and expected standards from the Fund. Details of the Fund performance is shared at the Mid-Year Review/Annual General Meeting and via the Employer Peer Group and Employer Briefing Note.
4.4	Charging Scales for Administration	
	How has the charging structure been developed?	The charging structure aims to deliver proportional approach and reflecting the diversity within the employer base, with the aim of encouraging good performance. For charges based on timeliness, the provision of information this reflects the size of the active membership; for charges around quality of information this reflects the amount of rectification work required by the Fund.
	Is the same charging structure applicable to all employers?	Yes, the Fund reviews each employer's membership profile, before levying charges.
	Will the charges be based on individual monthly submission files?	Charges will be based on a cumulative average over a 12-month period. The swift rectification of errors will be taken into consideration prior to the Fund levying charges.
	Will employers be charged for errors that they are unaware of i.e. They haven't received an error report file for?	When levying charges, the Fund will factor in the timescales involved in the Fund issuing error reports to employers for action. The Fund will review and consider any employer appeals on a case-by-case basis.
	Will employers get charged for errors which have been rectified on the monthly	Employers will be charged for errors above the tolerance level set out in the PAS, that require rectification by the Fund.

	submission error report (highlighted in green)?	
	Can payroll providers be notified of the charges levied in advance of the employer notification, to ensure that a good reputation/rapport is maintained?	As far as possible, the Fund will initially notify payroll providers, where known, of any charges becoming due by the employer due to payroll performance, to allow the provider to liaise with the employer.
	How many charges were issued last year?	Approximately 260 issued,
	Why is the payment of future service contributions due to paid in full by 19th of the following month but submission of the member data file/web remittance advice due by 22nd of the following month?	CHANGE TO BE IMPLEMENTED: Timescales will be adjusted in PAS to reflect the requirement of payment of contributions and receipt of remittance advice by 19 th of month following the month due.
	Will employers still be charged for late submission of the data file if there is a delay with the Fund answering queries.	Data files are due monthly, and performance will be assessed based on monthly delivery, but averaged out over to the course of the year, with any charges applied annually. There is an expectation that once all employers are onboarded and up to date (allowing for lag in delivery during 17/18 onboarding) the Fund expects feedback on submissions to be provided within 20 working days, as per PAS. In line with the charging structure within the PAS, there is an employer appeal process.

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Pensions Board

25 September 2018

Report Title	Pensions Administration Report	
Originating service	Pension Services	
Accountable employee(s)	Amy Regler	Head of Operations
	Tel	01902 555976
	Email	amy.regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

1. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1.0 Purpose

1.1 To inform the Board of the work undertaken by the pensions administration service during the period 1 January to the end of May 2018 for both the Main Fund and the WMITA Fund.

2.0 Background

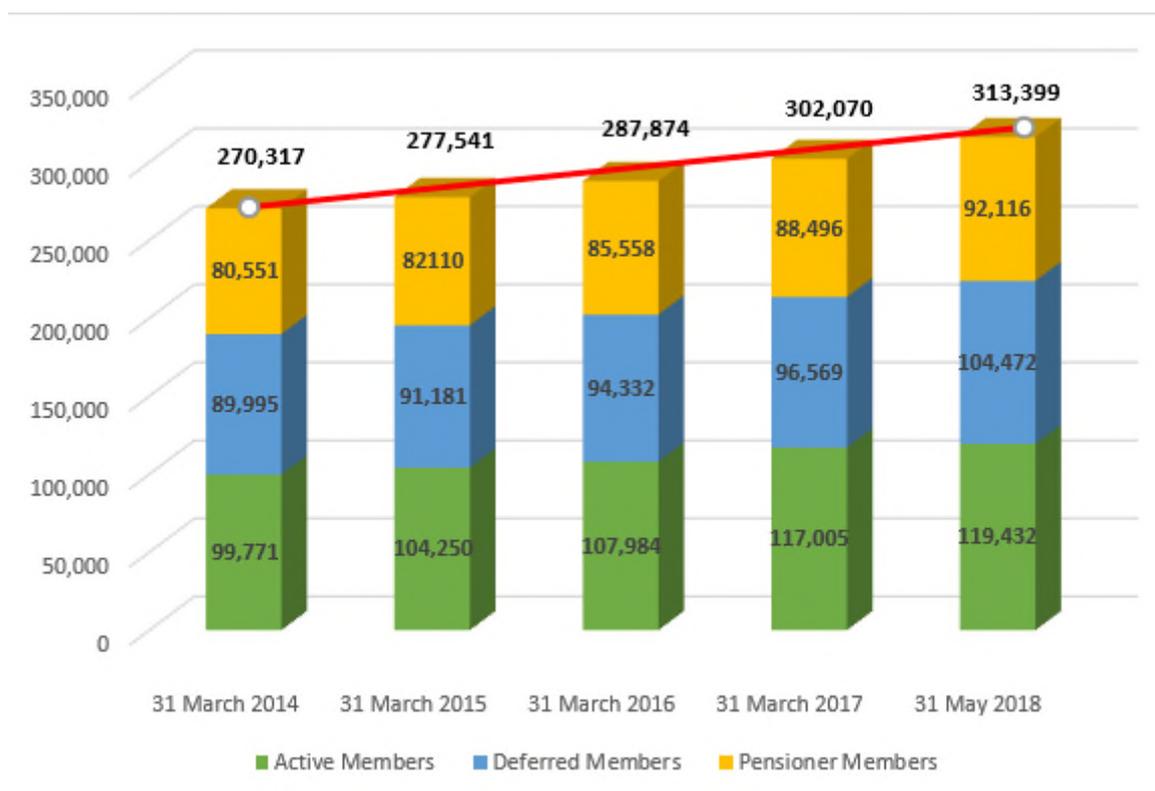
2.1 The Fund provides a pension administration service to its stakeholders, which covers employer, customer and member services, benefit operations, payroll and systems/technical support.

