



# Pensions Committee

## 10 December 2014

**Time** 1.30 pm      **Public Meeting?** YES      **Type of meeting** Pensions  
**Venue** Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

### Membership

**Chair** Cllr Bert Turner (Lab)  
**Vice-chair** Cllr Lorna McGregor (Lab)

#### Labour

Cllr Peter Bilson  
Cllr Ian Brookfield  
Cllr Val Evans  
Cllr Jasbir Jaspal  
Cllr Phil Page  
Cllr Sandra Samuels  
Cllr Tersaim Singh

#### Conservative

Cllr Paul Singh  
Cllr Zahid Shah

#### Liberal Democrat

Cllr Michael Heap

#### District Members

Cllr Muhammad Afzal (Birmingham City Council)  
Cllr Rachel Harris (Dudley Metropolitan Borough Council)  
Cllr Damian Gannon (Coventry City Council)  
Cllr Steve Eling (Sandwell Metropolitan Borough Council)  
Cllr Alan Rebeiro (Solihull Metropolitan Borough Council)  
Cllr Mohammed Arif (Walsall Metropolitan Borough Council)

#### Trade union observers

Mr Malcolm Cantello  
Mr Martin Clift  
Mr John Daly  
Mr Ian Smith

Quorum for this meeting is five Councillors.

### Information for the Public

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

**Contact** Carl Craney  
**Tel/Email** 01902 555046 or [carl.craney@wolverhampton.gov.uk](mailto:carl.craney@wolverhampton.gov.uk)  
**Address** Democratic Support, Civic Centre, 2<sup>nd</sup> floor, St Peter's Square,  
Wolverhampton WV1 1RL

Copies of other agendas and reports are available from:

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

[NOT PROTECTIVELY MARKED]

Please take note of the protocol for filming and recording of, and use of social media in, meetings, copies of which are displayed in the meeting room.

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

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# Agenda

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

- | <i>Item No.</i> | <i>Title</i>  |
|-----------------|---|
| 1               | <b>Apologies for absence (if any)</b>   |
| 2               | <b>Notification of Substitute Members (if any)</b>  |
| 3               | <b>Declarations of interests (if any)</b>   |
| 4               | <b>Minutes</b> (Pages 1 - 10)<br>(a) Pensions Committee – 24 September 2014<br>(For approval)<br><br>(b) Investment Advisory Sub Committee – 24 September 2014<br>(For approval)  |
| 5               | <b>Matters arising</b><br>[To consider any matters arising from the minutes of the meetings of:<br><br>(a) Pensions Committee – 24 September 2014<br><br>(b) Investment Advisory Sub Committee – 24 September 2014                              |
| 6               | <b>Pensions administration report</b> (Pages 11 - 30)<br>[To inform the Committee of the work undertaken by the Pensions Administration Service during the period 1 July 2014 – 30 September 2014]  |
| 7               | <b>Annual report and accounts 2013/14 - update</b> (Pages 31 - 60)<br>[To receive a report on the completion and publication of the Fund's annual report and accounts for 2013/14 including the addenda required by the updated CIPFA guidance] |
| 8               | <b>Internal Audit annual report</b> (Pages 61 - 72)<br>[To receive a report on the contents of the Internal Audit annual report 2013/14]  |
| 9               | <b>Compliance monitoring</b> (Pages 73 - 76)<br>[To receive a report on the findings of the quarterly Compliance Monitoring Programme together with any compliance issues]  |
| 10              | <b>Service plan monitoring</b> (Pages 77 - 88)<br>[To receive an update on the Fund's financial and service plan monitoring]  |
| 11              | <b>Local Government Pension Scheme (LGPS) 2014 - update</b> (Pages 89 - 92)<br>[To receive an update on the progress to date of the implementation of the LGPS 2014]  |

- 12 **Active ownership activities - 1 July 2014 - 30 September 2014** (Pages 93 - 98)  
[To receive a report on the work undertaken by the Investments Team regarding their voting and engagement activities, collectively referred to as “active ownership” activities between the period 1 June to 30 September 2014]
- 13 **Strategic Investment Allocation Benchmark (SIAB) - review** (Pages 99 - 104)  
[To review a statement of investment beliefs and plans for the Fund’s listed equities portfolio]
- 14 **Governance Reform 2014 - update** (Pages 105 - 132)  
[To consider the final proposals of the governance reform after 1 April 2015 and to make recommendations to the Council]
- 15 **Information Governance** (Pages 133 - 136)  
[To consider the outline proposals to register the Fund as a Data Controller under the Data Protection Act]
- 16 **Appointment of a representative to a Special Appointments Committee**  
(Pages 137 - 140)  
[To consider the proposal to establish an Assistant Director Actuarial and Pensions post and to nominate two District Council Members to serve on a Special Appointments Committee to appoint to the post]
- 17 **Exclusion of the public and press**  
[To pass the following resolution:

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

## **Part 2 – items not open to the public and press**

- 18 **Investment portfolio valuation**  
[To receive details of the Investment Portfolio Valuation as at 30 September 2014 – a copy will be available at the meeting]
- Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
- 19 **Responsible investment activities** (Pages 141 - 146)  
[To receive a report on the engagement work undertaken by the Investments Team regarding the responsible investment activities between 1 July and 30 September 2014]
- Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)

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# Pensions Committee

## Minutes - 24 September 2014

### Attendance

#### Members of the Pensions Committee

Cllr Bert Turner (Chair)  
Cllr Lorna McGregor (Vice-Chair)  
Cllr Peter Bilson  
Cllr Sandra Samuels  
Cllr Tersaim Singh  
Cllr Jasbir Jaspal  
Cllr Phil Page  
Cllr Paul Singh  
Cllr Muhammad Afzal (Birmingham City Council)  
Cllr Mohammed Arif (Walsall MBC)  
Cllr Damian Gannon (Coventry City Council)  
Cllr Alan Rebeiro (Solihull MBC)

#### Trade Union observers

Martin Cliff (Unite)  
Victor Silvester (Unite)  
Ian Smith (Unite)

#### Employees

Mark Chaloner	Assistant Director, Investments
Carl Craney	Democratic Support Officer
Rizwan Dhanani	Assistant Accountant
Geik Drever	Director of Pensions
Rachel Howe	Head of Governance - Pensions Services
David Kane	Head of Finance, Delivery Directorate
Amanda MacDonald	Client Lead Auditor

#### Advisors

William Marshall – Hymans Robertson LLP  
Graeme Johnston – Hymans Robertson LLP  
David Robson – PwC

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

*Item No.*      *Title*

- 1 Apologies for absence (if any)**  
Apologies for absence had been received from Cllr Val Evans (Wolverhampton City Council), Cllr Zahid Shah (Wolverhampton City Council). Cllr Steve Eling (Sandwell MBC) and Cllr Sandra Hevican (Substitute Member) (Sandwell MBC).
- 2 Notification of Substitute Members (if any)**

No Substitute Members had been appointed for this meeting.

3 **Declarations of Interests (if any)**

The Vice Chair, Cllr Lorna McGregor declared a personal interest in matters pertaining to the Local Government Pension Scheme as a Member of that Scheme.

4 **Minutes**

(a) Pensions Committee – 25 June 2014

Resolved:

That the minutes of the meeting of the Pensions Committee held on 25 June 2014 be confirmed as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 25 June 2014

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 25 June 2014 be received and the acts, proceedings and recommendations contained therein be adopted.

(c) Pensions Joint Consultative Forum – 3 September 2014

Resolved:

That the minutes of the meeting of the Pensions Joint Consultative Forum held on 3 September 2014 be received subject to the deletion of “Sandra Hevican – Assessor – Revenue and Benefits” and the addition of “Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)” in the Attendance Record.

5 **Matters arising**

There were no matters arising from the minutes of the Pensions Committee held on 25 June 2014, the Investment Advisory Sub Committee held on 25 June 2014 or the Pensions Joint Consultative Forum held on 3 September 2014.

6 **Pensions administration report**

Geik Drever presented a report on the work of the Pensions Administration Service during the period 1 April 2014 – 30 June 2014.

With reference to paragraph 6.2 of the report insofar as it referred to applications for admitted body status, Martin Clift requested that future reports include an indication as to whether the schemes for which applications were made were open or closed.

Resolved:

1. That the write off decisions be approved;
2. That the applications approved by the Director of Pensions and the Chair and Vice Chair of the Committee for admission to the West Midlands Pension Fund as detailed in paragraph 6.2 of the report be noted;
3. That the proposed transfer to the Greater Manchester Pension Fund in respect of the National Probation Service pension members be noted.



7 **Compliance monitoring**

Geik Drever presented a report which detailed the quarterly update on the Compliance Monitoring Programme (“The Programme”) which highlighted any issues which had arisen or which had been identified.

Resolved:

That the fact that no compliance issues had arisen in the period be noted.

8 **Local Government Pensions Scheme (LGPS) 2014**

Geik Drever presented a report which provided an update on the progress to date of the implementation of the LGPS 2014.

Resolved:

1. That the activity and progress to date of the implementation of the LGPS 2014 be noted;
2. That the expected timescales for the implementation of the pensions administration system changes be noted.

9 **Service Plan monitoring**

Geik Drever presented a report which updated the Committee on the Fund’s financial and service plan monitoring.

Resolved:

That the financial monitoring along with the Fund’s key performance indicators be noted.

10 **Annual Reports and Accounts 2013/14**

Geik Drever and David Robson presented the Fund’s Annual Report and Accounts 2013/14 and responded to questions from Members of the Committee.

Resolved:

1. That the Fund’s 2013/14 Annual Report and Accounts and its publication on the Fund’s website following the completion of the external audit be approved;
2. That the thanks of the Committee be extended to David Robson for his report and presentation.

11 **Strategic Investment Allocation Benchmark (SIAB) annual review**

Mark Chaloner presented a report which invited the Committee to review the Fund’s investment strategy and to consider changes to the Strategic Investment Allocation Benchmark (SIAB). The Committee received a presentation from Graeme Johnston on the proposed changes. Copies of the presentation were circulated at the meeting.

Resolved:

1. That the following changes in the SIAB allocation with effect from 1 October 2014 be approved:
  - i) An increase in the allocation to property to 10% of assets (from 9%), with a 7% allocation to direct property (up from 6%) and a 3% allocation to indirect property;
  - ii) The creation of an allocation to real assets and infrastructure, with a target allocation of 6% (compared with the current 4% allocation to infrastructure)

and for the allocation to agriculture funds (0.2% and currently in the commodities portfolio) to be transferred to this segment;

iii) The elimination of the allocation to hedge funds (3%);

iv) In the stabilising segment of the fixed interest portfolio, for an increase in the allocation to index linked gilts to 6% (from 5%) and for a corresponding decrease in the allocation to conventional gilts (to 3% from 4%);

2. That the asset transfer arrangements for the Ministry of Justice (MoJ) Probation Trust pensions, for which Greater Manchester Pension Fund would be assuming responsibility be endorsed. (It is estimated that the Fund would transfer £235 million of assets in the final quarter of 2014, with funding from cash resources (£175 million) and the balance from the transfer of the Fund's holding in a short dated UK gilt fund (£60 million) managed by Legal & General.

12 **Active ownership activities - April 2014 to June 2014**

Mark Chaloner presented a report which informed the Committee of the work undertaken by the Investments Team regarding their voting and engagement activities, collectively referred to as "active ownership" activities, between the period 1 April 2014 – 30 June 2014.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 30 June 2014 (including Appendix 1) be noted;
2. That the issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which was available on the Fund's website be noted.

13 **Governance Reform 2014 - update**

Rachel Howe presented a report which provided the Committee with an update on the governance reforms to date and which detailed the next steps for implementation. An explanatory sheet detailing a comparison between the advisory Pensions Board and the decision making Pensions Committee was circulated at the meeting.

Resolved:

1. That the structure of the Pensions Committee under the 2014 reform, subject to any statutory guidance be agreed;
2. That the structures and remit of the Pensions Board under the 2014 reform be agreed;
3. That authority be delegated to the Director of Pensions to implement the changes in conjunction with the Administering Authority;
4. That it be recommended to Full Council of the Administering Authority that the changes be implemented and approved.

14 **Exclusion of the public and press**

Resolved:

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

Item	Title	Applicable paragraph
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15	Investment portfolio valuation	3
16	Responsible Investment Policy related Activities – April 2014 – June 2014	3
17	Employer covenant update report	3
18	Property Management Service Contract	3

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

### **15 Investment portfolio valuation**

The Investment Portfolio Valuation as at 30 June 2014 was presented and Councillors were invited to submit any questions and / or comments to Geik Drever.

Resolved:

That the Investment portfolio Valuation as at 30 June 2014 be received.

### **16 Responsible Investment Policy related activities: April 2014 - June 2014**

Mark Chaloner presented a report which informed the Committee of the policy work undertaken by the Investments Team regarding the Fund's responsible investment activities during the period 1 April 2014 to 30 June 2014. For the avoidance of doubt, he confirmed that BAE was not involved in the production of cluster munitions.

Resolved:

1. That the Fund's revised UK voting policy as detailed in Appendix RI2 to the report be approved;
2. That the concept of fiduciary duty as it relates to responsible investment as outlined in Appendix RI1 to the report be noted;
3. That the implications of the Law Commission findings for the Fund, specifically that the Fund should not exclude companies from investment on non-financial grounds be noted, and that the Investments Team would continue to monitor developments in this area;
4. That the update on the LAPFF's engagement programme with arms companies being conducted on the Fund's behalf be noted.

### **17 Employer covenant update report**

Geik Drever presented a report which provided the Committee with an update on the monitoring of employer covenants by the Fund.

Resolved:

That the report and associated implications be noted.

### **18 Property Management Service Contract**

Mark Chaloner presented a report which updated the Committee with progress and conclusion of the procurement process for the appointment of an investment manager to manage the Fund's direct property portfolio.

Resolved:

That CBRE's re-appointment to manage the Fund's direct property portfolio be noted.

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# Investment Advisory Sub-Committee

## Minutes - 24 September 2014

### Attendance

#### Members of the Investment Advisory Sub-Committee

Cllr Bert Turner (Chair)  
Cllr Lorna McGregor (Vice-Chair)  
Cllr Mohammed Arif (Walsall MBC)  
Cllr Peter Bilson  
Cllr Damian Gannon (Coventry City Council)  
Cllr Sandra Hevican (Sandwell MBC) (Substitute External Member)  
Cllr Alan Rebeiro (Solihull MBC)  
Cllr Tersaim Singh

#### Trade Union observers

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

#### Employees

Carl Craney	Democratic Support Officer, Delivery
Geik Drever	Director of Pensions
Rachel Howe	Head of Governance, Pensions
Mark Taylor	Assistant Director, Finance, Delivery
Mark Chaloner	Assistant Director, Investments, Pensions

#### Advisers

Graeme Johnston – Hymans Robertson LLP  
William Marshall – Hymans Robertson LLP

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

*Item No.*    *Title*

- 1        Apologies for absence (if any)**  
Apologies for absence had been received from Cllr Steve Eling (Sandwell MBC) and John Fender (John Fender Associates).
- 2        Notification of Substitute Members (if any)**  
Cllr Sandra Hevican attended the meeting as a substitute Member for Cllr Steve Eling (Sandwell MBC).
- 3        Declarations of interest (if any)**  
No declarations of interest were made in relation to items under consideration at the meeting.

4 **Minutes of last meeting**

Resolved:

That the minutes of the meeting held on 25 June 2014 be confirmed as a correct record and signed by the Chair.

5 **Matters arising**

There were no matters arising from the minutes of the meeting held on 25 June 2014.

6 **Exclusion of the press and public**

**Exclusion of press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) of business as they involve the likely disclosure of exempt information falling within the paragraphs of Schedule 12A of the Act set out below:

Item No.	Title	Applicable paragraph
7	Asset allocation and investment performance – 1 April 2014 – 30 June 2014	3
8	West Midlands Pension Fund (WMPF) Investment Management Activity – 1 April 2014 – 30 June 2014	3
9	Economic and Market Update – June 2014	3
10	SIAB review of listed equities	3
11	Cleveland planning application - update	3

7 **Asset allocation and investment performance - 1 April 2014 to 30 June 2014**

Mark Chaloner presented a report which detailed the Fund's investment performance and the implementation of its investment strategy for the period 1 April 2014 – 30 June 2014 and which included also set out the position of each portfolio at the end of the period.

Cllr Alan Rebeiro queries the benchmark that was used. Mark Chaloner explained that the benchmark was derived from a composite of various market indices. Cllr Rebeiro requested that performance be presented in a graphical format. Geik Drever explained that this type of illustration was provided on an annual basis and agreed to provide it in future reports.

Resolved:

1. That the performance and investment activity for the quarter ended 30 June 2014 be noted;
2. That future reports contain performance data in a graphical and textual format.

8 **West Midlands Pensions Fund (WMPF) Investment Management Activity - 1 April 2014 - 30 June 2014**

Details of the Investment Management Activity between 1 April 2014 – 30 June 2014 were made available for consideration.

Resolved:

That the Investment Management Activity 1 April 2014 – 30 June 2014 be received and any matters arising therefrom be referred to the Director of Pensions for response.

9 **Economic and Market Update - June 2014**

Mark Chaloner introduced and Graeme Johnston presented a report which reviewed the global economy and investment markets. Graeme Johnston responded to a number of questions including explain the technical terminology used in the Appendix to the report and his presentation.

Resolved:

That the global market and economic report prepared by the Fund's advisers, Hymans Robertson, be received and noted.

10 **SIAB review of listed equities**

Geik Drever presented a report which outlined a review of the Fund's listed equities portfolio and explained the reasoning behind the various recommendations contained therein. Graeme Johnston and William Marshall presented slides which detailed the background to the recommendations. They responded to various questions from Members of the Sub Committee.

Resolved:

1. That the following changes in the Strategic Investment Allocation Benchmark (SIAB) allocation to listed equities be approved;
  - a) A decrease in the allocation to UK equities from 8% to 10% of assets;
  - b) An increase in the allocation to global equities from 10% to 8%;
  - c) Within the overseas equities allocation (which remained at 30%), allocations to each of North America, Europe ex UK, Pacific / Japan (3.75% each) and emerging markets;
2. That the detailed plans for the implementation of the changes in management arrangements for the listed equities portfolio be presented to the December 2014 Pensions Committee when a statement of investments beliefs would also be presented following consideration at the Trustee training session planned for October 2014 in Edinburgh.

11 **Cleveland planning application - update**

Geik Drever presented a report which informed the Sub Committee on the progress with the planning application on the Fund's agricultural land in Cleveland. She responded to questions from Members in relation to the report.

Resolved:

That the report be received and noted.

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# Pensions Committee

10 December 2014

<b>Report Title</b>	Pension administration report from 1 July to 30 September 2014	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Simon Taylor Tel Email	Acting Head of Pensions Administration 01902 55(4276) Simon.taylor2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Geik Drever Tel Email	Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Approve the amendment to the write-off policy in 8.0 and the associated write-offs on that basis.

## Recommendations for noting:

The committee is asked to note:

1. The applications approved by the Director of Pensions, the Chair and Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The pension administration activity of the Fund for the quarter to 30 September 2014.
3. The potential implications of the Freedom and Choice in Pensions on the Fund.
4. The potential implication of LGPS 2014 and mandatory projects upon resourcing levels.

## **1. Purpose**

- 1.1 To inform Committee of the work undertaken by the Pensions Administration Services during the period 1 July 2014 – 30 September 2014.

## **2. Background**

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

## **3. Scheme Activity**

### **3.1 Membership data**

The number of scheme members in the Fund in all three categories stands at 275,540 with an overall increase since 30 June 2014 of 3,846. Of the active membership of 103,271 - 46% are full-time and 54% part-time, which is a reflection of the flexible working arrangements amongst employers. The long-term trend over a 12 year period in membership is set out in (Appendix A) which illustrates a move towards a more mature profile whereby active memberships are falling and pensioners and deferred membership are increasing.

### **3.2 Workflow statistics**

The process analysis statistics show details of overall workflow within the Pensions Administration Service during the period 1 July – 30 September 2014 (Appendix B).

During the period covered by this report 28,030 administrative processes were commenced and 25,776 completed. On 30 September 2014 there were 10,515 items of work outstanding. Of this 2,459 items were in pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. Within pensions administration, 8,031 processes are now either proceeding to the next stage of the process or through to final completion

A detailed analysis of the key processes across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in (Appendix C).

Performance statistics have been influenced by the delay in the 2014 Pension Regulations and the ability to process post April 2014 work. To help support efficient working the Operations Team has begun processing new joiners by a bulk data import process. All employers went live using this service from 1 September 2014 which will release further capacity for other processing work.

### 3.4 Employer membership data

The Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 12 new organisations being admitted to the Fund during the period 1 July 2014 – 30 September 2014. The current number of employers as at 30 September 2014 is 438. The level of ongoing work being processed at the end of the period is as follows:-

- 51 admission agreements
- 32 academies
- 17 employer terminations

### 3.5 Customer services

An analysis of telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our members and employers (Appendix D). The Fund experienced a high volume of calls and e-mails in June due to the delivery of Deferred Benefit Statements. We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

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

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

4.1 So far in the 2014/2015 financial year four cases have been received. Three cases have been dismissed and one case is in progress.

The three cases dismissed related to the following pension issues:

- Two cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- One case related to the Tier of Ill Health benefits awarded.

## 5. Death grant

5.1 In this financial year four cases have been referred to the Legal Department for consideration. These cases are ongoing.