2.2 To date Pension Board has received performance information on a number of key areas of administration including data quality, customer engagement and employer performance. This report is designed to focus on the Operations service area and provide a summary of the work volumes and the performance of the Fund against benefit operations casework.

3.0 Scheme Activity

3.1 Membership movement – Main Fund

3.1.1 The total number of scheme member records in the Fund at end of May 2018 stands at 313,399, with an overall increase since April 2017 of 11,329 (4%). The graph below illustrates the trend over the last five years which demonstrates a move towards a more mature profile however, in general, all membership types active, pensioners and deferred continue to rise.



3.2 Membership movement – WMITA Fund

3.2.1 The number of scheme member records in the WMITA Fund in all three categories stood at 4,995 on 31 May 2018, 7% are active members, 14% are deferred and the largest group are pensioner members at 79% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below are current membership numbers showing movements between 31 March 2017 and 31 May 2018.

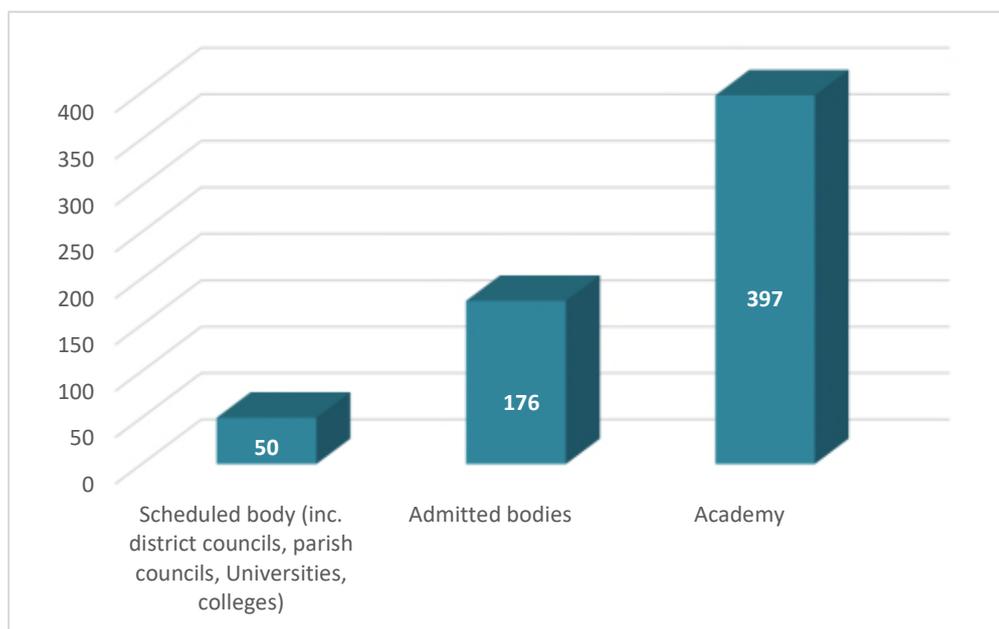
	Membership as at 31st March 2017			Net Movements during the period			Membership as at 31 May 2018		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	402	0	402	-54	0	-54	348	0	348
Deferred Members	764	15	779	-65	-2	-67	699	13	712
Pensioner Members	3772	119	3891	-44	0	-44	3816	119	3,935
Total Members	4538	134	5072	-325	-2	-77	4,863	132	4,995

3.3 Employers

3.3.1 As well as the increase in the numbers of members within the Fund the number of employers is also increasing and the current number of employers as at 31 May is 623 a 49% increase from 2014 to 2018. The graph below shows the increase in employers between 2014 and 2018.



3.3.2 The graph below shows the breakdown of the total number of employers as at 31 May 2018 by employer type.



3.4 Workflow statistics

- 3.4.1 The Benefit Operations casework is managed through the UPM Pension Administration System, which records all processing activity on a members record.
- 3.4.2 During the period covered by this report 61,916 administrative processes were commenced and 54,757 completed. On 31 May 2018 there were 35,866 items of work outstanding. This represents an increase of 1,923 items outstanding compared to 31 May 2017 (33,943). The 35,866 items of work outstanding, includes casework which the Fund is unable to process as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. This accounts for 4,252 items. Within pensions administration, 32,564 processes are now either proceeding to the next stage of the process or through to final completion.
- 3.4.3 The number of active processes and the total number of processes outstanding continue to be high; and this can be partly attributed to the Fund's increased focus on improving data quality. Key areas of high volume include early leavers (deferments and refunds) and transfers in and out of the scheme. The Fund saw a 20% increase in the average number of post 2014 leaver notifications received in the 2017/18 year compared to the previous year of 2016/17.
- 3.4.4 Due to the historic nature of some of these cases, a number of additional processes have also been started to action work relating to changes to members circumstances. For example, a member may have left employment with one employer and rejoined another before the Fund has been notified of and processed the original leaver. These cases can be time consuming to complete due to the multiple records and processes requiring investigation and action.

3.4.5 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 A).

3.5 Key Performance Indicators (KPIs)

3.5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements etc. These are monitored on a monthly basis are set to support the Fund to report on and meet its statutory disclosure requirements.

3.5.2 A key area of focus across all teams has and continues to be working to maintain and improve the timely issue of information to members and this is reflected in the notable cumulative improvements across the KPIs during the 12 month period. For more information please see Appendix B.

4.0 Pensions in payment

4.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to March 2018 was £471.6m, £16.5m of which (£8.0m for pensions increase and £8.5m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

4.2 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to March 2018 was £25.5m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

5.0 The Local Government Pension Scheme (Amendment) Regulations 2018

5.1 Following consultation in May 2016, the LGPS (Amendment) Regulations were made effective from 14 May 2018; however a number of the regulations are backdated to 1 April 2014. As well as amending the LGPS Regulations they also amended the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

5.2 A few of the changes are clarification of existing regulations, however there were several areas that were consulted on that have not been included. This included Fair Deal, and the Government intend to commence a consultation on new proposals for Fair Deal by the end of the year.

5.3 One of the key changes brought by these regulations is to allow deferred members who left prior to 1 April 2014 access to their deferred benefit from age 55, which is expected to reduce appeals from members. However, for those members who left before 1 April 1998 they will only have the option to elect for payment at age 55 (with a reduction to their normal retirement date) and if they do not elect for payment at age 55 then their deferred benefit is payable from their normal retirement date.

In addition, these members also have to have ceased to be in local government employment. Further guidance is being requested by Funds to clarify the wording of this regulation.

- 5.4 A transitional phase for implementation is needed, and consultation on further changes is expected later in the year.

6.0 Financial implications

- 6.1 The report contains financial information which should be noted.
- 6.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations. The Fund's actuary will initially, and at each triennial valuation, set an appropriate employer's contribution rate based on the pension assets and liabilities of the individual employer.

7.0 Legal implications

- 7.1 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.

8.0 Equalities implications

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

9.0 Environmental implications

- 9.1 The report contains no direct environmental implications.

10.0 Human resources implications

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

11.0 Corporate landlord implications

- 11.1 The report contains no direct corporate landlord implications.

12.0 Schedule of background papers

- 12.1 None.

13.0 Schedule of appendices

- 13.1 Appendix A: Detailed process analysis
- 13.2 Appendix B: Key performance indicators (KPIs)

Pension Committee Statistical Report
Detailed Process Analysis

January	Feburary	March	YTD 2017/18	April	May
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Active & Deferred members