## 6. Application for admission body status

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

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

<b>Employer name</b>	<b>Guarantee Status (Agreement)</b>	<b>No of employees (Scheme members) Agreement type</b>	<b>Status</b>
Accuro Facilities Management (Birmingham)	Birmingham City Council	3(3) Not known	Approved
Accuro Facilities Management (Wolverhampton)	City of Wolverhampton Academy Trust	6(6) Not known	Approved
Alliance in Partnership Ltd (Broadway)	Walsall Metropolitan Borough Council	8(8) Closed	Approved
Alliance in Partnership Ltd (Greenfields Primary School)	Walsall Metropolitan Borough Council	3(3) Closed	Approved
Aspens Services Ltd (Salisbury School)	Walsall Metropolitan Borough Council	2(2) Closed	Approved
Aspens Services Ltd (Old Church School)	Walsall Metropolitan Borough Council	3(3) Closed	Approved
Aspens Services Ltd (Rough Hay School)	Walsall Metropolitan Borough Council	4(4) Closed	Approved
Aspens Services Ltd (Pinfold School)	Walsall Metropolitan Borough Council	1(1) Closed	Approved
Birmingham Solihull Mental Health NHS Foundation Trust	Solihull Metropolitan Borough Council	5(5) Closed	Approved
Compass Group (Yardley School)	Birmingham City Council	7(7) Closed	Approved
Integral UK Ltd (Hill Farm Primary School)	Coventry City Council	7(7) Closed	Approved
Tame Cleaning & Maintenance Ltd (Allesley Primary School)	Coventry City Council	2(2) Closed	Approved
Taylor Shaw (Great Barr Birmingham)	Birmingham City Council	14(14) Closed	Approved

## 7. Pensions in payment

7.1 The gross annual value of pensions in payment to September 2014 was £420.57m, of which £18.4m (£8.9m for pensions increase and £9.5m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

7.2 Monthly payroll details were:

Month	Number	Value £
July 2014	73,451	30,842,033.58
August 2014	73,921	30,895,911.38
September 2014	80,145	31,654,228.72

The September figures include pensioners paid on a quarterly basis.

## 8. Write off policy decisions

8.1 Committee is asked to approve a revision of the existing policy (currently £50) to £100, whereby any overpaid pension payments are written-off automatically, without the requirement to recover. As a result, any write-offs of an amount greater than £100.00 will be sought for approval on an individual basis at each Committee meeting. In setting a write-off policy of £100.00, which is relatively immaterial in terms of a broad order of magnitude, it will assist in improving efficiency in terms of administration costs in recovering such amounts.

8.2 The following write offs of pension payments are reported in line with the policy detailed above:

Individual Value	Number	Total
Less than £100	19	1,167.84
£100 - £500	35	8,041.81
Over £500	9	17,795.08
<b>TOTAL</b>	<b>63</b>	<b>27,004.73</b>

8.3 Write on analysis

Individual Value	Number	Total
Less than £100	13	352.99
£100 - £500	1	118.70
Over £500	0	0.00
<b>TOTAL</b>	<b>14</b>	<b>471.69</b>

## 9. Communications & marketing activity

### 9.1 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers. The team will provide support on any subjects that are requested by an employer for their employees, however, the emphasis during this reporting period has been on the changes to the scheme with the implementation of LGPS 2014. A total of 51 presentations were delivered to 1,177 attendees.

The presentations were held at 32 different employers, including the district councils, universities, schools/academies and other admitted bodies.

Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, support was offered to 147 members on a one to one basis.

### 9.2 Roadshows

One member roadshow was held during this period at Dudley Metropolitan Borough Council.

4 September	Dudley	56 attendees
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### 9.3 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 18,000 members registered to use the web-portal facility. As at 30 September 2014 there are 294 employer accounts representing approximately 114 individual organisations.

- 9.3.1 The web portal service is actively promoted via communications sent to members and employers alike. It is also promoted through scheduled events such as the Employer AGM, member presentations and various meetings to include focus groups such as the employer peer group. The service is highlighted on the Fund's website, particularly the provision of electronic annual benefit statements through this medium from 2015.

## 10.0 Freedom and Choice in Pensions

- 10.1 Further to the announcement in the March 2014 Budget, of the proposal to allow members of defined contribution schemes to take all of their retirement benefit as a cash lump sum, the consultation on Freedom and Choice in Pensions was launched.

- 10.2 In July 2014 the Treasury published the government's response to the consultation. It confirmed transfers from funded public service schemes such as the Local Government Pension Scheme, to defined pension contribution schemes would be allowed.
- 10.3 New safeguards will be introduced including a guidance guarantee to ensure members who wished to transfer out had taken advice. The advice would be provided by independent organisations such as The Pensions Advisory Service and the Citizens Advice Bureau.
- 10.4 There will also be further consultation on whether to allow members in defined benefit schemes to access the defined contribution flexibilities directly without prior transfer.
- 10.5 The legislation for the changes will be included in two Bills, the Pension Schemes Bill and the Pensions Tax Bill.
- 10.6 On 27 November 2014, the Department for Communities and Local Government (DCLG) provided further clarity in the form of a series of amendments to the Pension Schemes Bill, three of which affect public service pension schemes and of which two relate to the LGPS as follows:
- The requirement to take independent financial advice when transferring from a defined benefit to a defined contribution scheme (as opposed to the "Guidance Guarantee" that will be offered to those in defined contribution arrangements as they approach retirement). Those with a pension wealth of less than £30,000 will be exempt from having to take advice.
  - A new safeguard that will give Ministers power to reduce Cash Equivalent Transfer Values (CETVs) in funded public service pension schemes, should it prove necessary to protect the taxpayer

## **10.7 Implications for the Scheme**

- 10.7.1 The changes proposed would allow members of the Scheme to transfer out to a defined contribution scheme, and where they are aged 55 or over, the member would be able to take all of their pension pot as a cash lump sum. Currently only 25% of the pension pot can be taken as a tax free cash lump sum if the member transfers out.
- 10.7.2 It is envisaged that the number of members wishing to transfer out of the Scheme would increase. In the short term this could impact on the cash flow of the Fund if there were a high number of members who decide to transfer out.
- 10.7.3 The CETV reduction safeguard will allow the Secretary of State to switch on reductions in transfer values for transfers, however this power is limited to being exercised only in the event there is a cost risk to taxpayers. The method for calculating the level of reduction will be set out in secondary legislation and the DCLG proposes to consult on this matter in the future, therefore the actual impact of this safeguard on the Fund remains to be seen.

- 10.7.4 In the previous four year period to March 2014 there was no significant increase in the number of members aged 55 or over transferring out of the Fund. The average number of members transferring out of the Fund in a year, aged 55 or over was 28.
- 10.7.5 In line with the amendments detailed above, it will become the Fund's responsibility to check the member has received appropriate independent advice, which will be firmed up in secondary legislation from HM Treasury. As a result there will be an administrative increase for the Fund as it takes steps to ensure the advice the member has received is appropriate.
- 10.7.6 In the long term due to the age profile of the membership in the Fund, if there are a large number of members who transfer out, the assets and liabilities for the Fund would reduce as there will be fewer deferred members who would be entitled to a retirement pension.

## **11. Resources**

- 11.1 The introduction of the LGPS 2014 Scheme has implications for resourcing levels, due to complexity and the associated procedures in the main, which has meant it has become administratively more resource intensive. As a result, a number of LGPS Funds nationally are actively seeking additional resources to manage this extra work. In addition, there are a number of significant mandatory projects due in the near future, which will again require extra resourcing, such as the forthcoming GMP reconciliation (further details will be provided to Committee in the next report).

## **12. Financial implications**

- 12.1 The report contains financial information which should be noted.

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

- 12.2 There are financial implications of Freedom and Choice in Pensions, as detailed in 10.0, with the potential impact upon Fund cash-flows and ultimately the assets and liabilities of the Fund, together with an associated risk impact.

## **13. Legal implications**

- 13.1 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.

## **14. Equalities implications**

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



**15. Environmental implications**

15.1 The report contains no direct environmental implications.

**16. Human resources implications**

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

**17. Corporate landlord implications**

17.1 The report contains no direct corporate landlord implications.

**18. Schedule of background papers**

18.1 Pensions Committee 24 September 2014 – Pensions Administration report

**19. Schedule of appendices**

19.1 Appendix A: Overall membership numbers

19.2 Appendix B: Process analysis

19.3 Appendix C: Detailed process analysis

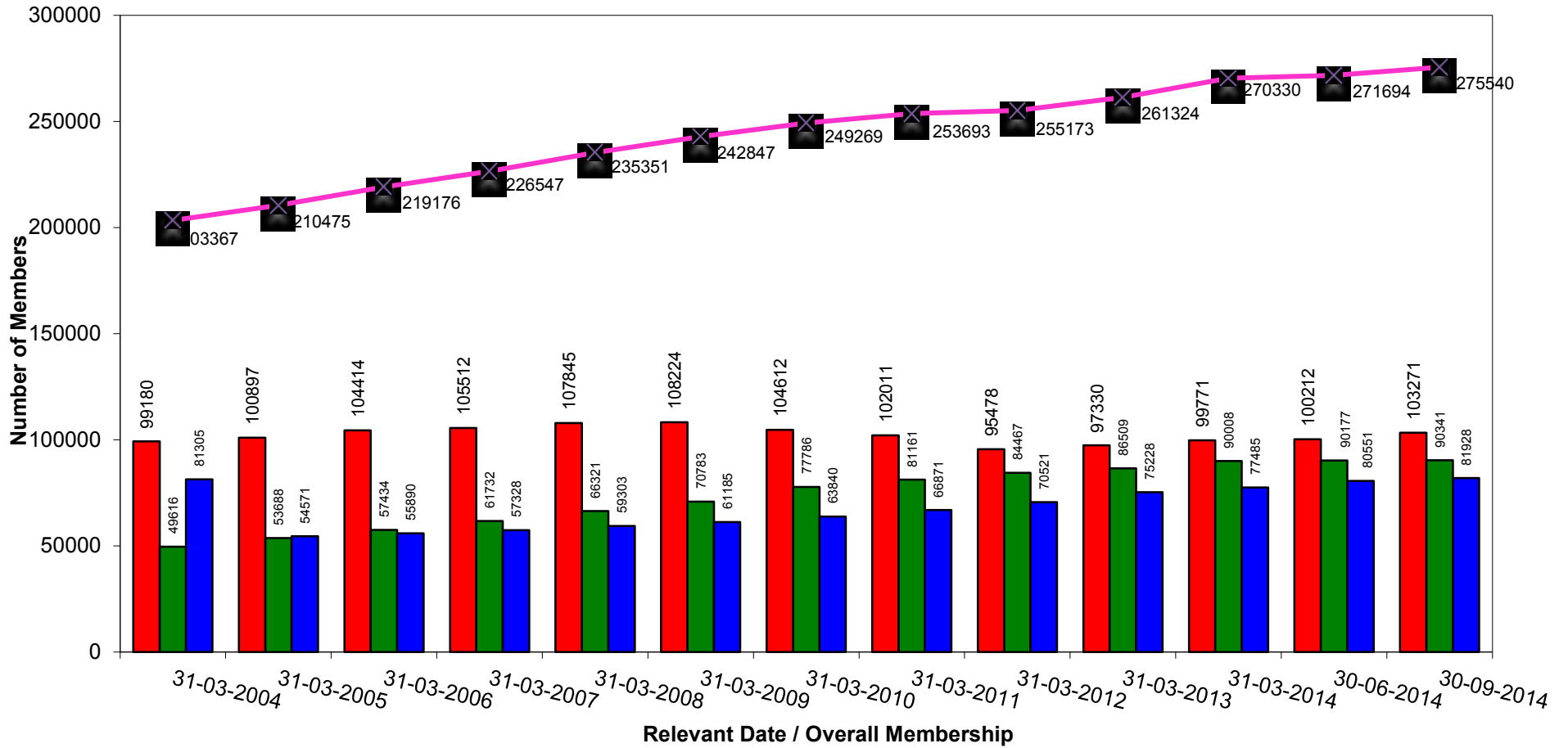
19.4 Appendix D: Customer service statistics

19.5 Appendix E: Data quality statistics

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### Overall Membership West Midlands Pension Fund Membership Statistics as at 30 September 2014

Page 21

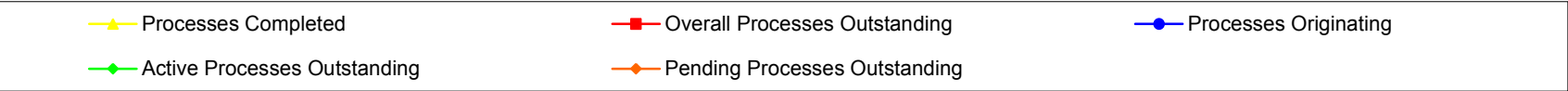
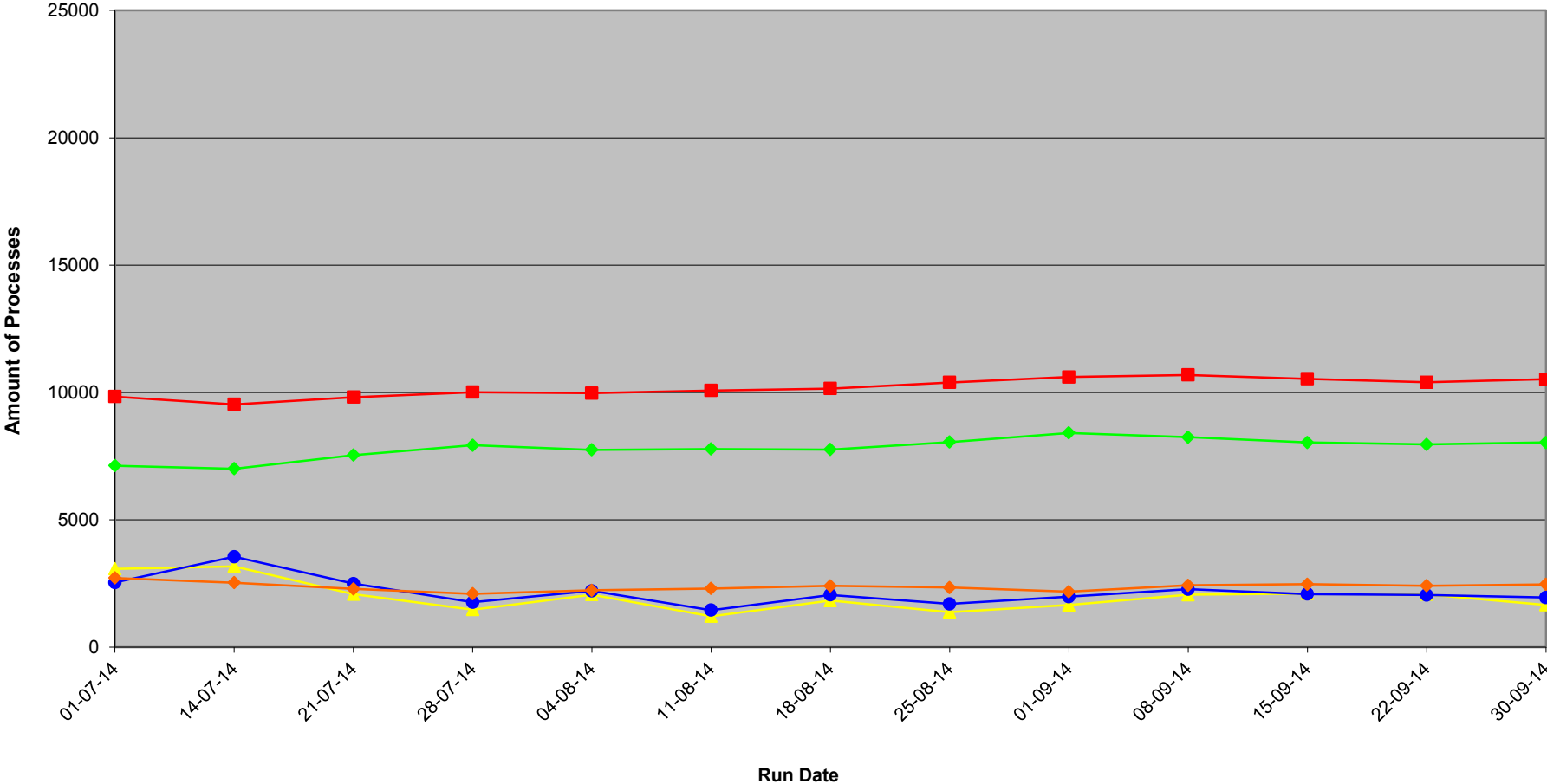


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West Midlands Pension Fund  
2014/15

Process Analysis 1 July to 30 September 2014

Page 23



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2014/15

2010/11	2011/12	2012/13	2013/14	April	May	June	July	August	Sept	YTD 2014/15	

**Active & Deferred members**

Process type											
Joiners and Rejoiners	8,763	6,403	11,138	13,558	628	482	395	106	21	2	1,634
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	410	582	441	543	417	609	3,002
Deferments	5,939	7,818	5,741	6,728	269	325	321	185	184	739	2,023
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	182	178	178	197	172	208	1,115
Deferred Retirements	3,332	2,970	2,971	2,726	44	352	220	206	192	64	1,078
Deaths of members	295	262	287	285	8	16	6	22	25	13	90

**Pensioner members**

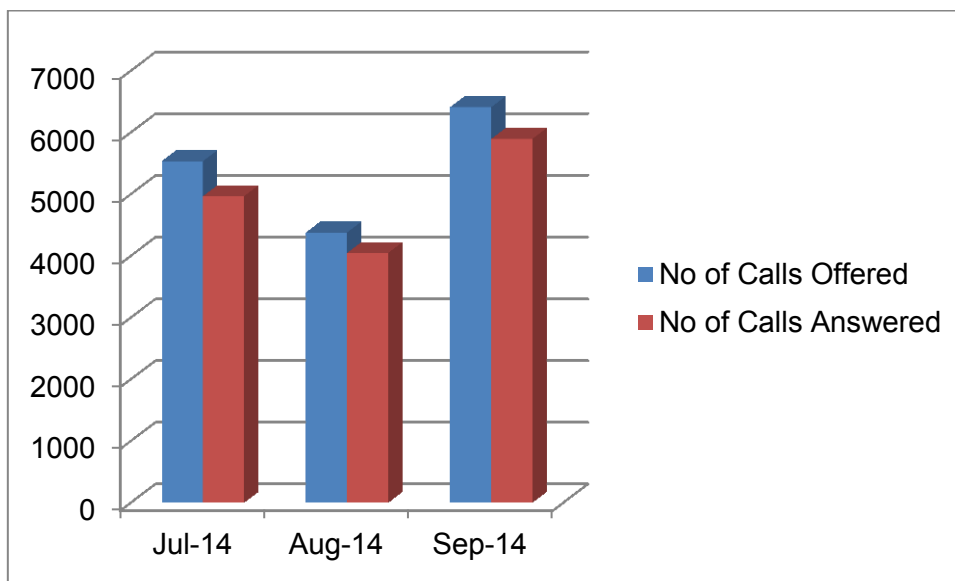
Process type											
Changes in circumstances:- Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	164	187	182	245	408	156	1,342
Changes of Address	2,420	2,681	2,131	1,732	26	221	132	178	291	130	978
Changes of Bank	2,927	2,531	2,783	3,420	460	404	144	347	237	347	1,939
Deaths of pensioners	2,085	2,145	2,101	2,546	311	224	227	256	267	215	1,500

Payroll					Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	
Actual number paid	792,724	837,189	870,804	895,018	73,254	73,422	79,662	73,451	73,921	80,145	453,855

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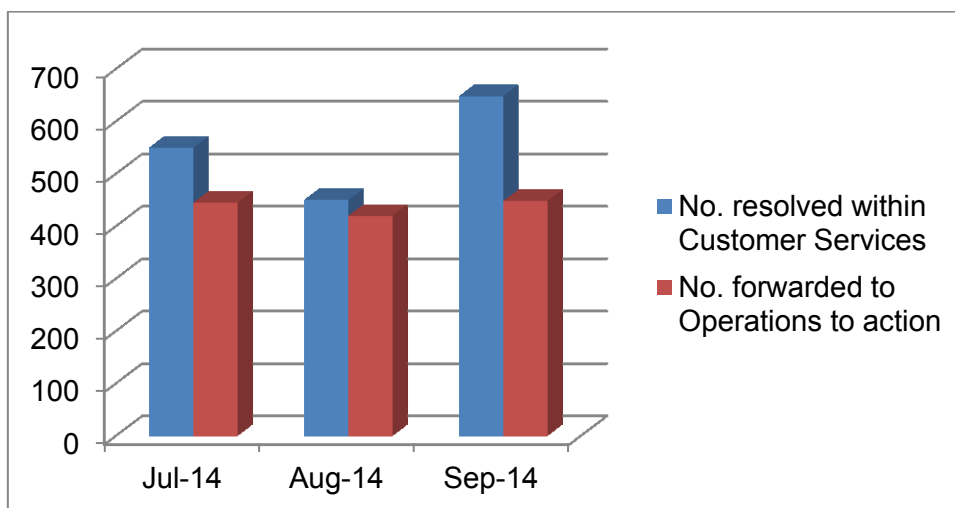


**Customer Service Statistics**  
1 July 2014 to 30 September 2014



	July 2014	August 2014	September 2014
<b>No of Calls Offered</b>	5533	4378	6409
<b>No of Calls Answered</b>	4966	4047	5895
<b>Answer Rate</b>	89.8%	92.4%	92.0%
<b>Calls answered at first point of contact</b>	99.70%	99.5%	99.8%

**Emails Received into Pension Fund Enquiry Email Box**

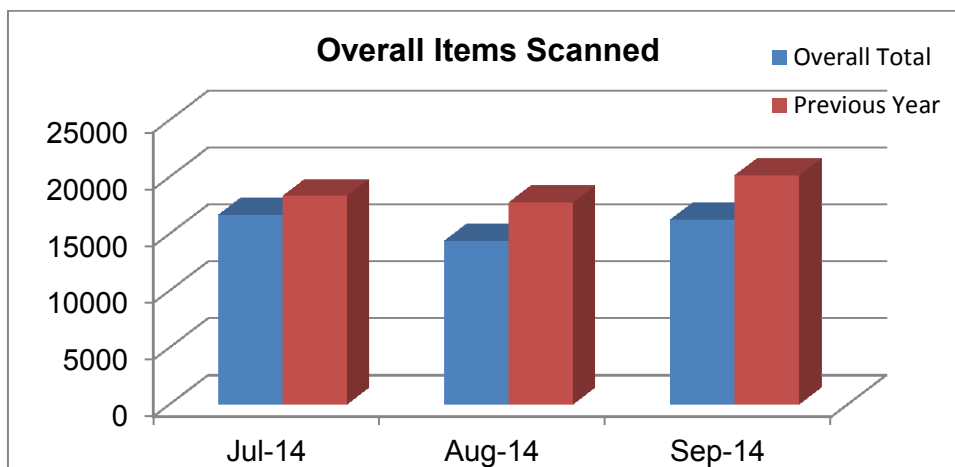


**Number of Emails Received**

	July 2014	August 2014	September 2014
<b>No. resolved within Customer Services</b>	550	450	648
<b>No. forwarded to Operations to action</b>	445	420	448
<b>Total Emails received</b>	<b>995</b>	<b>870</b>	<b>1096</b>