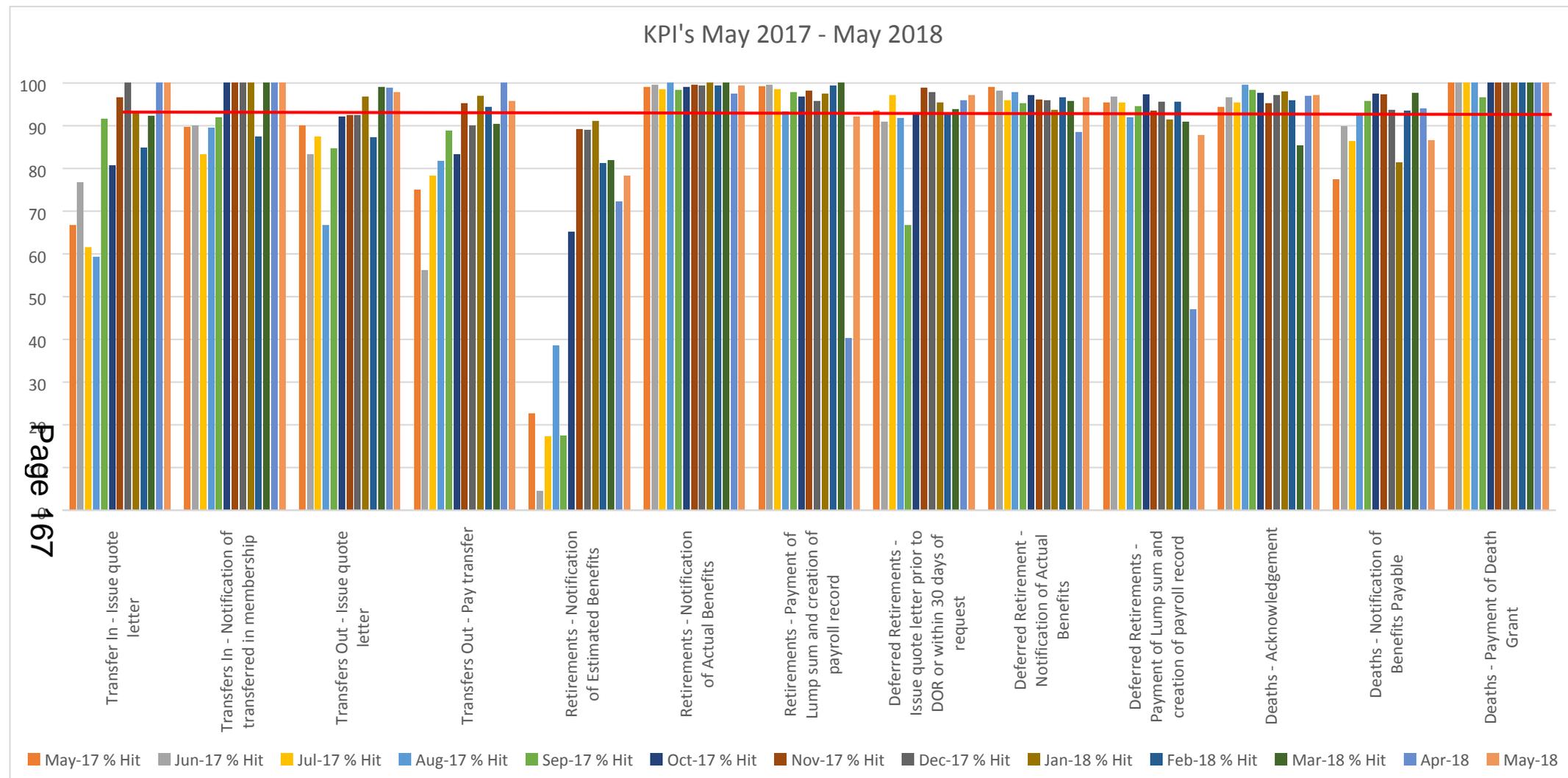
Process type						
Joiners and Rejoiners	2625	1952	2477	17755	2802	2829
Changes in circumstances eg change in hours	493	423	399	5386	367	316
Deferments	659	692	716	8629	378	491
Active Retirements (Employer retirements)	273	258	254	2676	157	190
Deferred Retirements	680	99	260	4429	432	355
Deaths of members	44	34	26	470	28	35

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Pensioner members

Process type						
Changes in circumstances:-						
Data eg Passwords, NI Numbers	264	207	216	3105	291	252
Changes of Address	228	168	190	3004	283	309
Changes of Bank	131	146	191	2214	182	182
Deaths of pensioners	361	260	218	2919	253	216

Payroll	Monthly	Monthly	Quarterly	Total	Monthly	Monthly
Actual number paid	76,566	76,738	91,257	945,196	80,931	81,174



Key areas to note over the previous 12 months include the following:

- Transfers In issue quote letter from April 2017 to August 2017 was at or below 80%, from September 2017 the KPI has been maintained above 80% and from April 2018 has been 100%.
- Transfers In notification of transferred membership has been maintained at above 80% through the previous 12 months, with 7 months of the previous 12 months achieving 100%.
- Transfers Out pay transfer for the period May 2017 to October 2017 ranged from 75% to 89.06%, for the period November 2017 to May 2018 the KPI has been maintained above 90%.
- Retirements Notification of Estimated Benefits performance cumulative improvement, however the volume of cases and delays to revaluation orders and factors has still impacted performance.

West Midlands Pension Fund – Appendix B – Key Performance Indicators (KPIs)

- Retirements Payment of Lump sum and creation of payroll record have been maintained through the 12 month period at above 90%, apart from April 2018 due to reduced timescales for processing due to a system upgrade.
- Deferred Retirement Notification of Actual Benefits have been maintained through the 12 month period at above 90%.
- Deferred Retirements - Payment of Lump sum and creation of payroll record have been maintained through the 12 month period at above 90%.
- Deaths acknowledgements - for the period April 2017 to March 2018 the KPI has been maintained above 90%, with March 2018 KPI reducing slightly to 85.47%.
- Deaths payment of death grant have maintained over 90%

Pensions Board

25 September 2018

Report Title	Customer Engagement Update	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor	Head of Pensions
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The engagement activity to date and plans for future engagement on the horizon.
2. The announcement made by Prudential and the associated review of service

1.0 Purpose

- 1.1 To provide the Board with an update of the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy.

2.0 Background

- 2.1 One of the Fund's key objectives is to provide excellent customer service. In line with this objective, the Fund has published, and keeps under review, a Customer Engagement Strategy.
- 2.2 In line with the Customer Engagement Strategy, the Fund strives to engage with as many stakeholders as possible, to obtain and consider their feedback which will help inform improvements to the service.
- 2.3 In support of the customer engagement strategy, the Fund's Pensions Services team is split into three service areas focussed upon supporting and proactively engaging with members and employers on a wide variety of matters. A key component of this engagement is obtaining valuable feedback from our customers to help shape the service provided by the Fund and develop our understanding of our customers' requirements.
- 2.4 By way of high-level overview, the Pensions Services team covers:
- Member Services – a team dedicated to providing information and support on the LGPS to members primarily via presentations, one to ones, roadshows and other associated events. This team also manages the Fund's communications with members through a variety of methods, to include promotion of the "My Pensions Portal"
 - Customer Services – provision of a dedicated member helpline and management of email enquiries received from members. This team also maintains the Fund's reception drop-in service.
 - Employer Services – responsible for managing all communication, support and engagement with employers, extending to employer forums such as the Employer Peer Group, and Employer Coaching, providing support and guidance for employers on their responsibilities in line with the Fund's Pension Administration Strategy
- 2.5 This report outlines some of the recent customer engagement activity, both the work undertaken by the Member Services team and examples of specific engagement with a variety of stakeholders.

3.0 Member surveys

- 3.1 The Fund has recently negotiated a customer survey as part of its telecommunications package with Windsor Telecom.

- 3.2 The optional survey has been applied to the Customer and Employer helplines with effect from 1 December 2017 and takes customers less than a minute to complete. Customers are also able to request a call back to discuss their feedback further.
- 3.3 An initial set of questions has been implemented on these telephone surveys and on average members are scoring their responses as satisfactory to good.
- 3.4 A number of actions have arisen from the feedback received, which will enable prioritisation for service development and improvements to be implemented. In light of the initial set of results and associated actions, the Fund will review and refine the survey to ensure it maximises participation and focusses on the key areas for member feedback.
- 3.5 The Fund is currently reviewing the suite of member surveys, whether specific for defined services or more generic in terms of the overall satisfaction survey accessible on the Fund's website. These will be finessed to better align to each other to provide an overall picture of customer satisfaction and define the areas for service development.

4.0 Employer Survey

- 4.1 The Fund has reviewed the employer survey to be emailed to employers twice yearly. This review was based on the existing survey with changes made to capture specific areas for feedback.
- 4.2 The revised employer survey was presented to Employer Peer Group for review in advance of the 5th June 2018 meeting, with feedback to be received by 22nd June 2018.
- 4.3 The Fund will review all feedback received from the Employer Peer Group and make any required amendments, with a view to the survey being emailed to all employers in July 2018 and results to be presented at the Fund's employer Annual General Meeting.

5.0 Employer Mid-Year Review

- 5.1 The Fund held its employer Mid-Year Review at the Molineux Stadium on 15th May 2018, to which all participating employers were invited.
- 5.2 As with previous employer Annual General Meetings and Mid-Year Reviews, Fund officers presented on an array of topics to ensure the event was informative and tailored to the feedback received by employers from previous events. Two external speakers were also involved, an economist and the Pensions Regulator.
- 5.3 The Fund issued an electronic survey to all attendees on the day of the event to obtain their valuable feedback and this is detailed in appendix A, provided for further reading.
- 5.4 In general the feedback received was very positive. A few comments were made about the venue, which will be addressed for the next event (unfortunately due to improvement works to the Molineux stadium, it was necessary to move this event from one Molineux suite to another at relatively short notice).

5.5 The Fund is also considering the content of such events going forward and how we might better cater for the diverse range in roles of the attendees, potentially with more focussed workshops, with delegates having a choice of which to attend.

5.6 The Fund continues to explore ways in which to further promote the employer AGM and the Mid-Year Review, in order to encourage an increased and diverse (representing all the main employer groups) attendance at future events.

6.0 New Member Pensions Portal Promotion

6.1 The Fund implemented a new Pensions Portal in August 2017 as an upgrade in terms of efficiency and functionality on its predecessor. The Pensions Portal has been designed using member feedback and is expected to deliver efficiencies for customers, our employers and the Fund.

6.2 To maximise the number of members using the new Pensions Portal, a communication plan was developed for both the Fund and employers. Employers were also issued with a toolkit to assist them with their promotions.

6.3 Following distribution of the toolkit, employers have implemented various methods to promote the new Pensions Portal with evidence of success, for instance inclusion of new Pensions Portal literature/advertising on internal information screens and proactive emails to members promoting the benefits of the facility.

6.4 Overall, as a combined result of Fund and Employer portal promotions, the Fund saw a 102% increase in the number of activated Portal users over an eight-week period compared to the previous year. Work to increase the number of Portal users will become part of the daily functions of the Member & Customer Services Teams, with progress being reported on a regular basis.

6.5 As at the 31 March 2018 **56,920** members have registered to manage their pension benefits online.

6.6 For the period 1 October 2017 to 31 March 2018 **9,966** members registered for an account as a result of the work undertaken by the member services team to promote the new web portal and alongside promotion by several of the Fund's larger employers.

6.7 Following the initial drive to promote the new member web portal, the Fund continues to promote the member pensions portal. Consideration is being given to implementing a new theme "Be Pension Smart!" to create member pension awareness.