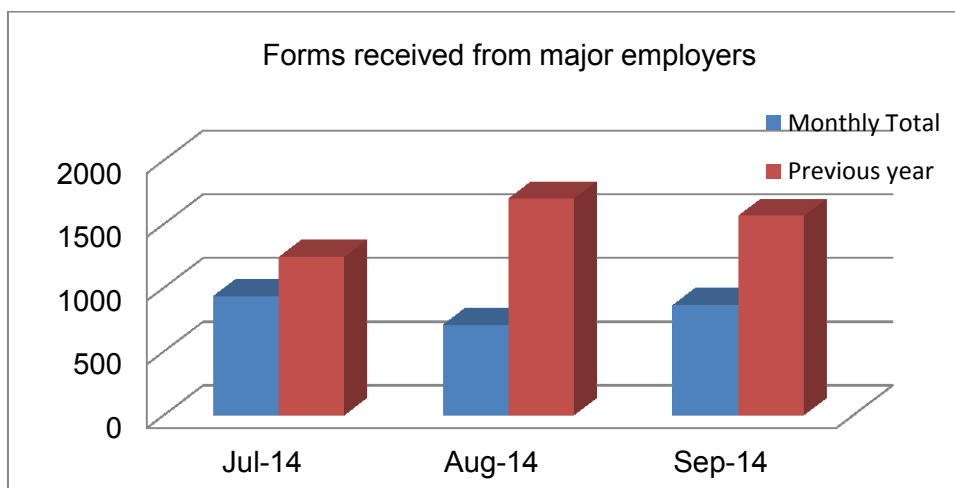
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**Data Quality Statistics  
1 July 2014 – 30 September 2014**



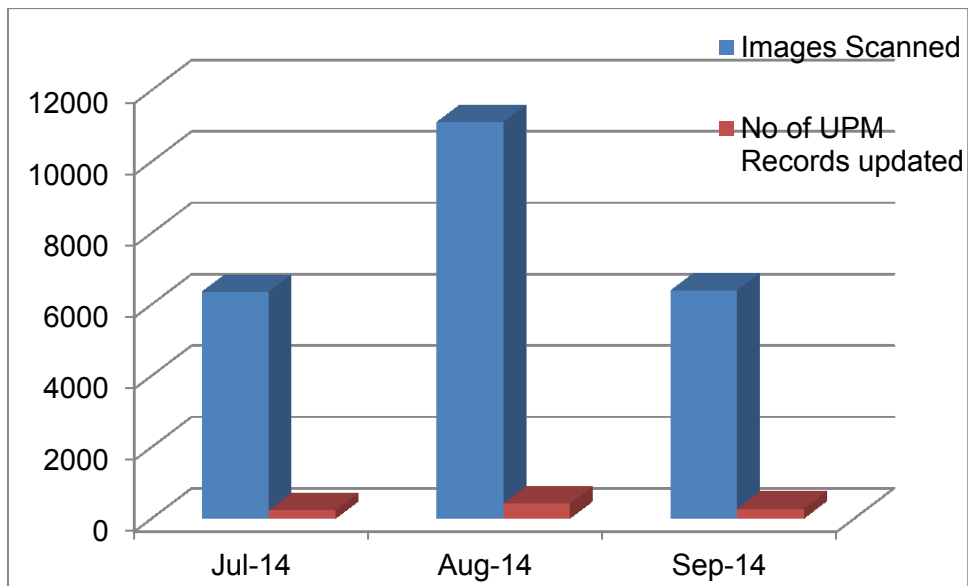
	<b>Overall Total</b>	<b>Previous Year</b>
<b>July 2014</b>	16656	18336
<b>August 2014</b>	14370	17752
<b>September 2014</b>	16238	20143

	<b>Overall Scanned</b>	<b>Indexing errors</b>	<b>% error rate</b>
<b>July 2014</b>	16656	26	0.15
<b>August 2014</b>	14370	16	0.11
<b>September 2014</b>	16238	22	0.14



	<b>Monthly Total</b>	<b>Previous year</b>
<b>Jul-14</b>	934	1241
<b>Aug-14</b>	709	1700
<b>Sep-14</b>	864	1565

**Microfiche Statistics**



	<b>Images Scanned</b>	<b>No of UPM Records updated</b>
<b>Jul-14</b>	6355	232
<b>Aug-14</b>	11102	420
<b>Sep-14</b>	6391	276



# Pensions Committee

10 December 2014

<b>Report title</b>	Annual Report and Accounts 2013/14 Update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	David Kane	Head of Finance
	Tel	01902 554423
	Email	<a href="mailto:david.kane@wolverhampton.gov.uk">david.kane@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	<a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a>

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## Recommendation(s) for action or decision:

The Committee is recommended to note:

1. That the audit opinion on the annual report and statement of accounts was formally signed on 30 September 2014, and that this was an unqualified opinion;
2. That the statement of accounts were published on 30 September 2014 in line with the statutory deadline, and the annual report published on 7 November 2014, ahead of the statutory deadline of 1 December 2014;
3. The addendum to the annual report, as required by the updated CIPFA guidance.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on the completion and publication of the Fund's annual report and accounts for 2013/14, including the addenda required by updated CIPFA guidance.

## **2.0 Annual Report and Audit Opinion**

- 2.1 On 24 September 2014, the Committee received a report on the annual report and accounts 2013/14, which included the draft annual report as an appendix. The annual report was subsequently published on 7 November 2014, significantly earlier than the statutory deadline of 1 December. The Fund's annual report and accounts are available on its website: [www.wmpfonline.com](http://www.wmpfonline.com).
- 2.2 The Committee report stated that the Fund anticipated receiving an unqualified audit opinion from its external auditors, PwC. This has since been confirmed, with the audit opinion being formally signed on 30 September 2014.
- 2.3 Due to changes in Audit Commission requirements this year, the opinion in the annual report states that the Fund's accounts are 'consistent with' the council's statement of accounts. Critically, the audit opinion included within the council's accounts confirms that the Fund's accounts continue to provide a 'true and fair' view.

## **3.0 Addendum to the Annual Report**

- 3.1 In August 2014, CIPFA issued updated guidance concerning the content of LGPS funds' annual reports. This introduced some additional disclosure requirements, however due to the timing of the guidance being issued it was not possible to include that information in the draft annual report.
- 3.2 In common with other funds, the Fund has complied with the updated guidance by preparing an addendum which has been published alongside the annual report (Appendix 1). For 2014/15 onwards, this information will be consolidated within the annual report.

## **4.0 Financial implications**

- 4.1 The financial implications are discussed in the body of the report.

## **5.0 Legal implications**

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

## **6.0 Equalities implications**

6.1 This report has no equalities implications.

## **7.0 Environmental implications**

7.1 This report has no environmental implications.

## **8.0 Human resources implications**

8.1 The report has no human resources implications.

## **9.0 Corporate landlord implications**

9.1 This report has no corporate landlord implications.

## **10.0 Schedule of background papers**

- Annual Report and Accounts 2013/14, Report to Pensions Committee, 24 September 2014

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Addendum 2014

# West Midlands Pension Fund



West Midlands Pension Fund

## Contents

Foreword	3
Section A: Management And Financial Performance	4
Section B: Investment Policy And Performance Report	19
Section C: Scheme Administration Report	20
Section D: Actuarial Report On Funds	20
Section E: Governance Compliance Statement	21
Section F: Fund Account, Net Assets Statement And Notes	22
Section G: Pensions Admin Strategy Report	22
Section H: Funding Strategy Statement	22
Section I: Statement Of Investment Principles (SIP)	22
Section J: Communications Policy Statement	23
Section K: Other Appropriate Material	25

## Foreword

This addendum to the annual report for 2013-2014 has been produced in response to a letter dated 18 August 2014 from the Department for Communities and Local Government. This letter advised that under Regulation 34(3) of the Local Government Pension Scheme (LGPS) (Administration) Regulations 2008 and Regulation 57(3) of the LGPS Regulations 2013, an administering authority is to give regard to guidance given by the Secretary of State when preparing and publishing their pension fund annual report under these regulations.

Using the Secretary of State's powers of delegation under paragraph 13 of Schedule 3 to the Public Service Pensions Act 2013, guidance for the preparation of a pension fund annual report has been published by CIPFA for the purposes of Regulation 34(3) of the 2008 Regulations and Regulation 57(3) of the 2013 Regulations.

In view of the fact that the annual report for 2013-2014 had already been prepared alongside the statement of accounts and reviewed by the external auditors, a review of the annual report has been undertaken to ensure compliance with the guidance provided by CIPFA. As a result of this review, additional disclosures are required to comply with the new requirements. Therefore, this addendum has been prepared to ensure compliance with the updated guidance. However, there are a small number of requirements for which the information is not available for 2013/14; where this is the case, efforts are being made to ensure that the required information is now being collated for publication in future Annual Reports.

The addendum should be read in conjunction with the Fund's annual report for 2013/14 which is available through the Fund's website at <http://www.wmpfonline.com/CHttpHandler.ashx?id=5646&p=0>

## Section A: Management and Financial Performance

### Risk Management

The Fund's risk management arrangements are detailed on page 30 of the annual report.

The Fund's key risks identified as part of the risk management process, together with actions to mitigate them, are detailed in the table below:

Risk identification	Cross reference to the annual report	Risk impact	Mitigating factors
Inability to settle trades or pay pensions on the due date through inadequate cashflow.	Note 23 The nature and extent of risks arising from financial instruments	Reputational impact, possible interest charges and regulatory censure	Regular cash flow monitoring is conducted by the Finance team with frequent reports to the Senior Management Team.
The Fund publishes inaccurate financial information or bases decisions around inaccurate information.	Risk management - page 30	Poor decisions made in relation to the investment strategy. Inaccurate information provided to regulators and trustees.	Financial statements are produced annually. A new Finance team is in place consisting of fully-qualified accountants. A new finance system was put in place in April 2014 with up-to-date monitoring now being undertaken.
The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario.	Risk management -	The Fund cannot continue to operate and deliver its priority services.	A business continuity plan is in place for incidents which deny access to offices. Regular testing and review of the plan is conducted. The Fund is currently in discussions with the administering authority to ensure that it is adequately covered in the authority's recovery plan.
Loss of external data providers impacts on the Fund's ability to carry out work.	Risk management - page 30	Customer detriment and possible financial loss.	Regular reviews will be carried out on third party providers' continuity provision. This will form part of the due diligence process for any new third party providers.
Investment strategy is inappropriate (not aligned with Funding Strategy Statement or Statement of Investment Principles).	Note 23 The nature and extent of risks arising from financial instruments	Reputational damage and regulatory risk.	All key documents are reviewed on annual basis to ensure consistency between them.

Risks arising from third parties are detailed in the above table. In addition, risks arise from:

- a) Employers failing to make their payment of contributions within legislated timescales. The Fund monitors contribution receipts on a monthly basis and produces a key performance indicator which details the collection rate as a percentage of contributions due and also identifies the employers who have failed to make payment on time. This is reported to the Senior Management Team and action is taken to pursue arrears. Where there is on-going failure to make payment, the option is available to charge interest on the balance in accordance with legislation.
- b) Investment managers, whose internal controls arrangements are not under the direct control of the Fund, and may not be effective, which could indicate that the Fund's assets are at risk. To mitigate such risk, the Fund obtains and reviews internal controls reports (AAF 01/06 and SSAE16) produced by the individual investment managers' reporting accountants. The Fund's review will identify any weaknesses in individual investment managers' control arrangements as identified by the reporting accountants and these exceptions will be recorded by the Fund's Compliance team and addressed in meetings with the investment managers. In addition, where investment managers do not produce internal control reports, the Fund will review the manager's arrangements through the completion of a detailed questionnaire.

## Section A: Management and Financial Performance

### Financial Performance

The Fund's Financial Services report is detailed on page 18 of the annual report.

### Forecasts

The following tables show the forecasts for the Fund account and net assets statement for the three years to 31 March 2017. This is the first year of publishing such forecasts and the outturn against these forecasts will be reported in future annual reports.

	2014/15 forecast £m	2015/16 forecast £m	2016/17 forecast £m
Contributions	442.8	454.8	464.4
Transfers in	8.5	6.4	4.8
Other income	16.2	16.2	16.2
<b>Total income</b>	<b>467.5</b>	<b>477.4</b>	<b>485.4</b>
Benefits payable	500.7	530.8	562.6
Payments to and on account of leavers	24.4	25.8	27.4
Other payments	0.3	0.3	0.3
Administration expenses	5.1	5.1	5.1
<b>Total expenditure</b>	<b>530.5</b>	<b>562.0</b>	<b>595.4</b>
<b>Net reductions from dealing with members</b>	<b>(63.0)</b>	<b>(84.6)</b>	<b>(110.0)</b>
Investment income	144.1	154.0	164.7
Profit and losses on disposal of investments and changes in the market value of investments	629.7	690.2	757.6
Investment expenses	(10.8)	(11.4)	(12.3)
<b>Net return on investments</b>	<b>763.0</b>	<b>832.8</b>	<b>910.0</b>
<b>Net increase in the Fund during the year</b>	<b>700.0</b>	<b>748.2</b>	<b>800.0</b>
<b>Net assets of the Fund at the beginning of the year</b>	<b>10,144.4</b>	<b>10,844.4</b>	<b>11,592.6</b>
<b>Net assets of the Fund at the end of the year</b>	<b>10,844.4</b>	<b>11,592.6</b>	<b>12,392.6</b>

### Performance Against Budget in 2013/14

A comparison of performance against the annual budget for net operational expenses of administering the fund in 2013/14 is shown in the table below:

	2013/14 budget £000	2013/14 actual £000	Variance £000
Employees	4,955	4,339	(616)
Premises-related	320	267	(53)
Transport-related	110	55	(55)
Supplies and services (including investment management and advice)	13,376	11,282	(2,094)
Support services	682	570	(112)
Total expenditure	19,443	16,513	(2,930)
Miscellaneous income	(276)	(530)	(254)
Net expenditure	19,167	15,983	(3,184)

Note 1: In 2013/14, the Fund did not produce budgetary information for contributions, transfers in/out, benefits payable or investment income.

Note 2: The expenditure in the above table includes recharges for support services provided by the administering authority of £593,000.

Note 3: The table includes the 2013/14 recharge of £40,000 from the Council in respect of the costs of the corporate and democratic core.

The variance in respect of employee costs arises where a number of vacancies were being recruited.

## Section A: Management and Financial Performance

### Operating Service Estimates 2014/15 to 2016/17

The triennial revaluation reported the funding position of the West Midlands Pension Fund and the updated contribution rates for employers. The revaluation focuses on the three financial years from 2014/15 onwards. The following tables detail the Fund's operating service estimates for 2014/15, 2015/16 and 2016/17. These are forecasts only and the Fund's operating budget for future years will be subject to the approval of the Pensions Committee.

	2014/15 £000	2015/16 £000	2016/17 £000
Employees	4,513	4,510	4,609
Premises	344	352	332
Transport	69	65	66
Supplies and services	14,214	14,866	15,897
<b>Operating costs</b>	<b>19,140</b>	<b>19,793</b>	<b>20,904</b>
Support services	508	447	452
Service development	350	350	350
<b>Total expenditure</b>	<b>19,998</b>	<b>20,590</b>	<b>21,706</b>
Miscellaneous income	(530)	(535)	(541)
<b>Net expenditure</b>	<b>19,468</b>	<b>20,055</b>	<b>21,165</b>

### Commentary on Movements of Assets and Liabilities

The table below details the assets and liabilities of the Fund as at 31 March 2013 and 31 March 2010:

	31 March 2013 £m	31 March 2010 £m
Total assets	9,886	8,008
Liabilities:		
Active members	5,546	5,304
Deferred pensioners	2,455	1,390
Pensioners	6,090	3,928
Total liabilities	14,091	10,622
Past service surplus/(shortfall)	(4,205)	(2,614)
Funding level	70%	75%

The key factors which have affected the movement of assets and liabilities are:

- improvements in the position due to positive investment performance, the impact of contributions paid by employers and lower than expected pay increases for active members;
- shortfall increase due to changes in underlying financial conditions, principally reductions in real gilt yields;
- certain changes to underlying assumptions to reflect the current economic climate and current public sector finances have limited some of the potential impact on the shortfall.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014, which is available on the Fund's website [www.wmpfonline.com](http://www.wmpfonline.com).

## Section A: Management and Financial Performance

### Timeliness of Contributions

The receipt of contributions is monitored and reported to the Strategic Management Team on a monthly basis in the form of a key performance indicator (KPI). The table below details the KPI during 2013/14; this shows the percentage of contributions received by the 19th of the following month in which contributions have been deducted from the employers' payroll:

Month	KPI % for individual months contributions
April 2013	99.19
May	99.32
June	99.92
July	98.80
August	99.14
September	99.04
October	99.86
November	99.76
December	99.41
January 2014	99.81
February	99.18
March	99.07

Note that the Fund did not use the option to levy interest on any overdue contributions during 2013/14, as the value of the late payments did not form a material risk to the Fund.

### Comparison of Budget v Outturn in Respect of Administrative Costs

The budgeted administrative costs for 2013/14 were £19.2 million, of which administration was £6.4 million and Investments £12.8 million. Actual costs incurred in the administration of the Fund and the management of the investments of the Fund have been charged in accordance with the LGPS regulations and can be analysed as follows:

Administration	£m
Pensions administration	4.2
Actuarial fees	0.7
Audit	0.1
<b>Total administration</b>	<b>5.0</b>
Investments	£m
External management of investments	8.5
In house management of investments	2.1
Property and legal fees	0.2
Safe custody expenses	0.4
<b>Total investments</b>	<b>11.2</b>

**Administration** - the main variance in administration costs was an under-spend of £600,000 due to holding of staff vacancies. This was combined with an under-spend of £600,000 arising from delays in receiving finalised regulations in respect of LGPS reforms.

**Investments** - the key variance relates to investment management and advice of £1.9 million where performance fees have not been incurred. This figure varies with market movements and the performance of managers as a number of arrangements have an element of performance-related fees. Recently contracts have been renegotiated to remove the performance element, where feasible, to reduce the volatility of this cost and new contracts have also been put in place.

## Section A: Management and Financial Performance

### Fund Cashflows and Asset Movements

The tables below detail the cashflow and asset movements of the Fund during 2013/14. Note that no budgetary information was prepared for the cashflow analysis in 2013/14. However, such monitoring information will be prepared in 2014/15 for inclusion within the Fund's next annual report.

Opening balance	£m	£m
Current account	0.7	
Cash deposits - UK	241.1	
Foreign currency cash deposits	82.9	
		324.7

Movements in year	Opening (Debtor/(Creditor)) £m	Fund Account (Debtor/(Creditor)) £m	Closing (Debtor/(Creditor)) £m	
Contributions and other income	72.5	446.8	(71.2)	448.1
Benefits and payments to leavers	(4.1)	(495.4)	4.3	(495.2)
Admin expenses and other	(9.0)	(5.3)	14.3	-
Investment income		134.8		134.8
Investment expenses		(11.2)		(11.2)
Net investments (purchases)/sales		(264.2)		(264.2)
Outstanding (sales)/settlements	15.3		(1.6)	13.7
Profit on sale of investments		103.0		103.0
				(71.0)
<b>Expected closing balance</b>				<b>253.7</b>
Actual closing balance				
Current account				(0.1)
Treasury deposits				211.6
Investment manager cash balances				42.2
				<b>253.7</b>

Cashflows	2013-14 final outturn £m
Net cash reduction from dealing with members	(53.9)
Return on investments	312.0
<b>Net increase in the net assets available for benefits during the year</b>	<b>258.1</b>
Assets held	
Fixed interest securities	171.3
UK equities	971.3
Overseas equities	3,155.9
Pooled investment vehicles	4,908.2
Property	629.8
Foreign currency holding	42.2
Cash deposits	211.6
Outstanding dividend entitlements	4.9
Other investment liabilities	(3.3)
<b>Net investment assets</b>	<b>10,091.9</b>



## Section A: Management and Financial Performance

### Admin Management Performance

The Fund's statistical data is detailed on page 24 of the annual report.

#### Satisfaction levels of employers

The tables below detail the results of employers on their satisfaction levels of the Fund's services in 2013/14 and the first quarter of 2014/15. The results indicate an improvement of an already strong performance.

2013/14	Poor	Satisfactory	Good	Excellent
How would you rate the services and support provided by the West Midlands Pension Fund for employers?	1.6%	28%	38.40%	32%

98.4% of employers were satisfied with the level of service received by the Fund (satisfactory, good or excellent).

70.4% of employers believe we exceeded their expectations in terms of level of service (good or excellent).

2014/15	Poor	Satisfactory	Good	Excellent
How would you rate the services and support provided by the West Midlands Pension Fund for employers?	0%	17.24%	71.41%	10.34%

100% of employers were satisfied with the level of service received by the Fund (satisfactory, good or excellent) (increase of 1.6% in satisfaction levels).

82.75% of employers believe we exceeded their expectations in terms of level of service (good or excellent) (increase of 12.35% in satisfaction levels).

#### Satisfaction levels of members

The tables below detail the results of members on their satisfaction levels of the Fund's services in 2013/14 and the first quarter of 2014/15.

2013/14	Poor	Satisfactory	Good	Excellent
How would you rate the services and support provided by the West Midlands Pension Fund for members?	0%	44.44%	27.78%	27.78%

100% of members were satisfied with the level of customer service received by the Fund (satisfactory, good or excellent).

55.56% of members believe we exceeded their expectations in terms of level of customer service (good or excellent).

2014/15	Poor	Satisfactory	Good	Excellent
How would you rate the services and support provided by the West Midlands Pension Fund for members?	12%	15%	36%	37%

88% of members were satisfied with the level of customer service received by the Fund (satisfactory, good or excellent).

73% of members believe we exceeded their expectations in terms of level of customer service (good or excellent) (increase of 17.44% in satisfaction levels).