7.0 50:50 Scheme awareness

7.1 Following discussion at a national level with Scheme Advisory Board (SAB) and the Local Government Association (LGA) around the awareness of members to the 50:50 scheme, the Fund has considered how well publicised this is and whether members opting-out of the scheme are aware of this lower cost option.

The 50:50 section enables members to reduce their contributions by 50% to build up 50% of the standard pension benefits whilst retaining benefits such as the existing death in service cover (three times pensionable salary).

7.2 To increase the awareness of members to the 50:50 scheme, the Fund has implemented the following:

- Revised wording on the Fund's website under the "thinking about opting-out" section, highlighting the benefits of the 50:50 scheme and with a link to a factsheet providing more detail.
- Inclusion of 50:50 scheme slides in the Fund's presentations made by the Member Services team.

7.3 In addition, the Fund is in the process of rolling-out the following:

- A short video, to be placed on the Fund's website, to explain how the 50:50 scheme works.
- An awareness leaflet, which will sit in front of the opt-out form, therefore providing an opportunity for members to consider the 50:50 scheme as an alternative to opting-out.
- Additional wording to be included in statutory notifications issued to members by employers.
- Working with employers to ensure details of the 50:50 scheme are provided to employees at their re-enrolment date for auto enrolment purposes.

7.4 The Fund has begun piloting a number of these methods with the City of Wolverhampton Council in its role as Administering Authority.

8.0 Employer performance

8.1 The Fund continues to engage with participating employers to cover both the Fund's own performance and the performance of individual employers in line with the Pensions Administration Strategy (PAS). As covered in a separate report, the PAS has been revised, effective 1 July 2018, following a consultation process with employers.

8.2 The performance of the Fund and participating employers is covered at both the Mid-Year Review and Annual General Meeting events, with summary performance covered in the Employer Briefing Note issued every two months.

8.3 The Fund has been developing a performance dashboard which provides a summary of performance against key data sets and responsibilities set out in the PAS. As part of rolling-out these dashboards they were trialled with key contacts at major employers and the Employer Peer Group to obtain valuable feedback. In line with the revision required

for the PAS (to reflect the move to monthly data submissions from the previous annual cycle) the Fund has reviewed the dashboards, to factor in the feedback received from employers as part of the consultation process. A revised version of the dashboards and performance monitoring guidance will be released in due course.

9.0 Employer Peer Group

- 9.1 The Fund has reviewed and refreshed the terms of reference for the Employer Peer Group as well as considering the attendees with a view to widening the diversity of representation within the group.
- 9.2 This employer forum provides the Fund with valuable feedback from its employer base, which is becoming ever more important and relevant given the increase in numbers and diversity of employers within the Fund. The group also allows the Fund an essential opportunity to trial new methods, procedures and ideas, before implementation, to include both member processing efficiencies and employer initiatives. As covered in the 21 March 2018 Committee papers, the Employer Peer Group recently underwent a review, one outcome of which was to increase the scope of attendees to ensure wider representation of the different employer groups.
- 9.3 The most recent Employer Peer Group meeting was held on 14 March 2018. Following the review of the terms of reference for the group and an extended invite for new participants, a number of new participants have been added to the group.
- 9.4 A number of topical issues were covered including:
- The 2017/2018-year end process and requirements
 - The possible introduction of Employer dashboards in order to increase feedback for employers on performance levels, particularly where a third-party payroll provider has been appointed
 - The concept of a 'Pension Awareness' video to be rolled out by the Fund

10.0 Employer Coaching

- 10.1 One of the Fund's objectives is to partner for success, of which a key element are our customers. The Fund's Pensions Administration Strategy (PAS) sets out the roles and responsibilities for both the Fund and our participating employers. In order to provide employers with the required support and guidance to achieve these responsibilities, the Fund provides employer coaching sessions, with a planned schedule of events set out for each calendar year.
- 10.2 The planned dates for 2018 are as follows:
- 7th February 2018
 - 18th April 2018
 - 13th June 2018
 - 12th September 2018
 - 14th November 2018

- 10.3 At the most recent employer coaching session held on 13 June 2018, there were 12 attendees. Feedback was positive with over 80% of attendees rating the session as excellent. A new element added at this session was an interactive assessment of the group's learning from the day, to ensure that the key points had been absorbed, the results of which were very encouraging.
- 10.4 The Fund received specific feedback on topics the group would like incorporated into the coaching offering, which will be reviewed and implemented where possible.

11.0 Support & communication on the horizon over the next quarter

- 11.1 The Fund will be providing various support and communication to its customers and stakeholders over the horizon, for information this will include:
- Presentation at the Solihull Academy and Schools Business Managers meeting on 6 July 2018.
 - Local Government Association (LGA) - Joint Annual Benefits Statement project, to review contents and layout of the Annual Benefit Statements, with proposed changes due to take effect in 2020.
 - Active & Deferred newsletters, working with nine other LGPS administering authorities to design an active & deferred newsletter, branded "WMPF Pensions Link".
 - Digital transformation – videos. Initially developing three short animated videos to create awareness on Annual Benefit Statements, Opting Out and the 50/50 section, and a step by step guide to registering for My Pensions Portal.