#### Staffing Indicators

The following table details staffing indicators and trends over the three financial years to 2013/14:

Area	2011/12	2012/13	2013/14
Staff numbers (FTEs)	117.7	109.2	101.1
Membership numbers at end of the financial year	255,173	261,324	270,330
Staff to fund member ratios	1:2,168	1:2,393	1:2,674
Average processes completed per member of staff	1,504	1,234	1,573
Average processes outstanding at the end of each financial year per member of staff	135	139	137

## Section A: Management and Financial Performance

### Contributions by Employer

Customer	Employers (£)	Employees (£)
Birmingham City Council	85,264,081	29,239,026
Coventry City Council	24,548,495	8,353,321
Dudley MBC	22,850,572	9,022,514
Sandwell MBC	25,562,688	8,568,175
Solihull MBC	12,528,784	4,445,962
Walsall MBC	24,362,126	6,545,380
Wolverhampton City Council	24,900,480	7,973,569
West Midlands PTE (Centro)	7,985,093	721,511
West Midlands Probation Service	6,505,389	2,510,529
Age Concern Wolverhampton	7,568	3,556
West Midlands (Birmingham) Valuation Tribunal	17,817	4,643
University Of Aston	75,919	337
University Of Warwick	1,442,758	0
Black Country Museum Trust Ltd	151,830	31,942
Birmingham Institute For The Deaf	11,467	999
Coventry Legal & Income Rights Trust	23,397	6,591
Visiting Service For Old People	7,423	1,500
Wolverhampton Grammar School	85,001	20,014
Chelmsley Wood Town Council	8,112	1,937
Wolverhampton Voluntary Sector Council	46,086	19,732
Fordbridge Parish Council	6,044	2,604
University of Central England In Birmingham	4,011,090	1,804,151
Coventry University	4,606,329	2,251,139
Wolverhampton University	3,895,936	1,833,648
West Midlands Fire & CD Authority	1,793,485	692,708
West Midlands Police Authority	11,847,193	5,381,193
Birmingham College of Food, Tourism & Creative	815,458	371,078
Bournville College Of Further Education	711,039	324,255
South Birmingham College (Hall Green College)	1,572,855	654,849
Sutton Coldfield College	1,534,286	692,702
Henley College Of Further Education	392,668	167,926
Hereward College Of Further Education	400,887	185,216
Dudley College Of Technology	727,467	335,487
Halesowen College Of Further Education	369,167	177,525
Stourbridge College	87,345	36,096
King Edward V1 College - Dudley	136,967	55,382
Sandwell College	716,662	226,511
Solihull College Of Technology	835,356	394,546
Walsall College Of Technology	864,032	347,313
Cadbury Sixth Form College	79,784	38,654
Joseph Chamberlain Sixth Form College	152,858	69,588
Solihull Sixth Form College	197,162	89,970
Bickenhill Parish Council	7,125	0
Coventry & Solihull Waste Disposal Ltd.	78,879	16,156
New Park Village Tenant Management Cooperative Ltd	17,293	7,663
Birmingham Marketing Partnership	44,128	18,912
Lighthouse Media Centre	4,719	518
Family Care Trust (Solihull)	15,571	2,988

## Section A: Management and Financial Performance

Springfield Horseshoe Housing Management Coop	12,700	0
Friendship Care and Housing Ltd	82,422	18,607
St. Columba's Day Care Centre	35,531	3,101
Sandwell Community Caring Trust	180,027	60,538
Palfrey Community Association	49,082	21,603
Heart of England Care	21,538	93
Penderels Trust	30,630	8,121
Bushbury Hill Estate Management Board Ltd.	23,590	10,225
Brownhills Community Association	10,654	2,332
Smithswood Parish Council	2,622	1,228
Sickle Cell Thalassaemia Support Project	9,970	5,964
Coventry Sports Trust Ltd	137,513	46,787
West Midlands Local Government Association	312,400	0
Optima Community Association	263,734	69,578
Delves East Estate Management Ltd.	18,907	3,799
Midlands Life Education Centres Trust (B'HAM)	25,514	11,570
Wolverhampton College	931,265	343,767
Pool Hayes Community Association	3,563	1,728
Home Start (Stockland Green) (Erdington)	7,432	2,782
Meriden Parish Council	1,269	737
Wildside Activity Centre	7,582	3,460
Whitefriars Housing Group (Coventry)	2,245,051	725,573
Balsall Parish Council	1,846	1,326
Manor Farm Community Association	14,126	6,339
Bloomburys Management Organisation Ltd	50,288	19,580
Millenium Point	7,475	3,214
Galliford Uk Ltd	15,472	3,656
WML Ltd (Lieutenancy Services)	14,658	3,427
Home Start Northfield	7,996	3,560
Castle Bromwich Parish Council	9,327	3,784
Serco Limited	312,143	4,101
Leisure Living (St Modwen Properties )	18,825	6,088
Steps to Work	96,957	46,615
Home Start Walsall	9,914	3,906
Murray Hall Community Trust	52,846	30,703
Sandbank TMC Ltd	10,300	3,530
Coventry Solihull & Warwickshire Partnership	739,874	162,495
City College Coventry	514,670	184,461
Wolverhampton Network Consortium	3,163	1,065
Walsall Housing Group	1,150,788	1,042,415
Amey plc	18,052	4,595
Leamore Residents Association	10,929	3,582
Northern Housing Consortium	111,496	58,474
Walsall Academy	75,951	40,525
Birmingham & Solihull Connexions	0	67,193
WATMOS Housing	93,807	61,345
Chuckery TMO Ltd	16,448	8,702
Museum of British Road Transport	45,089	21,806
Milbury Community Service - Voyager	6,283	3,154

## Section A: Management and Financial Performance

W M Transport Info Service Ltd	55,938	431
Black Country Partnership NHS Foundation trust	144,979	35,987
Solihull Care	19,469	4,684
Solihull Community Housing	863,546	472,984
Leisure Trust (Walsall)	311,429	210,545
Grace Academy	418,975	209,469
Pell Freischmann	4,369	1,296
JDM Accord - Accord Operations (AOL) Ltd Telford	37,430	4,235
Edith Cadbury	12,066	5,339
Mitie PFI LTD	6,999	2,634
Wolverhampton Homes	2,237,460	1,038,851
Enterprise plc	241,076	129,401
Integral UK Ltd	1,626	473
Black Country Consortium	84,376	57,781
The Riverside Group	9,561	4,720
Kingshurst Parish Council	1,563	668
Service Birmingham Ltd	361,515	155,185
BME United Ltd	21,798	10,068
Sandwell Academy	96,403	55,148
Dovecotes TMO	24,621	13,507
DC Leisure and Community Partnership	6,254	2,297
Midland Heart	13,233	4,691
Apcoa Parking UK Ltd	3,607	1,663
Balfour Beatty Workplace Ltd	49,469	23,664
BT plc	133,840	87,080
Shireland College (Collegiate Academy Trust)	179,214	97,625
Serco Ltd (Stoke CC)	115,000	0
Enterprise Managed Services Ltd - Solihull	100,456	45,001
Q3 Academy	69,481	43,573
Mears Group plc	424,109	263,193
'Inspace' Inspace Partnership Maintenance and	308,082	234,812
Housing 21 Ltd	326,866	127,194
Alliance in Partnership - Camp Hill	459	1,004
Titan Partnership Ltd	9,254	2,118
Coventry Heritage and Arts Trust	39,340	14,969
Kingshurst Academy	139,693	81,062
RSA Academy	98,330	65,824
HBG Ltd	17,855	7,997
Shelfield Community Academy	184,638	70,326
Tarmac	23,022	46,494
Capita Carillion	26,509	20,993
Bespoke Cleaning Services	5,505	3,372
Sandwell Arts Trust	143,413	16,183
Ormiston Sandwell Community Academy	104,663	43,957
Park Hall Academy	109,725	70,281
COWAT	261,929	123,111
Heartland Academy	90,527	37,672
Shenley Academy	129,231	50,521
Ark Academies	144,500	59,259

## Section A: Management and Financial Performance

ACUA	15,184	10,740
NSL Ltd	7,898	6,570
Agilisys	5,888	2,349
Regent Office Care Ltd (Hereward College)	1,277	499
KGB Cleaning & Support Services	4,267	1,524
Sidney Stringer Academy Trust	208,634	80,290
Wilmot Dixon South Contract	668,562	270,016
Mears Ltd	5,325	2,355
Amey LG Ltd	671,081	289,197
King Edward VI Sheldon Acadeey Trust	84,342	48,641
North Birmingham Academy	154,772	61,506
Harborne Academy	97,429	41,737
Mouchel	2,807	2,560
Arden Academy	120,593	44,220
Balfour Beatty Workplace Ltd	54,044	21,464
Serco	573,017	237,139
Park Hall Infant Academy	48,925	13,176
St Patrick's C of E Primary Academy	25,079	7,140
Tudor Grange Academy Solihull Trust	173,452	58,669
Taylor Shaw Ltd (COWAT)	3,941	1,526
Regent Office Care Ltd (COWAT)	5,499	1,902
Quadron Services Ltd	177,047	63,428
John Henry Newman	159,370	56,755
Agilisys Services Ltd	6,571	2,647
Windsor Academy	157,801	73,036
Wood Green Academy Trust	101,302	43,845
Ninestiles Academy Trust	224,384	77,372
Lordswood Girls School and Sixth Form	98,790	38,353
Ryder Hayes Academy	44,488	15,114
Kings Norton Girls	89,171	34,699
Premier Security Services Ltd	26,362	8,317
Shire Oak Academy Trust	102,959	50,504
Bartley Green School	124,233	47,523
The Blue Coat Church of England Academy Trust	164,182	58,137
Queen Mary's High School (Walsall)	73,305	23,728
Queen Mary's Grammar School	85,819	26,493
Sutton Coldfield Grammar School for Girls Academy	125,166	38,432
Whitley Academy	138,351	49,631
Aston Manor Academy	113,401	42,580
Creative Support Ltd	40,576	5,127
Heart of England School	120,651	73,795
Light Hall School	157,719	55,264
The Holly Hall Academy	96,354	35,454
Barr Beacon School Trust	105,544	46,678
Woodlands Academy	116,496	46,368
Rookery School	85,478	30,114
Finham Park Academy	198,150	67,456
Langley School	129,156	42,425
Alderbrook School	140,248	46,545

## Section A: Management and Financial Performance

Lode Heath School	118,098	37,713
The Westwood Academy	137,278	46,180
Holyhead School	139,712	52,302
Fairfax School	205,584	75,629
The Tile Wood School and Language College	171,470	55,195
Deanery C of E Primary School	78,978	28,304
Plantsbrook School	157,460	57,702
Oldbury Academy	183,503	53,510
Hillcrest School and Sixth Form	84,483	33,082
Ormiston George Salter Academy	123,598	52,842
King Edward VI Camp Hill Boys	51,013	16,912
King Edward VI Camp Hill Girls	43,591	14,462
King Edward VI Handsworth	67,870	21,990
King Edward VI Five Ways	86,583	29,200
King Edward VI Aston	37,686	17,223
Regent Office Care Ltd (Henley College)	2,457	893
High Arcal School Academy	152,418	62,029
The Arthur Terry and Stockland Green	522,596	199,850
The Kingswinford School	122,221	39,771
Walsall City Academy	30,639	15,641
Nishkam School Trust	43,765	19,476
Age Concern Birmingham VSOP	43,036	10,480
Central Learning Partnership Trust	100,540	36,449
Lawrence Cleaning	788	466
Walsall College Academies Trust (Mirus Academy)	207,086	59,156
The Streetly Academy	216,415	76,103
NSL Limited (Solihull)	4,774	1,929
New Heritage Regeneration Limited	15,915	8,550
Sodexo Ltd	19,075	6,640
Ormiston Forge Academy	149,323	49,660
Alliance in Partnership (Stoke Park)	5,703	2,052
Alliance in Partnership (Ernesford Grange)	1,238	448
Alliance in Partnership (President Kennedy)	2,277	790
The Earls High School	134,488	44,196
Initial Catering Services Ltd (Smethwick)	22,985	7,488
initial Catering Servies Ltd (Rowley)	4,376	1,633
Park Hall Junior Academy	59,707	18,490
Joseph Leckie Academy	182,836	54,822
Willenhall E-ACT	144,192	47,892
Hall Green Secondary School	170,170	60,561
Park View Educational Trust	86,329	32,603
Birmingham Museum Company	415,881	149,674
Bishop Vesey's Grammar School	91,036	33,663
Mesty Croft Academy	42,126	17,206
Oldknow Academy	60,521	21,367
Action for Children (Smethwick)	49,164	23,335
Mytime Active	103,933	21,958
Wilson Stuart School	184,928	74,418
Hockley Heath Academy	26,577	9,219

## Section A: Management and Financial Performance

Murray Hall Community Trust (Oldbury)	9,818	4,297
Murray Hall Community Trust (Rowley)	34,780	16,893
Murray Hall Community Trust (Wednesbury)	20,254	10,288
Warren Farm Primary Academy	52,802	21,434
Aldridge School	130,401	43,882
Taylor Shaw (Colton Hills)	3,999	1,229
Moseley Park School	85,222	25,503
St John's C of E Primary	73,881	27,351
Barnadoes Sandwell	20,301	9,685
Coundon Court	226,289	68,435
Premier Support Services (Streetly School)	3,712	1,266
Premier Support Services (Alumwell School)	600	212
Premier Support Services (Hodge Hill School)	-11,395	886
Great Barr Academy	102,981	30,698
Timberley Academy Trust	162,905	49,593
Lend Lease FM Broadway School	98,887	15,990
Land Lease FM Park View School	29,052	3,119
Land Lease FM International School	10,047	4,780
Land Lease FM Saltley School	7,856	2,990
Land Lease FM Moseley Park School	50,292	7,099
Land Lease FM George Dixon School	58,809	7,256
Land Lease FM Park View & International	12,128	5,511
Land Lease Construction Saltley School	5,844	2,453
Land Lease Construction Moseley School	2,277	972
Land Lease Construction Park View & International	9,780	3,831
Land Lease Construction Waverley School	8,702	3,912
Land Lease Construction 4 Dwellings School	4,638	2,132
Victoria Park Primary	91,771	32,364
Erdington Academy	81,217	27,223
Balsall Common Primary School	77,336	23,133
Woodlands Academy of Learning	69,020	20,560
Priory Family Centre	47,115	0
Acivico Urban Design	871,689	287,345
Acivico Building Consultancy	304,298	79,326
Aston University Engineering	20,653	13,438
Sandwell Community Caring Trust (Sandwell Care Home)	160,274	42,113
Carillion	13,700	5,620
St Michaels Junior and Infants School	33,066	12,039
St Mary's Junior and Infant School	59,016	16,581
ARK Rose Primary School	65,754	13,061
ARK Tindal Primary School	49,408	18,012
George Dixon Academy	93,552	36,760
Nansen Primary School	202,082	27,890
4 Towers TMO Limited	8,186	4,053
Regent Office Care Willenhall	5,997	2,278
Perry Beeches Academy	137,132	54,030
Handsworth Wood Girls School	126,422	40,121
Dorrington Academy Trust	75,866	25,520
Ark Kings Academy	88,255	36,295

## Section A: Management and Financial Performance

Interserve facilities Management	34,528	9,834
Interserve facilities Management	5,513	2,029
ST Peters Collegiate School	160,534	53,020
Mossley Primary School	37,399	10,390
Action for Children (West Brom)	11,823	6,070
Neachells Primary E-ACT Academy	40,313	9,942
Ormiston Academy Trust (OAT Main)	108,488	77,781
EBN Free School	13,156	9,095
Elliott Foundation Trust - Croft Primary	30,018	9,443
Lordswood Boys School	97,526	38,414
Chilwell Croft Primary School	56,329	20,805
Lawrence Cleaning Ltd-Parkfield School	992	388
Elite Cleaning & Environmental Services	11,593	0
Goldsmith Primary Academy	45,336	16,137
Kings Rise Academy	70,240	20,830
Greenholm Primary School	66,391	19,842
Blue Coat Church of England Academy (Walsall)	87,668	24,859
Caludon Castle Academy	144,964	49,917
Percy Shurmer Primary School	82,451	26,910
Redcliffe Catering Ltd Calthorpe School	9,443	2,982
Woden Primary - Central Learning	53,651	18,941
West Walsall E-ACT Academy	203,435	66,814
BOA Birmingham Ormiston Academy	48,328	26,844
BCOP Ltd	3,131	920
DRB Contract Cleaning Wychall Primary	1,494	506
DRB Contract Cleaning Yew Tree Primary School	1,349	314
Harrison Catering Services Ltd	10,367	5,129
Taylor Shaw (Great Barr School)	38,183	13,688
Taylor Shaw	32,219	0
Sandwell Inspired Partnership	359,716	197,712
Premier Support Services St Edmund Campion	3,820	504
Premier Support Services (Holy	801	280
Land Lease Construction HML, Stockland Green &	26,571	4,419
Lend Lease Fac Mgmt HML and Stockland Green	108,428	10,661
Lend Lease (EMEA)	6,810	2,626
Aspens-Servs	2,898	1,028
St Clement's C of E Academy	27,835	15,249
Oasis Community Learning – Blakenhall Junior	42,193	12,534
Oasis Community Learning – Woodview Primary	75,480	30,503
Oasis Community Learning - Blakenhall Infants	53,374	20,878
Ridpool Academy	60,182	24,868
Four Dwellings Academy	73,946	27,976
Education Central Multi Agency Trust	44,842	15,716
Shirestone Community Academy	49,248	15,772
1KGB CSS Ltd - Alderbrook School	11,199	3,973
Oasis Community learning - Short Heath Primary	54,367	20,739
Aldersley Academies Trust	138,785	52,104
Yardleys School	22,003	10,046
Rough Hay Primary School	58,378	18,528



## Section A: Management and Financial Performance

Charles Cuddy Walker Academy	58,419	14,407
Billesley-Elliot Foundation Academies	101,942	28,410
Merritts Brook Academy E-Act	50,476	8,951
St Michaels CofE	57,183	16,595
Reedwood E-ACT Primary Academy	121,317	23,968
James Brindley School	158,907	61,272
Oaklands-Ninestiles	46,777	15,038
Greenwood Academy (Castle Vale)	117,640	42,850
TG St James Solihull	13,187	4,321
Mansfield Green Academy	87,004	36,079
Parkfield Academy Trust	91,847	41,316
City Road Primary	68,719	23,075
Culture Coventry	268,305	67,261
Bramford Primary - Griffin Academy Trust	61,554	23,353
Bristnall Hall Academy	157,436	65,704
Redhill Foundation School	109,654	44,974
Baverstock Academy	71,025	15,312
Edgar Stammers Academy - Education Central MAT	45,404	14,700
Moor Green Primary Academy	30,680	10,887
Knowle CE Primary School	75,973	21,958
St Joseph's - John Paul II Multi Academy	11,027	3,153
St Nicholas - Sutton Coldfield Multi Academy	10,119	3,200
Holy Cross -Sutton Coldfield Multi Academy	11,784	3,605
Bishop Walsh - John Paul II Multi Academy	27,724	10,698
The ACE Academy	156,757	57,846
St Johns & St Peters Academy	26,039	8,754
St George's C of E Academy B16	16,398	5,396
Acocks Green Primary School	69,109	28,189
Premier Support Services Alumwell Infant School	1,040	351
Washwood Heath Academy	135,599	54,151
Perry Hall Primary	78,215	0
KGB Cleaning & Support Services Ltd (Lyndon School)	645	220
Tile Hill Wood School (European Electronique Ltd)	2,016	857
Call First Cleaning Ltd	516	186
Oasis Community Learning Matthew Boulton	49,469	19,485
Four Dwellings High School Academy	111,182	36,237
Oasis - Hobmoor	41,171	15,596
Timbertree Primary Academy	19,610	8,502
George Betts Academy - Elliot Foundation Academies	62,367	18,111
Hamstead Hall Community Learning Academy	144,320	50,612
Corngreaves Primary Academy	36,133	12,698
Shireland Hall Academy - Elliot Foundation Academy	50,880	17,801
Stretton C of E Primary	28,114	6,729
St Laurences C of E Primary School	45,874	15,352
Yarnfield Academy	74,206	28,498
President Kennedy Academy	98,881	33,809
Hawkesley Church Primary Academy	55,229	16,308
Birchills Academy	38,579	15,736
Montgomery	117,988	41,123

## Section A: Management and Financial Performance

Fairway Academy - Education Central MAT	41,828	16,629
Cheswick Green	1,369	490
Jubilee Park Academy Trust	29,612	9,271
Ocker Hill Junior Academy	28,090	5,709
Three Spires Primary Academy	27,479	8,988
Pegasus Primary School	20,088	3,898
St Edmund's Catholic Academy	33,049	10,730
SS Mary and John's Catholic Primary Academy	17,558	5,568
St Teresa's Academy	15,135	3,988
Holy Trinity C of E Primary Academy	18,260	5,765
Giffard Catholic Academy	26,437	7,877
St Michael's Academy	24,917	6,308
Tiverton Academy	36,475	11,251
St Joseph's Academy	18,250	8,399
Bishop Milner Academy	42,764	17,922
St Chad's Academy	13,826	4,589
Bentley Heath C of E Primary School	12,268	3,254
Reaside Academy	38,735	11,298
St George's Academy Newtown	16,017	7,436
St Bartholomew's Primary School	34,428	9,655
Hill Farm Academy	33,022	12,273
ED Centre Orchard	45,544	16,867
Robin Hood	28,750	11,119
Woodhouse Primary Academy - Education Central MAT	53,805	19,701
Broadway Academy	85,515	32,671
Radford Primary	10,571	3,754
Ernesford Grange Academy	40,088	14,678
Chivenor Jnr	6,862	0
Rivers Primary Academy	15,150	4,353
Golden Hillock	56,581	22,079
Anand Free School	81	33
Walsall Studio School	1,930	922
Waverley Studio College	3,420	1,537
Twickenham Primary Academy	12,063	4,621
Grestone Primary Academy	39,850	14,936
Leigh Primary	24,700	9,725
Education Central Multi Academy Trust	10,103	290
Wodensborough Ormiston Academy	68,845	23,392
St Judes Academy - The Wulfrun Academies	5,584	1,759
Oasis Community Learning - Foundry	6,084	2,296
WMG Academy for Young Engineers	1,481	784
Smestow	26,926	9,386
Other	-3,090	0
<b>Grand total of contributions receivable</b>	<b>310,592,804</b>	<b>108,732,040</b>

## Section B: Investment Policy and Performance Report

The Fund's investment strategy and performance report is detailed on page 20 of the annual report.