12.0 Prudential

- 12.1 On 11 May 2018 M&G Prudential announced a company-wide transformation programme designed to modernise the business. As part of this programme changes are to be made to the Corporate Pensions Team which provides member presentations and individual meetings in the workplace.
- 12.2 As a result of these changes, with immediate effect, member presentations and individual meetings will no longer be provided by Prudential, across LGPS funds, however the full range of online services and telephony support will be maintained via the Retirement Specialist Team.
- 12.3 Prudential have confirmed that they will contact the relevant employers to inform them of this decision.

- 12.4 The Fund will engage with Prudential over the forthcoming month to better understand the changes being made to the Corporate Team and the potential impact on the provision of LGPS AVCs. At this stage, it is not envisaged that there will be any impact on member retirement benefits or the provision of new AVC accounts, however the changes are likely to affect the member presentations made in conjunction with the Fund, the promotion of Prudential AVCs and employer led initiatives such as Shared Cost Salary Sacrifice arrangements.
- 12.5 As the Fund is structured to incorporate a dedicated Member Services Team, for which the Fund receives very good feedback and recognition, there will be limited impact on the services provided to members. As illustrated earlier in the report, just over 15% of members provided with face to face support over the period attended the joint presentations with Prudential. Fund Officers will continue to raise awareness of member pension saving options (including AVCs as appropriate) within its presentations going forward.
- 12.6 The only area the Fund currently envisages this announcement will affect initially is the promotion of employer initiatives led by Prudential direct (i.e. without Fund involvement), such as Shared Cost Salary Sacrifice arrangements.
- 12.7 Prudential accounts for a significant proportion of LGPS AVCs, therefore the Fund will work with other LGPS funds affected and liaise closely with Prudential to consider the service implications and any further action required.

13.0 Financial implications

- 13.1 Dependent upon the outcome of the Fund's website review there could be financial implications for the Fund, both in terms of a potential change of contract terms and conditions or a change in provider.

14.0 Legal implications

- 14.1 The report contains no direct legal implications

15.0 Equalities implications

- 15.1 The report contains no direct equalities implications.

16.0 Environmental implications

- 16.1 The report contains no direct environmental implications.

17.0 Human resources implications

- 17.1 The report contains no direct human resources implications.

18.0 Corporate landlord implications

18.1 The report contains no direct corporate landlord implications.

19.0 Schedule of Appendices

19.1 Appendix A – Employer Mid-Year Review Meeting feedback

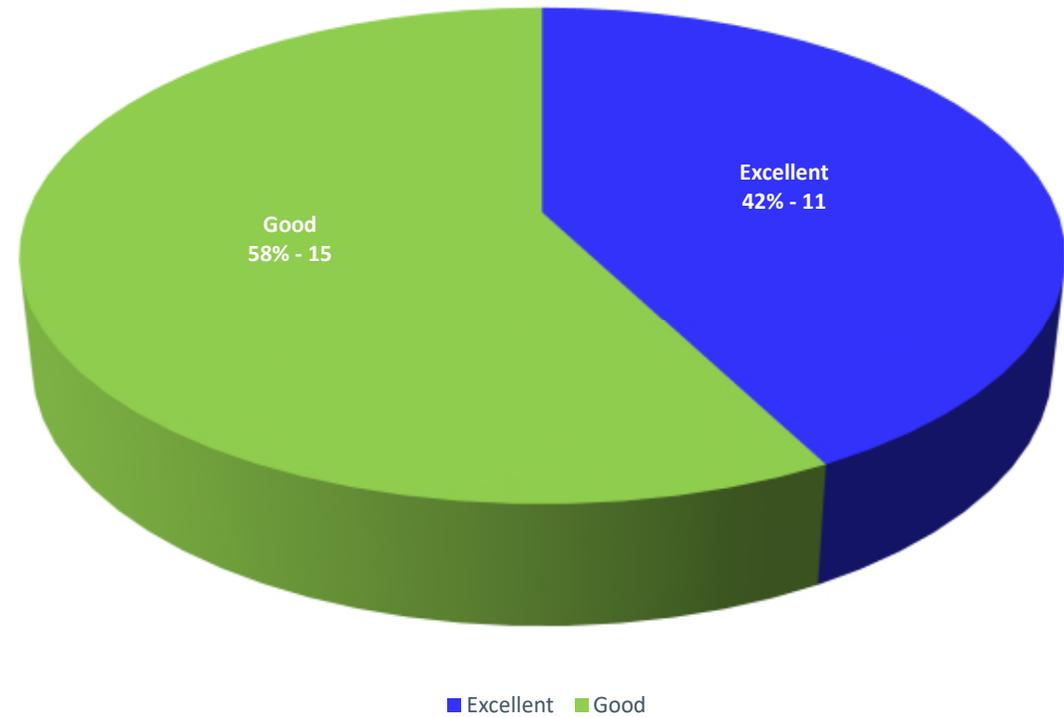
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EVENT FEEDBACK



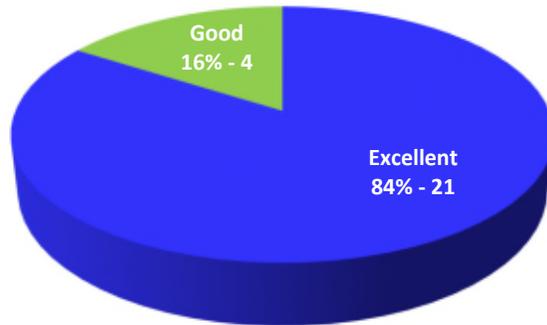
How would you rate the employers' mid-year review?

Excellent	11
Very Good	0
Good	15
Satisfactory	0
Poor	0



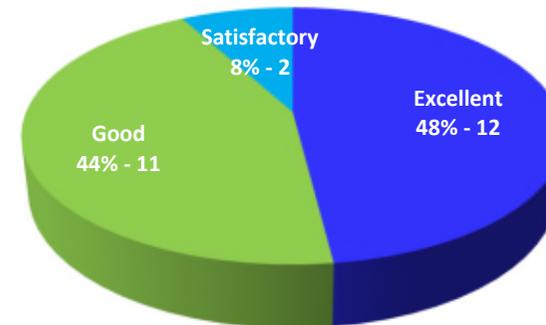
Employers' were asked to rate the following:

Ease of registration



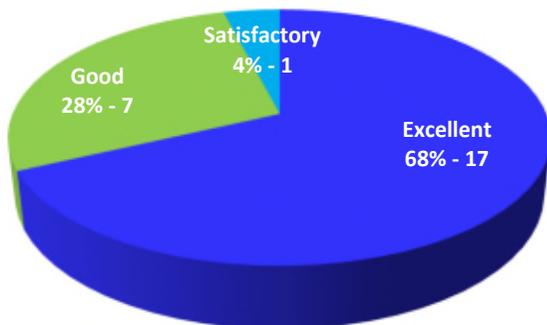
■ Excellent ■ Good

Scheduling and Timing



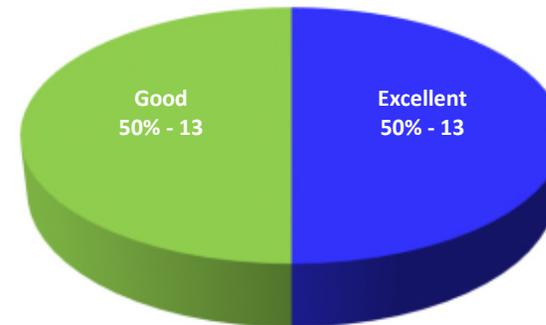
■ Excellent ■ Good ■ Satisfactory

Organisation



■ Excellent ■ Good ■ Satisfactory

Quality of Information



■ Excellent ■ Good

Employers' were asked to rate the following:

Food and Refreshments



Venue and location

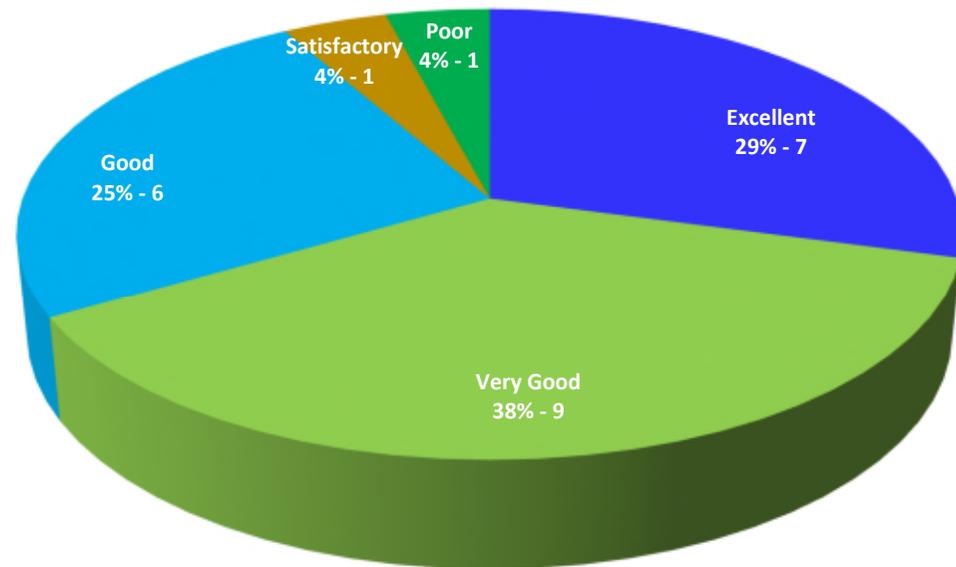


Parking and Directions



How would you rate the promotional stands and the pension support videos which were played in the break?

Excellent	7
Very Good	9
Good	6
Satisfactory	1
Poor	1



■ Excellent ■ Very Good ■ Good ■ Satisfactory ■ Poor

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