### Planned Asset Allocation

The Fund's actual asset allocation as at the beginning of the financial year, compared to allocation bands, was as follows:

Portfolio	Strategic risk bands %	Closing levels % 31 March 2013	Market value £m 31 March 2013
UK equities		9.9	970
Global equities		5.0	494
Total overseas equities		27.9	2,741
North America		9.6	943
Continental Europe		5.9	576
Pacific ex Japan		4.3	425
Japan		1.9	188
Emerging markets		602	609
Private equity		12.6	1,232
<b>Total equities</b>	<b>45.0-65.0</b>	<b>55.4</b>	<b>5,437</b>
UK gilts		2.0	197
Specialist fixed interest		3.3	321
Index-linked gilts		6.8	664
Corporate bonds		4.8	473
Emerging market debt		3.3	325
Cash		3.3	325
<b>Total fixed interest</b>	<b>15.0-25.0</b>	<b>23.5</b>	<b>2,305</b>
Property		8.6	838
Absolute return		7.1	699
Infrastructure		3.3	326
Commodities		2.1	207
<b>Total complementary</b>	<b>20.0-30.0</b>	<b>21.1</b>	<b>2,070</b>
<b>Total non-equities</b>	<b>35.0-55.0</b>	<b>44.6</b>	<b>4,375</b>
<b>Total</b>	<b>-</b>	<b>100.0</b>	<b>9,812</b>

### Stewardship Code

The Fund's approach to the UK Stewardship Code is detailed on the Fund's website <http://www.wmpfonline.com/CHttpHandler.ashx?id=4650&p=0->

### Investment Administration

The Fund's assets are managed by both internal and external fund managers. The passive UK and overseas equities portfolios are managed in-house by the Portfolio Manager - Equities. Other portfolio managers oversee the management of the remainder of the investment portfolio which includes active global equities mandates, a private equity portfolio, a fixed interest portfolio that comprises stabilising and return-seeking components, allocations to property (direct and indirect), infrastructure and an absolute return portfolio. Non-equity investments are mainly held in funds managed by external managers with fund selection and performance management monitored internally.

The Fund's equities managed internally and externally (within segregated mandates) are held by our global custodian, HSBC. All Fund investments are accounted for in-house on our investment accounting system.

## Section C: Scheme Administration Report

The Fund's Operations report is detailed on page 16 of the annual report.

### **Internal Dispute Resolution Procedure (IDRP)**

In accordance with the pensions regulations, the first stage of the dispute procedure is that the complaint is considered by a person nominated by the employer that took the decision against which the person is complaining.

Regulation 74 of the LGPS Regulations 2013 requires the adjudicator to give a written decision to the person within two months of the date the application was received. A copy of the decision must also be given to the administering authority. The written decision should include the statement of the decision, reference to any legislation or provisions of the scheme on which the person making the decision relied and evidence received. It should also make reference that the member can refer the disagreement for reconsideration by the administering authority within six months from the date of the letter advising of the first stage decision.

If there is a dispute regarding ill health then the employer should ensure that the correct procedure has been followed and if not, a fresh decision needs to be made. There may still be a dispute about the decision taken by the independent registered medical practitioner. In these circumstances, it would be necessary for the adjudicator to arrange a further independent medical examination.

Where the member is not happy with the adjudicator's first stage decision, the member can ask for a person at the administering authority to take a fresh look at the complaint. This is the second stage of the procedure.

For medical complaints at second stage, the Fund can send the medical documentation to the Fund's specialist in occupational medicine for independent review.

## Section D: Actuarial Report on Funds

The actuarial report on the Fund as at 31 March 2013 can be located on the Fund's website using the following link:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=4655&p=0>

## Section E: Governance Compliance Statement

The Governance Compliance Statement of the Fund can be found on pages 92 to 95 of the annual report. The membership of the Pensions Committee and the Investment Advisory Sub-Committee (IASC) throughout 2013/14 is detailed below:

Membership	IASC	Voting rights	Number of Pensions Committee meetings attended	Number of IASC meetings attended	Hours training received
Cllr Bert Turner	*	Yes	5 of 5	5 of 5	24.75
Cllr Peter Bilson	*	Yes	3 of 5	4 of 5	19.5
Cllr Steve Evans		Yes	4 of 5		0.5
Cllr Andrew Johnson		Yes	2 of 5		6
Cllr Lorna McGregor		Yes	4 of 5		8
Cllr John Reynolds		Yes	3 of 5		1
Cllr Sandra Samuels		Yes	2 of 4		4.5
Cllr Tersaim Singh	*	Yes	4 of 5	1 of 1	15.5
Cllr Mark Evans		Yes	3 of 5		0.5
Cllr Mike Heap	*	Yes	5 of 5	5 of 5	19.75
Cllr Muhammad Afzal	*	Yes	2 of 3	1 of 4	1.5
Cllr Zahid Ali	*	Yes	1 of 5	0 of 5	0.5
Cllr Zahid Shah	*	Yes	3 of 4	2 of 3	3.5
Cllr Damian Gannon	*	Yes	4 of 4	2 of 4	13.25
Cllr Rachel Harris	*	Yes	3 of 4	4 of 4	24.75
Cllr Allan Martin	*	Yes	5 of 5	4 of 5	7.75
Cllr Vic Silvester	*	Yes	5 of 5	5 of 5	22.75
Malcolm Cantello (Observer)	*	No	4 of 5	4 of 5	46.75
Martin Clift (Observer)	*	No	3 of 5	2 of 4	28
Ian Smith (Observer)	*	No	3 of 5	4 of 4	21.75

The training provided to Pensions Committee members in 2013/14 included:

- Induction training
- Risk workshop
- Presentations to committee
- Investment training including asset classes, hedge funds, insurance linked investments, agriculture sub-asset class, emerging markets, commodities and private equity
- Local Government Pension Scheme 2014 update, scheme changes and consultations
- External conferences such as LAPFF
- Employer AGM covering actuarial valuation results
- One to one training as appropriate on specific topics

Additional training has also been provided to members of the Investment Advisory Sub-Committee, in respect of an overview of global custody arrangements.

Where members have a conflict of interest on an item to be considered as part of the agenda, the individual member will declare their interest and will abstain from voting.

## Section F: Fund Account, Net Assets Statement and Notes

The financial statements for 2013/14 are detailed on pages 47 to 63 of the annual report.

## Section G: Pensions Administration Strategy Report

A copy of the Pensions Administration Strategy report is available from the Fund's website via the following link:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=4614&p=0>

## Section H: Funding Strategy Statement

The Funding Strategy Statement 2013 can be found on page 72 of the 2012/13 annual report. This is available from the Fund's website via the following link:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=4627&p=0>

## Section I: Statement of Investment Principles (SIP)

The Fund's Statement of Investment Principles is detailed on pages 73 to 80 of the annual report.

The SIP links with Note 23 of the financial statements (pages 61 to 63 of the annual report) relating to risks arising from financial instruments. The table below details the disclosures of the risk areas within the note and the cross reference to the SIP:

Note 23 Risk Area	Link to SIP	SIP Section
Investment	Investment strategy	3
Counterparty	Custody	2.2 iv) b
Credit	Credit default	2.2 iv) c
Liquidity	Asset risks	2.2 iii) b
Market	Asset risks	2.2 iii)
Foreign exchange	Asset risks	2.2 iii) c
Reputation	Operational risk	2.2 iv)

## Section J: Communications Policy Statement

The Fund's Communications Policy Statement 2014 is available within the annual report on pages 95 to 101. Scheme information is made available to members, their representatives and employers and further details are provided in the tables below:

Additional training has also been provided to members of the Investment Advisory Sub-Committee, in respect of an overview of global custody arrangements.

### Prospective Scheme Members

#### Scheme Booklet

Upon appointment with their employer, all new prospective scheme members will be provided with a link to the Fund's website at [wmpfonline.com](http://wmpfonline.com) where they can access scheme booklets.

#### Website

The Fund's website at [wmpfonline.com](http://wmpfonline.com) will contain specific information for non-joiners. It will highlight the process by which a member should be given the relevant information to make an informed choice, as well as detailing the administrative process that should be followed to opt out of the scheme.

#### Non-Joiner Campaigns

The new joiner campaigns have been superseded by the introduction of the automatic enrolment legislation.

#### Corporate Induction Courses

Where required, Fund officers will attend corporate induction events in order to present to prospective scheme members the benefits of joining the LGPS.

A 'one-on-one' surgery will also be offered to take account of individual queries that may be raised at such meetings.

#### Pension Roadshows

As well as being a valuable aid for pensioners and current scheme members, roadshows will be used to target specific non-members with support being enlisted from in-house AVC providers.

This will ensure members receive the information required to make an informed choice with regards to their pension provision.

#### Trade Unions

We will work with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request, and efforts will be made to ensure that all pension-related issues are communicated effectively with the trade unions.

## Section J: Communications Policy Statement

### Media Matrix

Communication Material	Paper-based	Electronic form (PDF)	SharePoint for staff	Website	Web portal	Large sight copy	Braille	When published	When reviewed
Short Guide to the LGPS	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Quarterly
All About Your Scheme	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Quarterly
Benefit Statements	Upon request	Non-personalised form	✓	Non-personalised form	✓	Upon request	Upon request	Annually	Annually
Information Sheets (various)	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Constant review
Report and Accounts	Upon request	✓	✓	✓	✗	Upon request	Upon request	Annually	Annually
Glossary of Pension Terms	Upon request	✓	✓	✓	✗	Upon request	Upon request	Annually	Annually
The Role of Actuary and Advisor	Upon request	✓	✓	✓	✗	Upon request	Upon request	Annually	Annually
Customer Charter (our service standards)	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Annually
Employers' Manual	Upon request	✓	✗	✗	✗	Upon request	Upon request	Constantly available	Annually
Pay Advice	Upon request	✗	n/a	✗	✓	Upon request	Upon request	Produced monthly	After each publication
Press Articles	Upon request	✓	✓	✓	✗	Upon request	Upon request	As required	After each publication



## Section K: Other Appropriate Material

The Fund's Internal Audit function is supplied by the administering authority (Wolverhampton City Council). 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 control environment but also all sources of assurance. In this way, Internal Audit are able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

Based on the work undertaken during the year and the implementation by management of the recommendations made and the assurance made available to the Fund by other providers, Internal Audit's overall audit opinion was that they could provide reasonable assurance that the Fund had adequate and effective governance, risk management and internal control processes in place during 2013/14.

The main areas of work undertaken during 2013/14 are detailed in the table below.

Type of review	Area reviewed
Systems	Overall governance and risk management
Systems	Data quality
Systems	Risk management
Key financial systems	Benefit calculations
Key financial systems	Payroll
Key financial systems	Reconciliation of contributions
Key financial systems	Member records
Follow-up review	Property rents

Internal Audit also co-ordinate the Audit Commission's National Fraud Initiative (NFI) data matching exercise on behalf of the Fund. This work identified eight cases where fraud and/or potential fraud existed in the area of pension payments. In all cases, these were the result of a failure of beneficiaries to notify the Fund of a deceased pensioner. Appropriate action has been taken by the Fund to recover the overpaid sums.

### Employer Details

A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pension liabilities) is given in the table below:

	Active	Ceased	Total
Scheduled body	280	0	280
Admitted body	140	6	146
<b>Total</b>	<b>420</b>	<b>6</b>	<b>426</b>

### Analysis of Fund Assets at the Reporting Date

The Fund's assets at 31 March 2014 are detailed in the table below:

	UK £m	Non-UK £m	Global £m	Total £m
Equities	1,189.2	4,680.7	-	5,869.9
Bonds	1,649.5	263.7	-	1,913.2
Property (direct holdings)	629.8	-	-	629.8
Alternatives	718.0	705.6	-	1,423.5
Cash and cash equivalents	208.4	42.2	-	250.5
Other	-	-	-	-
<b>Total</b>	<b>4,394.9</b>	<b>5,692.2</b>	<b>-</b>	<b>10,087.0</b>

Note that the total value excludes dividends outstanding of £4.9m.

### Analysis of Investment Income During the Reporting Period

The Fund's investment income for the period ending 31 March 2014 is detailed in Note 15 of the annual report. The classification of income required by the updated guidance is not available in respect of the 2013/14 financial year; however, arrangements have been put in place to ensure that this will be available from 2014/15 onwards.

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# Pensions Committee

10 December 2014

<b>Report title</b>	Annual Internal Audit Report 2013/14	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	David Kane	Head of Finance
	Tel	01902 554423
	Email	<a href="mailto:david.kane@wolverhampton.gov.uk">david.kane@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	<a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a>

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## Recommendations for noting:

The Committee is asked to note:

1. The contents of the Annual Internal Audit Report 2013/14.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update Committee members on the contents of the Annual Internal Audit Report 2013/14.

## **2.0 Background**

- 2.1 Internal Audit has carried out audit work for the period 2013/14 in accordance with the Internal Audit Plan. The appended report summarises the outcomes of that work, including any key issues arising during the year. It also supplies an opinion on the overall level of assurance that can be derived from the Fund's governance, risk management and control processes.

## **3.0 Report content**

- 3.1 Internal Audit can provide reasonable assurance that the Fund has adequate and effective governance, risk management and internal control processes.
- 3.2 The report identifies a limited number of control issues, which are set out in section 4 of the report. Management action has been taken to address these issues.

## **4.0 Financial implications**

- 4.1 Internal audit is a fundamental part of the system of internal financial controls, thereby contributing to the security of the Fund's financial and physical assets and the effectiveness and efficiency of its operations.

## **5.0 Legal implications**

- 5.1 This report has no legal implications.

## **6.0 Equalities implications**

- 6.1 This report has no equalities implications.

## **7.0 Environmental implications**

- 7.1 This report has no environmental implications.

## **8.0 Human resources implications**

- 8.1 This report has no human resources implications.

## **9.0 Corporate landlord implications**

- 9.1 This report has no corporate landlord implications

## **10.0 Schedule of background papers**

- Audit Services – Strategy for Internal Audit 2013/14, Report to Pensions Committee, 17 April 2013
- Internal Audit Update, Report to Pensions Committee, 8 January 2014

## **11.0 Appendices**

### 11.1 Appendix A – Annual Internal Audit Report 2013/14

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## **Annual Internal Audit Report 2013 /14**

### **Contents:**

- 1. Introduction**
- 2. Internal Audit Opinion**
- 3. Compliance with Public Sector Internal Audit Standards**
- 4. Summary of work completed**



## 1. Introduction

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- 1.1 Our internal audit work for the period 2013/14 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 the Fund's 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 Council's Annual Governance statement. 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 (PwC)
- Statutory policies and plans
- The work of the Fund's Compliance Monitoring Team
- Other pieces of consultancy or third party 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.

- 1.2 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".

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the Internal Audit Charter.

### Overall Assurance

- 1.3 As the providers of internal audit to the Fund, we are required to provide the Chief Executive, 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 Chief Executive, 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 2013/14.
- 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.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Fund.

## 2. Internal audit opinion

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2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:

2.2 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.

During the year we did note a limited number of control issues that needed addressing, including those around data quality. However, the Fund was aware of these issues and was taking steps to improve them.

2.3 In reaching our opinion, the following factors were taken into particular 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 are detailed in section 4 of this report.

## 3. Compliance with the Public Sector Internal Audit Standards

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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

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A detailed written report and action plan is prepared and issued for every review. The responsible officer 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:

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

**The following internal audit reviews were completed during 2013/14**

Key: AAN = Assessment of Assurance Need

Systems Reviews	AAN Rating	Recommendations			Total	Number accepted	Level of Assurance
		Red	Amber	Green			
Overall Governance and Risk Management	High	-	-	2	2	2	Substantial
Data Quality	High	1	6	1	8	8	Limited
Death Grants	High	-	2	1	3	3	Satisfactory

Key Financial Systems	AAN	Recommendations	Level of Assurance
Benefit Calculations	High	1	Substantial
Payroll	High	3	Satisfactory
Reconciliation of Contributions	High	0	Satisfactory
Member Records	High	4	Satisfactory

**Follow up Reviews**

Property Rents Follow up - Audit completed in 2012/13 - Recommendations implemented during 2013/4

## Key issues arising during the year

Issues that arose during the year have already been flagged to the Audit Committee.

### In our earlier progress report we provided details on:

- Overall Governance and Risk Management
- Data Quality
- Member Records (KFS)

### In our Annual Report we are reporting for the first time on:

#### Death Grants

Our audit of the systems for the processing of death grants identified the following issues:

- No formal arrangements had been established for the evidencing of legal advice sought and obtained in cases where the recipients of the death grant were unclear; and
- At the time of our review, no monitoring was being undertaken in relation to the achievement or otherwise of key performance targets.

The recommendations we made were agreed with management for full implementation.

#### Benefit Calculations

Our review confirmed that substantial assurance could be placed on the processes in place for undertaking the calculation of benefits and no significant issues were identified during the audit, although one recommendation has been made in relation to the provision of more detailed information in respect of additional voluntary contributions (AVC) charges.

#### Reconciliation of Contributions

The review of controls for the reconciliation of members' contributions identified the following issues:

- A number of discrepancies were identified between the Fund's records of income received and contributions recorded within FMIS;
- Lack of adequate procedures for reconciling details recorded in FMIS to income received.

In this instance no immediate recommendations were made as new procedures are being introduced with the implementation of the Agresso system.

#### Payroll

The review of payroll procedures identified an overpayment which had been made in respect of a child pensioner. This is classified as a child of a deceased member who remains in full time education. In this instance, the child had ceased to be entitled to payment as a consequence of reaching 18 years old and commencing full-time employment. The payment was not suspended until written confirmation of the change in circumstances was received approximately 12 months later, at which point an overpayment of £1280 had been made. This is in the process of being recovered. Our recommendations to improve procedures in this area have been agreed by management.

### **National Fraud Initiative**

We co-ordinate the Audit Commission's National Fraud Initiative (NFI) data matching exercise on behalf of the Fund. The pension's payroll was matched to the list of deceased persons, maintained by the Department of Works and Pensions (DWP). The following results for the 2013/14 exercise were obtained:

Number of matches investigated by the Pension Scheme	737
Number of frauds identified	6
Number of potential frauds being investigated	2
Total value of identified and potential frauds	£16,000

All frauds identified were the result of a failure of beneficiaries to notify the Fund of the deceased pensioner. Officers have ceased payments, and instigated recovery action.

### **Financial Appraisals**

Where an organisation is seeking admitted body status to the Fund, a financial appraisal is completed (the purpose of which is to establish whether the organisation will or will not be able to meet its financial obligations to the Fund). We completed 24 such appraisals on behalf of the Fund during 2013/14. The financial appraisals provide a business failure score rating from 1 to 100, with 1 being the highest risk and 100 the lowest. Where appropriate, recommendations are made to obtain either a bond or guarantee from the organisation.

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# Pensions Committee

10 December 2014

<b>Report title</b>	Compliance Monitoring 1 July – 30 September 2014	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Jennifer Dugmore	Compliance and Risk Officer
	Tel	01902 552092
	Email	<a href="mailto:Jennifer.dugmore@wolverhampton.gov.uk">Jennifer.dugmore@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	<a href="mailto:Geik.drever@wolverhampton.gov.uk">Geik.drever@wolverhampton.gov.uk</a>

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## Recommendations for noting:

The Committee is asked to note:

1. That no compliance issues have arisen in this period.

## **1.0 Purpose**

- 1.1 To provide Committee with the quarterly update on the compliance monitoring programme (“the programme”) highlighting any issues that have arisen or have been identified.

## **2.0 Background**

- 2.1 The Fund has in place a programme, which aims to ensure its investment management practices, its external managers and those with whom it transacts business, follow best practice and operate to acceptable standards. The Programme also aims to provide assurance that member benefits have been calculated and communicated correctly and that where service standards are in place, they are being achieved.
- 2.2 Members of staff having direct and indirect operational involvement with investments and member services are required to undertake the comprehensive programme which comprises of a set of tests directly linking to the Fund’s risk register and legislative requirements.
- 2.3 The compliance manual has been distributed to all officers having direct and indirect operational involvement with the investments of the Fund. Confidentiality statements are completed on an annual basis and declarations of personal dealing are required half yearly.

## **3.0 Current monitoring programme**

- 3.1 As part of the Fund’s monitoring, random testing is undertaken on its transactions, these include transactions in Investments, securing the future benefit for members and transactions on the business of the Fund from expense claims to payment of invoices.
- 3.2 A sample of approximately 5% of total purchase and sale transactions during the period of 1 July - 30 September 2014 have been reviewed to assess timely and best execution processes. This assessment is done by way of comparison of internal and external records and documents and market information.
- 3.3 A selection of expenses charged to the Fund during the period was also reviewed for accuracy and appropriateness and in the case of external managers, adherence to individual management agreements.
- 3.4 A sample of up to 5% of member transactions, including payment of pension benefits and associated transactions to the Fund’s accounts, have been reviewed during the period for timely and accurate calculation and payment, along with appropriateness.



3.5 The Programme testing for this period highlighted no issues and officers are satisfied that all processes are being followed in accordance with best practice. All trades, invoices, payments and receipts sampled met with requirements and were recorded in line with regulatory standards. Any recommendations from findings are signed off by the head of department.

3.6 No on-site visits with external managers were conducted during this period.

#### **4.0 Future reviews**

4.1 To ensure the ongoing best practice of the Fund in its adherence to regulatory requirements and standards, the Fund is in the process of reviewing the current Programme. The new approach will ensure the Programme testing is conducted on a risk base, highlighting current high risk areas and potential risks forthcoming over the period. This will link the programme to the Fund's objectives and the risk register which was approved by pensions committee in March 2014.

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

5.1 The compliance and risk team are responsible for co-ordinating the freedom of information and data protection requests on behalf of the pension Fund in conjunction with the office of the chief executive at the City Council.

5.2 During the period the Fund received four requests for information under the Freedom of Information Act 2000 and one request for personal information under the provision of the Data Protection Act 1998. In all instances the requests were managed in accordance with the requirements of the respective Acts.

5.3 To monitor efficiencies and staff resources from 1<sup>st</sup> March 2014 the Fund started to record the time spent by employees in responding to requests under the Act. For this period a total of 16 hours was spent by employees responding to the requests

#### **6.0 Matters arising**

6.1 As part of the Programme the Fund regularly reviews national, international and industry press coverage to identify any developments which may have a financial impact on the Fund.

6.2 During the period no new articles or commentary were issued.

## **7.0 Financial implications**

7.1 Compliance monitoring is an essential part of the Fund's adherence to best practice guidance. Failure to comply would expose the Fund to greater risks of liabilities and challenges from stakeholders. A good Compliance Monitoring Programme ensures those risks are mitigated and managed. This quarterly review has not identified any failures or areas of high concern and therefore there are no financial implications arising from this report.

## **8.0 Legal implications**

8.1 Compliance monitoring is an essential part of the Fund's adherence to best practice guidance. Failure to comply would expose the Fund to greater risks of liabilities and challenges from stakeholders. A good Compliance Monitoring Programme ensures those risks are mitigated and managed. This quarterly review has not identified any failures or areas of high concern and therefore there are no legal implications arising from this report.

## **9.0 Equalities implications**

9.1 This report contains no direct equal opportunities implications.

## **10.0 Environmental implications**

10.0 This report contains no direct environmental implications.

## **11.0 Human resources implications**

11.1 The report contains no direct human resource implications.

## **12.0 Corporate Landlord**

12.1 There are no corporate landlord implications.

## **13.0 Schedule of background papers**

13.1 There are no background papers.



# Pensions Committee

10 December 2014

<b>Report title</b>	Service plan monitoring 2014/15 Quarter Two	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	David Kane	Head of Finance
	Tel	01902 554423
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<b>Report to be/has been considered by</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	<a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a>

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## Recommendation(s) for action or decision:

The Committee is recommended to note:

1. Performance against the Fund's key performance indicators as at the end of the second quarter;
2. The forecast outturn against operating budgets as at the end of the second quarter, which is an under spend of £274,000.

## **1.0 Purpose**

- 1.1 The purpose of this report is to update the Committee on performance against key performance indicators (KPIs) and the forecast outturn for the year against operating budgets as at the end of the second quarter.
- 1.2 The KPIs and operating budgets were approved by the Committee on 26 March 2014 as part of the Service Plan 2014-2019, a full copy of which can be found on the Fund's website: [www.wmpfonline.com](http://www.wmpfonline.com).

## **2.0 Performance against medium term plan**

- 2.1 The eight key priorities in the Service Plan are detailed in Appendix 1, which represents a summarised update of activities. The Pensions Committee received a detailed report on the individual priorities in the 'Assurance Framework – Supporting the Annual Governance Statement' in March 2014.
- 2.2 Activities against the plan continue in line with objectives. An abridged summary of performance against KPI's is included in Appendix 2.
- 2.3 Performance against some pension administration objectives has deteriorated due to the large increase in manual calculations required while LGPS 2014 system upgrades were being developed by our software provider. It is expected that performance will improve to former levels once the upgrades have been completed; this has begun to occur with some objectives during the last quarter.

### 3.0 Forecast outturn against operating budget 2014/2015

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

<b>Budget Heading</b>	<b>Approved Budget 2014/15 £000</b>	<b>Forecast 2014/15 £000</b>	<b>Forecast Variance £000</b>
Employees	4,513	4,081	(432)
Premises	344	346	2
Transport	69	70	1
Communications and Computing	740	772	32
Investment Management and Advice	11,398	11,507	109
Other	2,062	2,076	14
Support Services	523	523	-
Service development	350	350	-
<b>Total Expenditure</b>	<b>19,999</b>	<b>19,725</b>	<b>(274)</b>
Miscellaneous Income	(530)	(530)	-
<b>Net Expenditure</b>	<b>19,469</b>	<b>19,195</b>	<b>(274)</b>

3.2 Budgets have been forecast using a combination of reviewing spend to date and considering plans for the remainder of the financial year. A prudent approach has been taken in forecasting the cost of those plans, and the figures set out above are therefore likely to be subject to change by year-end.

3.3 The forecast under spend has arisen primarily on staffing budgets, due to a number of posts being held vacant, or in the process of being recruited to, during the year to date.

3.4 The other significant variance is on investment management and advice, for which an over spend of £109,000 is forecast. However, since this is heavily influenced by investment performance, this is particularly subject to change during the remainder of the year.

3.5 The Fund, like all public sector bodies, continues to review its operating costs and procedures, with many key operational processes having been reviewed under the LEAN programme and efficiency gains made.

### 4.0 Financial implications

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

## **5.0 Legal implications**

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

## **6.0 Equalities implications**

6.1 This report has no equalities implications.

## **7.0 Environmental implications**

7.1 This report has no environmental implications.

## **8.0 Human resources implications**

8.1 The report has no human resources implications.

## **9.0 Corporate landlord implications**

9.1 This report has no corporate landlord implications.

## **10.0 Schedule of background papers**

- Pension Fund Business Plan 2014-19, Report to Pensions Committee, 26 March 2014
- WMPF Medium-term Financial Plan Update and 2014/15 Operating Budget, Report to Pensions Committee, 26 March 2014
- Service Plan Monitoring 2014/15, Report to Pensions Committee, 24 September 2014

Activity	Benchmark Measurement	Target	Frequency	Comments
<b>Quality procedures and practices</b>				
<b>a) Maintain Quality Accreditations</b>	Investors in People (IIP), Investors in Excellence (IIE), Customer Service Excellence (CSE) and shortlisting in industry awards	Reaccreditation/shortlisting for awards	Annually	IIP silver award granted on first attempt, officers are currently being trained on gold standard requirements to progress at the next round of accreditation. Customer Service Excellence was reaccredited this quarter noting areas of hard work in a difficult period during the legislative changes. The Fund has been shortlisted for the LGC Investment Award for skills and knowledge.
<b>b) Respond to best practice</b>	Through updates to SMT	Improvements to be identified and reported on regularly	Quarterly	The Fund actively responds to consultations on proposals for guidance and best practice.
<b>c) Respond to legislative changes</b>	Requirement of new legislation	Compliance with new legislation	Quarterly	The Fund has appointed a solicitor in post as Head of Governance to assist with the legislative changes faced by the Fund. All changes are monitored through email updates and alerts and are reviewed and implemented in an efficient and timely manner.
<b>d) Data quality</b>	To ensure bulk validation of incoming data	Maintenance of regular checks	Continuous with quarterly reports	Bulk data validation consistently maintained and reviewed. The newly appointed Compliance and Risk Manager will undertake a review of the Fund's Information Governance management as a priority implementing all processes from the City Council

<b>Drive progress through performance improvement</b>				
<b>a) Improve data quality standards to meet regulatory requirements</b>	Review of performance against specific targets set by the regulator in respect of completeness and accuracy of data	Achieve targets set by the regulator	Ongoing/annual	Common data is already meeting TPR standards. Additional analysis and improvements will be made to conditional data with a view to achieving targets by 2015.
	Outcome of reviews by the regulator and internal audit	Positive reports by review bodies	Ongoing/annual	Reviews to be considered as and when appropriate.
<b>b) Develop cross-cutting key performance indicators focused on service priorities</b>	Performance against new key performance indicators (KPIs)	The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set	Monthly	Revised KPIs have been implemented with effect from January 2014 and these have been monitored and amended where necessary. Standards met in the majority of cases.
<b>c) Manage performance through focused and targeted action</b>	Key activities impacting on service issues	To be within or close to best practice	Annual and quarterly reporting	Performance constantly monitored to ensure optimal efficiency and a high level of service.

Activity	Benchmark Measurement	Target	Frequency	Comments
<b>Develop and implement customer engagement strategies</b>				
<b>a) Develop, review and consult upon and implements engagement strategies</b>	Availability of fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	The Fund has a dedicated communications officer who, in the last quarter, has created and implemented a new user friendly approach to the Fund's website making more information more easily accessible. The Fund has also moved to a more electronic model of working with the web portal facility available for members together with electronic benefit statements. The fund actively seeks reviews and feedback on the presentations and resources it provides to member and employers and utilises survey monkey to input those results creating a benchmark for comparison going forward. Recent questionnaires indicate that 80% of the Fund's members would rate our service as satisfactory or above with employers rating ua at 100%.
<b>b) Hold AGM and mid-year reviews annually for employers</b>	Events held in summer and winter each year and favourably received	Two events per year with respondents providing feedback stating event was either good or excellent	Report to SMT following event	Mid Year Review and AGM successfully held in 2014 receiving positive feedback. The Fund held its mid-year review in July in Wolverhampton and was successfully attended by a variety of employer groups, trade unions and Trustees. The Fund has begun the process of scheduling the AGM to be held on 11 December. Invites have been sent out together with a shceudle of speakers.
<b>c) Develop communication with stakeholders' needs in mind</b>	Availability of fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	In addition to a) the Fund hosts an Employer Peer Group and regularly provides employer briefing notes to representatives. Employers have been actively involved in the governance reforms through the governance review working party created by pensions committee and their input and communication has been valuable in shaping the new structure.
<b>d) Implement and review customer journey mapping (CJM) programme</b>	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly	Comprehensive CJM programme to be implemented following the delivery of the 2014 new Scheme and the ensuing period of stability.



Activity	Benchmark Measurement	Target	Frequency	Comments
<b>Management of risk strategies</b>				
<b>a) Regular risk management reviews</b>	Annual risk review	To have an action plan for all high risk assets	Annual/quarterly monitoring	It has been identified that the current risk register is very reactive in its approach and compliance officers are currently reviewing this going forward into the next quarter to ensure a more proactive take on risk. Highlighting potential risks in forthcoming legislation or industry requirements while managing ongoing risks in an efficient manner.
<b>b) Review of major changes and new activities of business</b>	Review/approval from Pensions Committee	All fund risks are adequately managed	Ongoing/quarterly reviews of risk register	The risk register underwent a full review and was agreed by Pensions Committee in March 2014. Is reviewed on a quarterly basis by senior management to ensure all risks are updated in line with their impact and probability. The Compliance Manager will be taking this forward for a full review.
<b>c) Develop and maintain risk management approach in order to give annual assurance statement</b>	Review/approval from Pensions Committee	All Fund risks are adequately managed	Annual review	The risk management of the Fund is constantly being reviewed as well as a) above, regular testing is conducted with regards to performance and compliance monitoring. No issues have been identified this quarter.
<b>d) Develop and implement business continuity planning</b>	Review/approval from SMT	Full test of business continuity plan to be completed by Q2 2014	Annual review	The business continuity policy is updated on a regular basis and a full annual review is completed each year. A full test of the plan will be implemented once staff changes are complete.
<b>Review and implement investment strategy</b>				
<b>a) Review of investment strategy</b>	Annual asset allocation review/SIP	Ensure investment strategy has regard to Fund's liabilities structure, funding position and contribution strategy	Annual with quarterly monitoring	Investment strategy review made to June's Pensions Committee followed up with annual SIAB review to September's Pensions Committee. Detailed report on listed equities to September's IASC.
<b>b) Implementation of investment strategy</b>	Review/approval by Investment Advisory Sub-Committee	Ensure changes carried out within agreed timescales and cost effectively	Quarterly	Quarterly updates on SIAB implementation made to IASC. New property management arrangements have been put in place following OJEU tender. Reshaping of listed equities portfolio to take place in 2015, plus setting-up of internal active global equities management. Streamlining and simplification of portfolio ongoing.
<b>c) Monitoring of performance and portfolio changes</b>	Reporting to investment Advisory Sub-Committee	Ensure performance at least matches agreed benchmarks	Quarterly	Quarterly asset allocation and investment performance reports made to IASC. Recent investment performance has at least matched benchmarks.
<b>d) Voting and implementation of ESG policies</b>	Reporting to Pensions Committee and Investment Advisory Sub-Committee/SRI Statement	Comprehensive voting programme and membership of LAPFF and other ESG initiatives	Quarterly	New responsible investment officer has been appointed to manage increasingly high workload and to strengthen the fund's capacity in this area.

Activity	Benchmark Measurement	Target	Frequency	Comments
<b>Triennial actuarial valuation</b>				
<b>a) Engage with employing bodies and discuss issues</b>	Consultation programme extended to all participating employers	Meet agreed timetable	Next actuarial valuation 2016	Extensive engagement undertaken with employing bodies, particularly around the 2013 valuation.
<b>b) Collect data for valuation</b>	Formal valuation project plan	Meet agreed timetable	Annually	Data successfully collected for all employers and in accordance with deadlines.
<b>c) Communicate individual results</b>	Actuarial contributions certified as per regulatory requirements	Meet agreed timetable	Next actuarial valuation 2016	Results communicated to all employers in a timely manner.
<b>d) FSS to be updated accordingly to include the Fund's strategy for deficit repair</b>	Regulatory requirements	Comprehensive and up to date	Next actuarial valuation 2016	FSS updated accordingly in line with the outcomes of the valuation and the Fund's strategy in this area. Placed on the Fund's website.
<b>e) Ongoing review of investment strategy to maintain SIP</b>	Regulatory requirements	Comprehensive and up to date	Annual	SIP to be updated after changes in Investment strategy agreed. To be reinforced with the adoption of a statement of investment beliefs.
<b>f) Regular employer covenant review</b>	All employer covenants reviewed and necessary actions taken	100% of employer covenants	Annual	Employer covenant review underway to take into account latest financial information and the 2013 valuation results.

<b>Trustee and consultative forum training</b>				
<b>a) Maintain and expand the opportunities to build trustee knowledge and understanding</b>	CIPFA Skills and Knowledge Framework. Wide range of knowledge-building opportunities provided	Minimum of 20 hours' provision to Committee members	Ongoing/yearly report	The fund has in place a programme of trustee training which aims to develop trustee knowledge throughout the year, developing more complex training in line with the level of experience of a trustee. A three-day conference was held in October, with Trustees obtaining 15 hours credit. The next stage will be drafting a training policy for pension board members and implementing a new training timetable to meet the legislative requirement going forward.
<b>b) Monitoring of approved training policy</b>	Wide range of knowledge-building opportunities provided	100% target achieved	Ongoing	The Trustee Management Officer is responsible for maintaining a record of trustee and pension board member training ensuring the requirements of knowledge and understanding are met by each trustee. Where a shortfall of training hours is identified, the Trustee Management Officer provides support and guidance on available resources as well as offering and arranging 1-2-1 sessions with individual trustees.
<b>c) Identification of training needs and development of training plan</b>	Wide range of knowledge-building opportunities provided	Training needs identified and addressed	Ongoing	as above
<b>d) To ensure trustees meet TPR competency requirements</b>	TPR framework and standards and training needs analysis	Compliance with CIPFA Knowledge and Skills requirements	Ongoing	as above

Activity	Benchmark Measurement	Target	Frequency	Comments
<b>Developing people</b>				
<b>a) Ensure a skilled, flexible and professional workforce</b>	Staff induction, training plan and appraisal	25 hours per annum for all staff	Ongoing	The in-house training team are very adept at developing staff ensuring their technical knowledge of systems is up to date. The Business Support Officer monitors performance of each team providing reports to SMT to monitor their team's training hours and identifying where there are shortfalls. The team are also developing their soft skills training which will be implemented into induction sessions for new staff.
<b>b) Measure and improve competency levels through performance appraisals</b>	Annual appraisal	100% compliant with Wolverhampton City Council and all staff appraised by April 2014	Annual appraisal with six-month review	Annual appraisals successfully delivered with successful completion of the six month review. This process is constantly under review and the business development service are reviewing feedback and ways to improve for next year.
<b>c) Learning and development guide developed and reviewed with due attention to training needs analysis and performance appraisals</b>	Training needs addressed with development plan created	Training needs analysis to be reviewed annually	Annual	The Fund has developed a new training strategy for staff wanting to take further development which will be assessed on a case by case basis. In addition, the in-house training team have devised an intranet site on Sharepoint which provides training information, relevant links to external sites, materials from training sessions and a comments blog to identify and share common problems that may be easily resolved.
<b>d) Cultivate a working environment where knowledge is shared</b>	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing	As well as above, staff briefing sessions have been very active lately due to a number of changes occurring in pension funds.
<b>e) Maintain accreditations including Investors in People (IIP) and Customer Service Excellence (CSE)</b>	Investors in People (IIP), Investors in Excellence (IIE) & Customer Service Excellence (CSE)	Reaccreditation	Annual	IIP silver award granted on first attempt, officers are currently being trained on gold standard requirements to progress at the next round of accreditation. Customer Service Excellence was reaccredited this quarter noting areas of hard work in a difficult period during the legislative changes.

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No	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Reported to:	Previous Score	Date Last Reported	Improvement/Deterioration
1	<b>IMPROVE FUNDING LEVEL</b> Funding level to increase from current levels of 70% (Taken from IAS26 Report)	>70%	GD	● 75.00%	31/03/2013	SMT	● 75.00%	31/03/2010	→ 0.00%
2	<b>TRANSFERS IN</b> Non-LGPS transfer in quotations processed within 10 days of receiving all the required information	90%	ST	● 100.00%	Sep-14	SMT	● 80.00%	Aug-14	↑ 20.00%
	Non-LGPS transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		● 100.00%			● 69.23%		↑ 30.77%
	<b>TRANSFERS OUT</b> Non-LGPS transfer out quotations processed within 20 days	90%	ST	● 68.42%	Sep-14	SMT	● 56.96%	Aug-14	↑ 11.46%
	Non-LGPS transfer out payments processed within 10 days	90%		● 57.14%			● 31.58%		↑ 25.56%
	<b>RETIREMENTS</b> Retirement options to members within 15 days	90%	ST	● 12.68%	Sep-14	SMT	● 21.73%	Aug-14	↓ -9.05%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 77.15%			● 92.59%		↓ -15.44%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 73.93%			● 85.32%		↓ -11.39%
	<b>DEATHS</b> Acknowledgement of a death to due within 5 days of receiving the notification.	90%	ST	● 91.71%	Sep-14	SMT	● 94.51%	Aug-14	↓ -2.80%
	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		● 100.00%			● 45.45%		↑ 54.55%
	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%		● 100.00%			● 100.00%		→ 0.00%
3	<b>EMPLOYER SERVICE - EMPLOYER SATISFACTION</b> Overall satisfaction score for employers to be 85%	85%	ST	● 100.00%	2014/2015	SMT	● 98.40%	2013/2014	↑ 1.60%
	<b>EMPLOYER SERVICE - CALLS</b> 85% of calls received to the customer and employer helpline to be answered	85%		● 100.00%	2014/2015		● 100.00%	2013/2014	→ 0.00%
4	<b>MEMBER SERVICE - CUSTOMER SATISFACTION/SURVEY</b> Overall satisfaction score for members to be 85%	85%	ST	● 80%	Sep-14	SMT	● 75%	Jun-14	↑ 5.00%
5	<b>INVESTMENT RETURNS/OVERALL FUND PERFORMANCE</b> Returns to be within 2% of the benchmark (3 Yr Rolling)	VARIANCE +/- 2%	GD/MC	<b>BENCHMARK</b> 9.07%	Aug-14	SMT	<b>BENCHMARK</b> 6.71%	Jul-14	↓ -0.22%
				<b>ACTUAL</b> ● 9.15%			<b>ACTUAL</b> ● 7.01%		
				<b>RELATIVE</b> ● 0.08%			<b>RELATIVE</b> ● 0.30%		
6	<b>BENEFIT STATEMENTS</b> ABS issued to 95% of eligible active members by 30th September	95%	ST	● 83%	Sep-14	SMT	● 87%	Sep-13	↓ -4.00%
	DBS issued to 85% of eligible deferred members by 30th October	85%		● 89%	May-14	SMT	● 88%	Jul-13	↑ 1.00%
7	<b>CONTRIBUTIONS RECEIVED</b> <b>Main Fund</b> 98% (total value) of contributions to be received by the due date.	98%	RD	● 99.68%	Sep-14	SMT	● 99.77%	Aug-14	↓ -0.09%
	<b>Travel Fund</b> 98% (total value) of contributions to be received by the due date.	98%		● 100.00%	Sep-14	SMT	● 100.00%	Aug-14	→ 0.00%
8	<b>CLEAN AUDIT REPORT</b> Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report	RH	Yes	Year to 31/03/2014	SMT	Yes	Year to 31/03/2013	→ 0.00
	Annual audit returns no significant findings	0 significant findings		● 0			● 0		
	Receive an unqualified audit opinion from the Travel Funds external auditors	Clean Report		Yes	Year to 31/03/2014	SMT	Yes	Year to 31/03/2013	→ 0.00
	Annual audit returns no significant findings	0 significant findings		● 0			● 0		
9	<b>EXTERNAL ACCREDITATION</b> The Fund to be shortlisted for all of the awards in which it is entered.	100%	RH	Applications 6	Sep-14	SMT	Applications 3	Aug-14	↑ 33.33%
				No. Pending 5			No. Pending 0		
				No. Shortlisted 1			No. Shortlisted 2		
				Percentage Shortlisted 100%			Percentage Shortlisted 67%		
10	<b>SICKNESS ABSENCE</b> Fund staff should not have more than 6 days sick leave on average per annum.	6 days p.a.	ALL	● 2.40	Sep-14	SMT	● 1.70	Jun-14	↓ -0.70
11	<b>COST PER MEMBER</b> Administration cost per member to be reduced from budgeted figure of £24	<£24	ALL	● £19.21	Mar-14	SMT	● £20.48	Mar-13	↑ £1.27

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# Pensions Committee

<b>Report title</b>	LGPS 2014	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Amy Whiles Tel Email	Project Officer 01902 554643 amy.whiles@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Geik Drever Tel Email	Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

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## Recommendations for noting:

The Committee is asked to note:

1. The activity and progress to date of the implementation of the LGPS 2014.

## **1.0 Purpose**

- 1.1 The purpose of the report is to provide Pensions Committee with an update on the progress to date of the implementation of the LGPS 2014.

## **2.0 Background**

- 2.1 Due to the delays with the regulations, the software provider was unable to fully specify the changes required to the pension calculations in time for 1 April 2014 implementation. The Fund continues to work closely with the software provider to specify and develop the changes required to the pension administration system UPM.
- 2.2 The Fund is trying to minimise the impact on members to ensure they get accurate information as promptly as possible. However a higher than normal workload was received post 1 April 2014, requiring key processes to be managed manually, which was more time consuming, creating a backlog in some areas of work.

## **3.0 Progress**

- 3.1 The migration of the priority system changes into the live UPM environment was initiated from 3 September. The changes to the Fund's web portal were completed and made available to employers and members on 8 September. This automated the retirement and early leaver calculations and also enabled employers and members to run quotations on the web portal.
- 3.3 In the live UPM environment, minor issues with the system calculations have emerged which have limited the progress the Fund has been able to make with implementing the remaining system changes. The system is not yet fully operational which has required further manual intervention to minimise the impact on the member.
- 3.4 Regular meetings are held with managers within the pension administration service to review workloads and the progress with the implementation of the system changes.
- 3.5 Work is underway to fully test the remaining system changes, which includes transfer calculations, and the Fund is working with the software supplier and the other local government clients to progress this work as quickly as possible.
- 3.6 Employers are regularly updated through the monthly 'Employer Briefing Note', Employer Peer Group meetings and further updates are provided when appropriate. Support has been provided to employers as part of the implementation of the system changes.

## **4.0 Financial implications**

- 4.1 The project has been managed with existing Fund resources and budget, and any additional costs which have been incurred by the Fund were absorbed within the current year budget, approved by Committee in March 2014.



4.2 The Fund operated overtime while the system changes were being developed to manage the manual processing of post 2014 retirements, this has ceased in September following the implementation of the system changes.

## **5.0 Legal implications**

5.1 The report contains no direct legal implications for the Authority, however if further delays are experienced with the implementation of the full system changes there is the potential for challenges from members and the Fund may not meet required regulatory standards i.e. disclosure regulations.

## **6.0 Equalities implications**

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

## **7.0 Environmental implications**

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

## **8.0 Human resources implications**

8.1 Due to not having a fully operational pension administration system some manual intervention is still required. These are resource intensive for operational staff which limits capacity to drive forward other key priorities for the Fund and has the potential to increase backlogs of work.

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

## **9.0 Corporate landlord implications**

9.1 This report contains no corporate landlord implications for the Council.

## **10.0 Schedule of background papers**

10.1 There are no background papers for this report.

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# Pensions Committee

## 10 December 2014

**Report Title** Active Ownership Activities  
June to September 2014

**Originating service** Pension Services

**Accountable employee** Leanne Clements Responsible Investment Officer  
Tel 01902 55(2086)  
Email [Leanne.Clements@wolverhampton.gov.uk](mailto:Leanne.Clements@wolverhampton.gov.uk)

**Report has been considered by** Geik Drever Director of Pensions  
Tel 01902 55(2020)  
Email [Geik.drever@wolverhampton.gov.uk](mailto:Geik.drever@wolverhampton.gov.uk)

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### Recommendations for noting:

The Committee is asked to note:

1. The Fund's voting and LAPFF's engagement activity for the three months ending 30 September 2014 (including Appendix 1).
2. The issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which is available on their website:  
<http://www.lapfforum.org/Publications/engagement>

## 1.0 Purpose

- 1.1 To inform the Pensions Committee of the work undertaken by the Investment team regarding their voting and engagement activities, collectively referred to as “active ownership” activities, between the period 1 June 2014 to 30 September 2014.

## 2.0 Background

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

## 3.0 Voting Globally

- 3.1 The Fund currently has its own bespoke UK voting policy which our voting provider, Pensions and Investments Research Consultants Ltd (PIRC), executes on our behalf. However, the Fund follows the voting advice of PIRC for European, US, Japanese and Pacific region company meetings.
- 3.2 The voting activity for the quarter across markets and issues can be found in Appendix 1. During the period the Fund voted at a total of 246 company meetings –104 UK, 34 European, 45 North American, 6 Japanese, 41 Asian, 5 South and Central American and the remaining 11 from various parts of the world. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld\* 876 resolutions out of a total of 2983, representing approximately 29% of all resolutions. During this period there were 22 meetings where the Fund supported all the resolutions put forward by companies.

*\*(It should be noted that due to a combination of US state law and individual company bye-laws, votes pertaining to individual directors cannot be cast as “oppose” but have to be cast as “withheld”).*

## 4.0 Engagement through Partnerships

### *Local Authority Pension Fund Forum*

- 4.1 Our engagement program is predominantly implemented through the Fund’s membership of the Local Authority Pension Fund Forum (LAPFF). The mission statement of the Forum is “to promote the investment interests of local authority pension funds and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest, commensurate with statutory regulations”. LAPFF has a current membership of 60 public sector pension funds in the UK with combined assets of over £125 billion. LAPFF members regularly meet together to discuss social, environmental and governance

(ESG) issues and ways to promote high standards of corporate behaviour at investee companies.

4.2 A summary of LAPFF's engagement activities for the quarter are provided alongside the voting activity report in Appendix 1.

## **5.0 Financial implications**

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

## **6.0 Legal implications**

6.1 This report has no legal implications.

## **7.0 Equalities implications**

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

## **8.0 Environmental implications**

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

## **9.0 Human resources implications**

9.1 This report contains no direct implications for the Authority's Human Resources Policies.

## **10.0 Corporate landlord implications**

10.1 The report contains no direct corporate landlord implications.

## **11.0 Schedule of background papers**

11.1 LAPFF Quarterly Engagement Report June to September 2014:  
<http://www.lapfforum.org/Publications/engagement>

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### Voting report

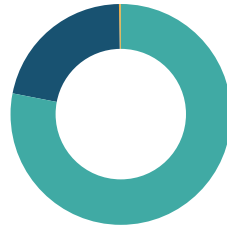
Over the last quarter, we voted at 246 meetings (2,983 resolutions). The Fund voted against resolutions on 876 occasions. We supported management on all resolutions at 22 meetings.

**Total**  
We voted at 246 meetings (2,983 resolutions) over the quarter.



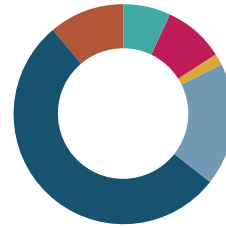
■ Total resolutions voted in favour	<b>69.1%</b>
■ Resolutions where voted against or abstained	<b>29.4%</b>
■ Non-voting	<b>1.5%</b>

**UK**  
We voted at 104 meetings (1,659 resolutions) over the quarter.



■ Total resolutions voted in favour	<b>78.3%</b>
■ Resolutions where voted against or abstained	<b>21.5%</b>
■ Non-voting	<b>0.2%</b>

**UK: votes against and abstentions by category**



■ Annual reports	<b>7.0%</b>
■ Remuneration reports	<b>9.0%</b>
■ Articles of association	<b>1.6%</b>
■ Auditor's appointment	<b>18.0%</b>
■ Directors	<b>53.0%</b>
■ Executive pay scheme	<b>11.0%</b>

**North America**  
We voted at 45 meetings (452 resolutions) over the quarter.



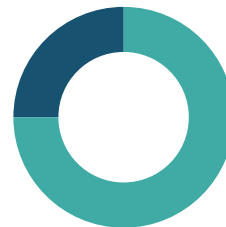
■ Total resolutions voted in favour	<b>53.1%</b>
■ Resolutions where voted against or abstained	<b>46.9%</b>

**Europe**  
We voted at 34 meetings (371 resolutions) over the quarter.



■ Total resolutions voted in favour	<b>58.2%</b>
■ Resolutions where voted against or abstained	<b>31.3%</b>
■ Non-voting	<b>10.5%</b>

**Japan**  
We voted at 6 meetings (72 resolutions) over the quarter.



■ Total resolutions voted in favour	<b>75.0%</b>
■ Resolutions where voted against or abstained	<b>25.0%</b>

**Asia (excluding Japan)**  
We voted at 41 meetings (353 resolutions) over the quarter.



■ Total resolutions voted in favour	<b>59.5%</b>
■ Resolutions where voted against or abstained	<b>40.5%</b>

**Rest of the World**  
We voted at 11 meetings (60 resolutions) over the quarter.

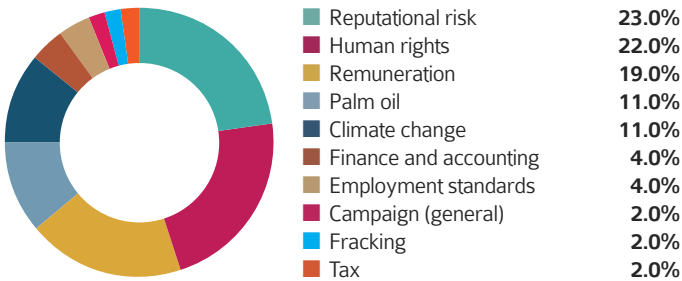


■ Total resolutions voted in favour	<b>58.3%</b>
■ Resolutions where voted against or abstained	<b>36.7%</b>
■ Non-voting	<b>5.0%</b>

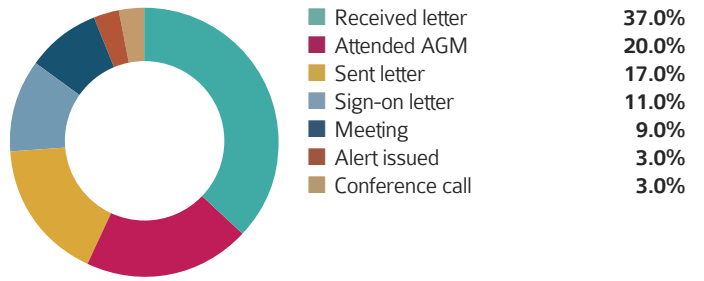
## Engagement summary

Over the last quarter, the Local Authority Pension Fund Forum (LAPFF) engaged with 30 companies on a range of 10 environmental, social and governance issues on behalf of the Fund and other members. Where applicable, LAPFF will engage with companies on more than one issue simultaneously. The engagements included in these figures are supplementary to our voting-based engagements during proxy season.

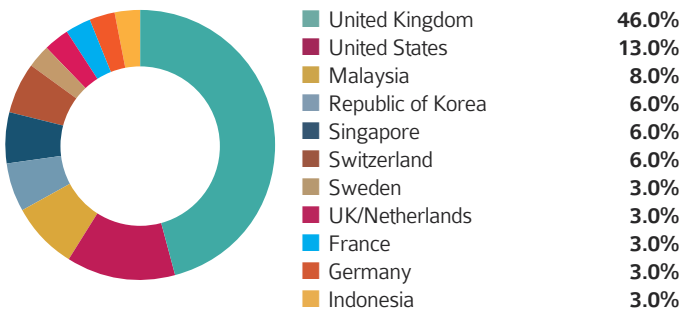
### Engagement by theme



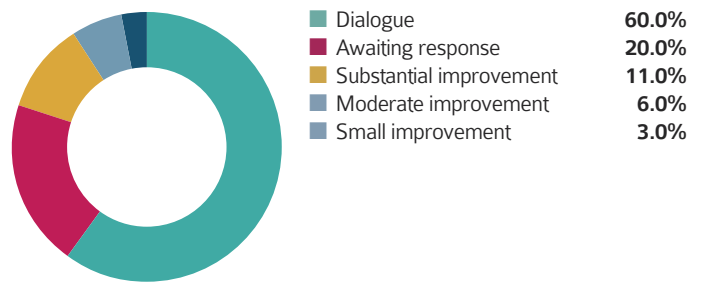
### Engagement by activities



### Engagement by geographical region



### Engagement by outcomes







# Pensions Committee

10 December 2014

<b>Report title</b>	SIAB Review	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Mark Chaloner	Assistant Director Investments 01902 552094 Tel <a href="mailto:mark.chaloner@wolverhampton.gov.uk">mark.chaloner@wolverhampton.gov.uk</a> Email
<b>Report to be/has been considered by</b>	Geik Drever	Director of Pensions 01902 552020 Tel <a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a> Email

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Approve the statement of investment beliefs set out in Appendix A.
2. Approve a decrease in the allocation to UK equities to 8% from 10% of assets and a corresponding increase in the allocation to global equities to 10% from 8%.
3. Approve a move to fixed weight allocations within the overseas equities allocation (which remains at 30%) with four 7.5% allocations to each of North America, Europe ex UK, Pacific / Japan (3.75% each) and emerging markets, as recommended by Hymans Robertson at September's Investment Advisory Sub- Committee.

## Recommendations for noting:

The Committee is asked to note:

1. The proposed timing for the planned changes to the listed equities portfolio and the proposed creation of an Investment Strategy Panel. A report on progress will be made to the Committee's next meeting.

## **1.0 Purpose**

- 1.1 To review a statement of investment beliefs and plans for the Fund's listed equities portfolio.

## **2.0 Background**

- 2.1 At September's Pensions Committee, it was agreed that the Fund should adopt a statement of investment beliefs. A detailed review of the Fund's listed equities management arrangements was made at September's Investment Advisory Sub-Committee as part of the annual SIAB review. This included a presentation by Hymans Robertson. It was proposed then that plans for changes in listed equities management arrangements should be made to December's Pensions Committee.

## **3.0 Statement of investment beliefs**

- 3.1 It is important that the Pensions Committee has conviction in the investment philosophy adopted by the Fund and an effective way of so doing is to adopt a statement of investment beliefs (as is being done increasingly by other large pension funds).
- 3.2 Following September's Pensions Committee, a draft statement of investment beliefs was considered at a session facilitated by Hymans Robertson at the end of the trustee training course held in late October. Attached in Appendix A is a revised draft, which incorporates changes proposed at the session. The statement is divided into four sections covering financial markets, investment strategy, organisational aspects and responsible investment.
- 3.3 It is recommended that the Committee adopts the statement of investment beliefs as set out in Appendix A. Looking ahead, this statement will be reviewed annually in conjunction with the Fund's statement of investment principles.

### **Plans for the Fund's listed equities portfolio**

## **4.0 Portfolio structure**

- 4.1 It is not proposed that the Fund's overall allocation to listed equities (at 48% of total assets) changes but it is recommended that within the overall allocation, changes are made to improve portfolio diversification, simplify management arrangements and reduce management fees and costs. There will be more focus on portfolio construction and the setting of portfolio objectives.
- 4.2 Within the listed equities allocation, it is recommended that the Fund further reduces its allocation to UK equities – from 10% to 8% of total assets – and increases its allocation to global equities to 10% from 8%. The reason for the change is to improve diversification – away from the concentrated UK stock market (dominated by a small number of stocks and sectors) into global markets, where the opportunity set is much broader.

4.3 It is further recommended that the Fund's allocation to overseas equities is reshaped so that a fixed weight approach is adopted, as proposed by Hymans Robertson. The 30% allocation (unchanged) would be divided into four equal allocations of 7.5% each in the key investment regions of North America, Europe (ex UK), Japan / the Pacific (with the 7.5% allocation here to be equally divided so that they each have 3.75%), and emerging markets. The fixed weight approach is designed to reduce the portfolio concentration issues associated with a conventional market capitalisation approach. Periodic rebalancing – trimming outperforming regions back to target and increasing exposure to target in underperforming ones – should add value to the Fund over time.

## **5.0 Management arrangements**

5.1 In its submission made in July to the Government consultation on LGPS reform, the Fund made the case that both active and passive investment options should be considered in setting up and running portfolios. The Fund also made the case for internal investment management arrangements for which there is evidence that they deliver good investment performance cost effectively.

5.2 In future, it is recommended that a very targeted approach is taken to active management in listed equities so that it is focussed on global equities (where the opportunity set is very broad) and in emerging markets (which are relatively inefficient, presenting opportunities to active managers).

5.3 So far as global equities specifically are concerned, the Fund has recently recruited an experienced investment manager who is building up an internal active global equities management capability, complementing the successful internal passive equities management function .

5.4 In order to provide further assurance to the Pensions Committee and robust governance appropriate to the changes proposed, it is planned that an Investment Strategy Panel (ISP) will be set up in 2015. This will replace the current Investment Management Team meetings, although Portfolio Managers' meetings will continue to be held at least monthly. The ISP's membership will comprise the Director of Pensions, the Assistant Director Investments, representation from Hymans Robertson (the Fund's Investment Consultant) and at least two other independent investment advisers. It is planned that the ISP will meet quarterly and provide at least one report annually to the Pensions Committee on its activities and to enhance assurance.

5.5 A presentation is being made at the trustee training session prior to the commencement of the Pensions Committee to go through the plans for the listed equities portfolio in detail.

## **6.0 Timing and next steps**

6.1 It is proposed that the reshaping of the regional overseas equities mandates is carried out on a phased basis in 2015.

6.2 The infrastructure for the new active global equities capability is being put in place. A model portfolio will very shortly be created and will be modelled and trialled prior to being set up during the second quarter of 2015.

6.3 It is planned that the ISP will be set up in 2015, to include the recruitment of external investment advisers, with its first meeting expected to take place in April, prior to the setting up of the new active equities portfolio.

6.4 The statement of investment principles and SIAB allocations will be updated to coincide with the planned changes.

## **7.0 Financial implications**

7.1 The financial implications are set out in the presentation to the Pensions Committee prior to the meeting.

## **8.0 Legal implications**

8.1 This report contains no direct legal implications.

## **9.0 Equalities implications**

9.1 This report contains no direct equalities implications.

## **10.0 Environmental implications**

10.1 This report contains no direct environmental implications.

## **11.0 Human resources implications**

11.1 This report contains no direct human resources implications.

## **12.0 Corporate landlord implications**

12.1 This report contains no direct corporate landlord implications.

## **13.0 Schedule of background papers**

13.1 There were no preceding background papers.

## **14.0 Appendices**

14.1 Appendix A : Statement of investment beliefs.

## **West Midlands Pension Fund Draft Statement of Investment Beliefs**

### **Financial Market Beliefs**

- There exists a relationship between the level of investment risk taken and the rate of expected investment return. As taking calculated risks does not guarantee returns, investment losses or below expected returns are possible outcomes.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.
- In making investments in illiquid assets, a return premium should be sought.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

### **Investment Strategy/Process Beliefs**

- Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy.
- Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.
- Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.
- Equities are expected to generate superior long term returns relative to Government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time but it is not guaranteed and can be hard to access. Where generating "alpha" is particularly difficult, passive management is preferred.
- Operational, counterparty and reputational risk need assessment and management, in addition to investment risk.
- Managing fees and costs matter especially in low return environments. Fee arrangements with our fund managers - as well as the remuneration policies of investee companies - should be aligned with the Fund's long term interests.

## **Organizational Beliefs**

- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- Internal asset management benefits the Fund through lower costs, greater transparency and increased focus. Management areas where it is difficult or not possible to obtain the right expertise should be managed externally.

## **Responsible Investment Beliefs**

- Effective management of financially material Environmental, Social and Governance risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- 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.

Dated 24 November 2014



# Pensions Committee

10 December 2014

<b>Report title</b>	Governance Reform 2014	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Rachel Howe	Head of Governance
	Tel	01902552091
	Email	<a href="mailto:rachel.howe@wolverhampton.gov.uk">rachel.howe@wolverhampton.gov.uk</a>
<b>Consulted parties</b>	Governance Review Working Party	14 November 2014
	Constitution Review Group	14 October 2014
	Special Advisory Group	5 November 2014
<b>This report has been considered by</b>	Geik Drever, Director of Pensions	
	Tel	01902 552020
	Email	<a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a>

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## Recommendation(s) for action or decision:

The Committee is recommended to:

1. Approve the final terms of reference for the Pension Committee after 1 April 2015
2. Approve the final terms of reference for the Pension Board from 1 April 2015
3. Agree the commencement date of the changes to be in line with the next municipal year
4. Approve the recommendation to appoint employer representatives from the working party as employer representatives on the Pension Board
5. Approve the recommendation for recruitment of Pension Board member representatives.
6. To recommend to Full Council all of the above.

## **1.0 Purpose**

- 1.1 To seek agreement from Committee on the final proposals of the governance reform after 1 April 2015 for recommended adoption by Council.

## **2.0 Background**

- 2.1 Committee will recall that since June 2014 officers of the Fund have been working with the Governance Review Working Party in the consideration and formation of the new Governance structure required after 1 April 2015 in line with the Public Service Pensions Act 2013.
- 2.2 The Committee will recall that at the last meeting in September draft terms of reference were produced based on our understanding of the draft regulations issued in June. The June draft regulations implied that we would have a final set of regulations by October with statutory guidance to follow.
- 2.3 Following the consideration of the consultation responses, government in October, issued a second round of draft regulations for further consultation which also includes regulations for cost management. That consultation closed on 21 November.
- 2.4 Together with this October draft, we also received draft statutory guidance from the Scheme Advisory Board. The consultation on that also closed on 21 November.
- 2.4 Following receipt of those documents the working party were recalled to discuss their contents and our proposed response.
- 2.5 At the time of writing we understand from DCLG that the final regulations might not be formalised until the New Year with the possibility of further consultation before the end of December. However, we do not anticipate our understanding to change.

## **3.0 The October (second) draft regulations**

- 3.1 Attached at Appendix One is a breakdown of the differences between the first and second draft of the governance regulations.
- 3.2 The key things to highlight are
  - The pension board will be formulated through local choice and will not be a S101 committee
  - Elected Councillors are no longer prevented from sitting as employer or member representatives on the pension board. Councillors of the administering authority cannot sit on both the committee and the pension board of their Administering authority.



- The October draft regulations have carried through the requirement for Funds to contribute to the cost of the Scheme Advisory Board. The group will recall we responded with a request that funding be requested on a banding of fund size, this is not picked up in the October draft.
  - Further the Regulations provide for the Scheme Advisory Board to appoint 3 non-voting advisors. It is the position of the Fund in our response that these persons should be voting practitioners.
  - Due to come into force on 1 January 2015.
- 3.3 On assessment of the October draft, it does not appear that the proposals so far put forward by the working party and approved by Committee are impacted or require changing to meet the legislative requirement.
- 3.4 As stated in addition to the governance reform, this second draft also makes provision with regards cost management of funds.
- 3.5 New Regulations 115 and 116 introduce the cost control provisions into the LGPS, being the government's methodology for addressing recommendation 12 of the Hutton report: "The Government, on behalf of the taxpayer, should set out a fixed cost ceiling: the proportion of pensionable pay that they will contribute, on average, to employees' pensions over the long term. If this is exceeded then there should be a consultation process to bring costs back within the ceiling, with an automatic default change if agreement cannot be reached."
- 3.6 In essence, the proposed Regulations are enabling ones, and we do not see anything of substance here which was not already in the public domain. In particular, there are two cost control mechanisms which will run in parallel with one another:
- An HM Treasury (HMT) process, the details of which are covered under papers and draft valuation directions released previously by HM Treasury.
  - An LGPS Advisory Board (LGPSAB) process
- 3.7 A copy of our response to that consultation is attached as Appendix Two.

#### **4.0 Draft Statutory Guidance**

- 4.1 As anticipated we have also received the draft guidance from the Scheme Advisory Board on how pension boards are to be created and governed. The guidance proposes that funds need to draft a number of policies to outline how they will govern the pension board after 1 April 2015. Officers will draft those policies based on the discussions of the working party and will include policies on recruitment to the pension board, declarations of conflict and internal reporting procedures. The final version of those policies will be presented to Committee at a later meeting for formal adoption.
- 4.2 Attached at Appendix Three is a breakdown of the key elements of the Guidance.

4.3 Attached at Appendix Four is the Fund's response to the consultation on the guidance.

## **5.0 Steps to Implementation**

5.1 Committee will recall from the last meeting that in order to pass the constitution amendments through Full Council, we are required to have the amendments considered by a number of WCC committees first.

5.2 A report has been presented to both the Constitution Review Group and the Special Advisory Group who have approved the amendments subject to the nomination of the Chair being reserved to Full Council as is currently the practice.

5.3 The constitution amendments will now be presented to Standards Committee in January to be recommended to Full Council on 28 January 2015.

5.4 A final copy of the proposed amendments is attached as Appendix Five

## **6.0 Points of clarity**

6.1 As previously detailed the requirement to establish a pension board comes into effect on 1 April 2015. However, the statutory guidance together with comments from DCLG have suggested that to "establish" the pension board means to have amended our constitution and that the board could actually take effect at a later date.

6.2 This question was put to the working party who had previously raised concerns regarding the incompatibility of a 1 April timetable with the municipal year.

6.3 It is the recommendation of the working party that the changes to the governance structure take effect from the next annual meeting of Full Council and that it runs currently with the municipal year. Committee are asked to agree this recommendation.

## **7.0 Recruitment to the Pension Board**

7.1 Committee will recall that the legislative requirement on Administering Authorities is to have a pension board with equal employer and member representation and that in acknowledging this requirement, committee agreed that the board would consist of five employer representatives, one from each employer group, five member representatives together with two Wolverhampton City Councillors.

7.2 The statutory guidance proposes a number of ways in which Funds could appoint persons to the pension board including the use of all-out elections.

7.3 At their meeting on 14 November the working party considered these proposals and how they could seek nominations from the widest audience efficiently and agreed that the method used in the recruitment of the working party was most appropriate.

7.4 Following approval to create the Governance Review Working Party in June 2014, officers approached the Fund's employer and member representatives to seek nominations to sit on the working party. These nominations were sought and, successfully, appointed through the employer peer group, the mid-year review and our website. It is therefore the recommendation of the working party to the committee that this method be used again for the recruitment of persons to the pension board.

## 8.0 Working Party to Pension Board

8.1 In considering the role of the pension board and the current lack of clarity from government about what the board will be asked to do after 1 April 2015, officers discussed with the working party the possibility of them transferring over to the pension board after 1 April 2015.

8.2 The advantage to be gained from this comes in the knowledge and experience the working party has gained over the last 6 months in setting up the board, drafting the terms of reference and determining its remit. To appoint new representatives would require the fund to train and develop those persons when we already have a group capable of understanding the governance structure.

8.3 Those persons currently on the working party representing employer groups are

Name	Employer group
Paul Sheehan	Schedule body - Local Authority
Caroline Jones	Scheduled body - University
Joe McCormack	Scheduled body – Academy
Mike Sutton	Admission body - Community

Together with representatives from our trade unions who currently sit and will continue to sit on the Pensions Committee.

8.4 It is therefore recommended to Committee to approve the appointment of these employer representatives to the pension board and to seek nominations from both our Admission body - contractors employer group (vacant employer representative) and the trade unions for the member representatives.

## 9.0 Financial implications

9.1 The financial implications of the reforms were highlighted in the June committee report. This report is an update on the actions taken and poses no further financial implications other than those previously identified. The budget will be provided as part of the Service Plan 2015/20 consideration on March 2015.

9.2 The proposed changes to the constitution will further clarify the financial governance and procedural rules that underpin the Fund's ability to operate effectively and efficiently.

## **10.0 Legal implications**

10.1 The 2013 Act requires local government pension schemes to have established the Pensions Board by 1 April 2015, that is to have amended their constitutions. Further, Section 37 of the Local Government Act 2000 requires local authorities to have in place a constitution detailing the governance of the authority including those with decision making powers and responsibilities. Failure to adhere to these requirements exposes the Council to significant challenge and potential interference from the Secretary of State.

## **11.0 Equalities implications**

11.1 There are no equalities implications

## **12.0 Environmental implications**

12.1 There are no environmental implications

## **12.0 Human resources implications**

13.1 There are no Human Resources implications

## **13.0 Corporate landlord implications**

13.1 There are no corporate landlord implications

## **14.0 Schedule of background papers**

14.1 Pension Committee 25 June 2014 Governance Reform report  
<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4112&Ver=4>

14.2 Pension Committee 24 September 2014 Governance Reform update report  
<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4113&Ver=4>

14.3 Report to Special Advisory Group 5 November 2014  
<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=165&MId=4323&Ver=4>

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

14.5 Consultation on October (second) draft regulations  
<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations-2014-better-governance-and-improved-accountability>

14.6 Consultation on the draft statutory guidance  
<http://www.lgpsboard.org/index.php/about-the-board/board-consultations>

## **15.0 Appendices**

Appendix One – Comparison of the first and second draft regulations

Appendix Two – Consultation response to the October (second) draft regulations

Appendix Three – Briefing note highlighting the key elements of the draft statutory guidance

Appendix Four – Consultation response to the draft Statutory Guidance

Appendix Five – Final constitution amendments.

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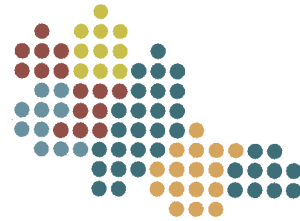
## Local Government Pension Scheme (Amendment) (Governance) Regulations 2014

# A comparison of the first and second draft

First draft	Second draft	Comments
Come into force on 1 October 2014	Come into force on 1 January 2015	This is simply a timing issue with the issuance of the final regulations
Gave options for the Pensions Board to either be a S101 Committee or to have local flexibility	S101 is removed. Pensions Boards will be constituted through local flexibility	This complies with the majority of consultation responses when considering the incompatibility of the two legislative provisions
	Includes an additional role of the Pensions Board to include "the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions"	This simply clarifies their role although some clarity on what would "facilitate" or is "conductive or incidental to" would be useful
Prevented councillors from acting as member or employer representatives	This restriction is not carried through in the second draft	No doubt in response to the consultation outcomes
Required that the majority of the Pensions Board be made up of employer and member representatives	Removes this requirement, there is no comment on majority	
	While elected councillors can be member or employer representatives on the Pensions Board there is a restriction in the second draft that says persons or councillors of the administering authority cannot sit on both the Pensions Committee and the Pensions Board. This restriction does not apply to other representatives	While it is possible for representatives of other employers to sit on both the Pensions Committee and the Pensions Board, it is not considered good practice given the self-regulating element that the reforms are seeking to avoid
	Includes an additional role of the Scheme Advisory Board to include "the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions"	This reflects the additional power given to local boards in the second draft. Some clarity on what would "facilitate" or is "conductive or incidental to" would be useful
The Scheme Advisory Board Chair to be appointed by the Secretary of State. The members to be appointed by the Chair with approval from the Secretary of State	Under the second drafting, all members to be appointed by the Secretary of State, removes the responsibility from the Chair	Question the impartiality and reasonableness of this
	The Scheme Advisory Board Chair can appoint with Board agreement three persons to be non-voting members	

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**Geik Drever**  
Director of Pensions

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w: wmpfonline.com  
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November 2014

Dear Liam

## Re: LGPS Governance Guidance

Further to the issuance of the consultation documents in October seeking comments on the Draft Statutory Guidance of the future governance structure of Public Service Pension Schemes, please find our comments below.

The response is on behalf of the West Midlands Pension Fund (WMPF) and the West Midlands Integrated Transport Authority (WMITA).

WMPF provides pension services to over 270,000 current and former members of the seven West Midlands district council and over 400 participating employers. It is one of the largest local government pension funds in England and Wales and as at 31 March 2014 had assets valued at over £10 billion.

WMITA is a closed fund with over 5000 members and had assets valued at over £400 million at 31 March 2014.

Within this response where reference is made to 'WMPF' it is to be construed as to include WMITA also. Given the size of the guidance document, WMPF are only commenting on the points it wishes to highlight as a priority and not the document as a whole which we believe is well drafted and comprehensive.

### **Legislative background and structure of governance arrangements from 2015 – paragraph 3**

WMPF welcome the proposal in the draft guidance that pension funds can establish the local pension board in advance of it taking effect.

There was some concern from our Trustees and employer representatives of the inconsistency created by having a local pension board timetabled separately to the municipal year and we welcome this acknowledgment in the draft Guidance in providing for the board to take effect at a later date.

### **Local Pension Boards – paragraph 3.27**

WMPF welcome the outline provided in the Guidance, however greater clarity on what it means for the pension board to "assist" the pension committee is still required. How will it assist, will it be advisory?

### **Scheme Advisory Board – paragraph 3.31**

We welcome the requirement for the Secretary of State to have regard to the advice of the Scheme Advisory Board. We would require greater clarity on what basis that advice is to be provided and on what engagement from the funds will be sought in preparing that advice.

**The Regulators' Powers – paragraph 4.10**

WMPF acknowledge the ability of the regulator to step into funds that underperform however we believe the term "desirable" in paragraph 4.10.1 to be too wide and request clarity on what constitutes "desirable".

We also seek clarity on the definition of "underperform" and what the performance indicators will be.

WMPF propose that this term be amended to state "necessary".

**Appointment of Local Pension Board Members – paragraph 5.11**

WMPF welcome guidance on how the recruitment of persons appointed to the pension board should be undertaken. As a Fund with over 450 employers and 270,000 members recruitment will be a costly task to engage such a large group. We would seek a cost-efficient platform that is fair and transparent.

We have previously recruited to a Governance Review Working Party that consists of employer and trade union representatives and believe the forum used in this recruitment process through engaging our employer peer groups, trade union representatives and through our mid-year review was very successful. We welcome the ability to use platforms such as these in the recruitment of the pension board also.

**Board knowledge and understanding – paragraph 6**

WMPF welcome the clarity presented in the guidance which outlines the ground level knowledge required of pension board members.

What is unclear is the sanction available to a pension board where a person appointed fails to adhere to the training requirements and we would welcome guidance on this element also.

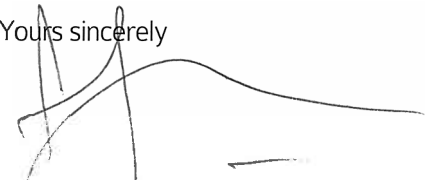
**Reporting – paragraph 8**

WMPF agree that internal reporting mechanisms would be beneficial to the Fund and its work with stakeholders however we do not feel it necessary to report annually on the activities of the pension board given the requirement in the regulations to publish information about the board. It is proposed that meetings of the board be conducted in accordance with the administering authority's standing orders, to include the publication of minutes. This would resolve the need for a formal annual report of the board. It is proposed that the pension committee reports to Full Council annually and includes any points to note from the pension board.

**Other matters**

The guidance refers to a number of policy documents and papers that local authorities need to consider drafting to support the terms of references and suggested processes, will the Scheme Advisory Board or Pensions Regulator be providing template policies?

Yours sincerely



**Geik Drever**  
Director of Pensions



## Briefing note

# The Local Government Pension Scheme – Governance Guidance Consultation Document

Provisions	Comments
<p><b>General</b> Local Pensions Boards must be created by 1 April 2015, that is established in the constitution and brought into effect within a reasonably practicable period (within 4 months)</p>	<p>This works well with the concerns of the working party in having a term run inconsistently with the municipal year. We will now be able to have it come into force from the first meeting of the year.</p>
<p>The remit of the pension board should be interpreted as covering all aspects of governance and administration of the LGPS, including funding and investments.</p>	<p>This is within the legislative requirement of assisting. The guidance does not give or suggest authority's give decision-making powers to pensions boards.</p>
<p><b>Pension Regulator</b> Increased powers to protect, promote and improve pension schemes and maximise compliance with the duties and safeguards through the issuance of codes of practice</p>	
<p>They will have the power to appoint a person to a local pension board if the Regulator considers it desirable.</p>	<p>We need to understand what defines "desirable" I would suggest we respond to the consultation proposing this wording is changed to "necessary".</p>
<p>Power to issue an improvement notice or third party notice to prevent or remedy a recurrence of a breach of law.</p>	
<p>Power to inspect premises, apply for an injunction, impose civil penalties for breaches. Reporting on breaches by individual members of local pension boards.</p>	<p>We will need to understand the process for this intervention, suggest we respond asking for clarity.</p>
<p><b>Membership of local Pensions Board</b> Employer and member representatives in equal proportion and truly representative and all must have equal opportunity to be nominated for the role.</p>	<p>We will need to consider the recruitment process, the 'job role' and how we seek nominations. The guidance does state that forums etc are an acceptable means of seeking nominations. We will need to address the working party on how to approach this.</p> <p>We also need to consider how the representatives will feedback to their group ensuring all views are sought and information relayed.</p>
<p>They need to have knowledge and capacity.</p>	<p>We will need to devise a training strategy and determine what additional training is required separate from Trustees.</p>
<p>Question regarding remuneration for members.</p>	<p>Some pension board members will already be remunerated through their other duties.</p>

Provisions	Comments
<p><b>Managing Conflicts</b> Pensions board members will need to declare any conflicts of interests.</p>	Suggest a method similar to that of reporting Councillors. We will need to draft a policy and process for reporting together with all associated documentation (forms etc.) and a register of interests should be created and maintained.
Guidance suggests only actual conflicts need to be notified.	Issue regarding matters as they arise. What happens when a pension board member needs to declare an interest at the meeting?
Conflicts policy to be drafted.	Will the Scheme Board be drafting or providing any guidance?
<p><b>Knowledge and Understanding Requirements</b> Must be conversant with the rules of LGPS with a knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.</p>	We will need a knowledge and understanding policy to include a personal training needs analysis.  Additional training separate to pension committee will be required due to assisting role.
Code of conduct	Need to draft guidance
<p><b>Internal/External Reporting</b> What are the internal reporting mechanisms? Report in the first instance to Pensions Committee Second instance to Full Council Third instance to Pensions Regulator</p>	Need to draft a policy
Reporting to employers and members on an annual basis.	Guidance suggests this is good practice; do we want to do this?
<p><b>Resourcing the Board</b> Costs from the administration of the Fund must be given adequate resources</p>	Need to allocate budget.

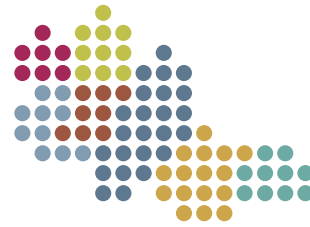
### Policies To Be Drafted

The guidance refers to a number of policy documents and papers that local authorities need to consider drafting to support the terms of references and suggested processes, ***will the Scheme Board or Pensions Regulator be providing template policies?***

The list to include:

- Recruitment policy
- Training and capacity policy
- Remuneration policy
- Managing conflicts policy and guidance
- Code of conduct guidance
- Internal/External reporting policy
- Dispute resolution policy

It is proposed that work on these begin straight away with the Working Party to ensure that when Full Council approve the constitution amendments in January, we are ready to commence recruitment for pension board members and have all supporting documentation to initiate their training immediately on appointment.



**Geik Drever**  
Director of Pensions

**West Midlands Pension Fund**

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November 2014

Dear Liam

## Re: LGPS Governance Guidance

Further to the issuance of the consultation documents in October seeking comments on the Draft Statutory Guidance of the future governance structure of Public Service Pension Schemes, please find our comments below.

The response is on behalf of the West Midlands Pension Fund (WMPF) which provides pension services to over 270,000 current and former members of the seven West Midlands district council and over 400 participating employers. It is one of the largest local government pension funds in England and Wales and as at 31 March 2014 had assets valued at over £10 billion.

Given the size of the guidance document, WMPF are only commenting on the points it wishes to highlight as a priority and not the document as a whole which we believe is well drafted and comprehensive.

### **Legislative background and structure of governance arrangements from 2015 – paragraph 3**

WMPF welcome the proposal in the draft guidance that pension funds can establish the local pension board in advance of it taking effect.

There was some concern from our Trustees and employer representatives of the inconsistency created by having a local pension board timetabled separately to the municipal year and we welcome this acknowledgment in the draft Guidance in providing for the board to take effect at a later date.

### **Local Pension Boards – paragraph 3.27**

WMPF welcome the outline provided in the Guidance, however greater clarity on what it means for the pension board to “assist” the pension committee is still required. How will it assist, will it be advisory?

### **Scheme Advisory Board – paragraph 3.31**

We welcome the requirement for the Secretary of State to have regard to the advice of the Scheme Advisory Board. We would require greater clarity on what basis that advice is to be provided and on what engagement from the funds will be sought in preparing that advice.

### **The Regulators’ Powers – paragraph 4.10**

WMPF acknowledge the ability of the regulator to step into funds that underperform however we believe the term “desirable” in paragraph 4.10.1 to be too wide and request clarity on what constitutes “desirable”.

We also seek clarity on the definition of “underperform” and what the performance indicators will be.

WMPF propose that this term be amended to state “necessary”.

### **Appointment of Local Pension Board Members – paragraph 5.11**

WMPF welcome guidance on how the recruitment of persons appointed to the pension board should be undertaken. As a Fund with over 450 employers and 270,000 members recruitment will be a costly task to engage such a large group. We would seek a cost-efficient platform that is fair and transparent.

We have previously recruited to a Governance Review Working Party that consists of employer and trade union representatives and believe the forum used in this recruitment process through engaging our employer peer groups, trade union representatives and through our mid-year review was very successful. We welcome the ability to use platforms such as these in the recruitment of the pension board also.

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WMPF agree that internal reporting mechanisms would be beneficial to the Fund and its work with stakeholders however we do not feel it necessary to report annually on the activities of the pension board given the requirement in the regulations to publish information about the board. It is proposed that meetings of the board be conducted in accordance with the administering authority's standing orders, to include the publication of minutes. This would resolve the need for a formal annual report of the board. It is proposed that the pension committee reports to Full Council annually and includes any points to note from the pension board.

### **Other matters**

The guidance refers to a number of policy documents and papers that local authorities need to consider drafting to support the terms of references and suggested processes, will the Scheme Advisory Board or Pensions Regulator be providing template policies?

Yours sincerely

**Geik Drever**

Director of Pensions

## Article 11 - JOINT ARRANGEMENTS

### 11.1 Arrangements to Promote Wellbeing

The Cabinet, in order to promote the economic, social or environmental well-being of its area may:

- a. enter into arrangements or agreements with any person or body;
- b. co-operate with, or facilitate or co-ordinate the activities of, any person or body; and
- c. exercise on behalf of that person or body any functions of that person or body.

### 11.2 Joint Arrangements

- a. The Council may establish joint arrangements with one or more local authorities to exercise functions which are not Cabinet functions in any of the participating authorities, or advise the Council. Such arrangements may involve the appointment of a Joint Committee with these other local authorities.
- b. The Cabinet may establish joint arrangements with one or more local authorities to exercise functions which are Cabinet functions. Such arrangements may involve the appointment of joint committees with these other local authorities.

Except as set out below the Cabinet may only appoint Cabinet Members to a Joint Committee and those Councillors need not reflect the political composition of the Council as a whole.

The Cabinet may appoint Councillors to a Joint Committee from outside the Cabinet in the following circumstances:

- the Joint Committee has functions for only part of the area of the authority and that area is smaller than two fifth of the authority by areas or population. In such cases the Cabinet may appoint to the Joint Committee any Councillor who is a Councillor for a Ward which is wholly or partly contained within the area;
  - the Joint Committee is discharging a function in relation to five or more authorities;
  - the function which the Joint Committee is discharging is a function which is required by statute to be discharged by a Joint Committee;
  - political balance requirements do not apply to such appointments.
- c. Details of any joint arrangements including delegations to Joint Committees will be found in the Council's scheme of delegations in Appendix 1 of this Constitution.

11.3 Access to Information

The Access to Information Rules in Appendix 2 apply to Joint Arrangements.

11.4 Delegation to and from Other Local Authorities

- a. The Council may delegate functions to another local authority or, in certain circumstances, the Cabinet of another local authority.
- b. The Cabinet may delegate Cabinet functions to another local authority or the Cabinet of another local authority in certain circumstances.
- c. The decision whether or not to accept such a delegation from another local authority shall be reserved to the Council meeting **except where it relates to pensions when it shall be reserved to Pensions Committee.**



## DELEGATIONS/RESPONSIBILITIES FOR FUNCTIONS

### 10. DELEGATIONS TO THE PENSIONS COMMITTEE

- 10.1 To exercise all those functions of Wolverhampton City Council which are required to be performed by it in its role as Administering Authority for the Local Government Pension Scheme under the Public Service Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance and the Code of Practice issued by the Pensions Regulator.
- 10.2 Under Section 4 of the Public Service Pensions Act 2013 the Scheme Manager for the Administering Authority shall be the Pensions Committee. The Administering Authority shall at Full Council every year approve the delegation of Scheme Manager under Section 101 of the Local Government Act 1972 to the Pensions Committee and appoint representatives to sit on the Committee for that year.
- 10.3 To exercise all the general powers and duties of the Council granted to the Cabinet and Cabinet Panels and Regulatory or other Committees provided that those parts of the Council's Financial Procedure Rules and Contracts Procedure Rules which relate to the acquisition and disposal of land, Fund Investment transactions, custody of assets, appointment of advisors, approval of expenditure and their related activities, shall not apply in relation to such acquisitions and disposals and expenditure in connection with the Pension Fund.
- 10.4 To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- 10.5 To ensure that consideration is given to the impact which the Committee's policies and provision of services have with regard to environmental matters.

### 10.6 PENSION COMMITTEE TERMS OF REFERENCE

- 10.6.1 The Council's financial procedure rules, contract procedure rules and internal financial limits concerning procurement do not relate to the Pensions Committee who, by delegation from Council, has authority to enter into contracts, procure services, purchase goods and manage financial investment through the internal controls of the West Midlands Pension Fund and in compliance with all applicable legislation.
- 10.6.2 The Pensions Committee may call upon the pension board to seek assistance on matters to be discussed at the committee meeting. Where such assistance is sought it must be considered as part of the decision making process.
- 10.6.3 Any reference within the Council's constitution that refers to Council or Cabinet and includes powers relevant to the work of the Pensions

Committee should be read to include Pensions Committee, including the setting of the Budget and Policy framework of the Fund.

10.6.4 The Pensions Committee shall adhere to the Standing Orders of Wolverhampton City Council and all matters of due process so far as they do not conflict with the preceding delegation.

#### **10.6.5 Membership**

10.6.5.1 The membership of the Pensions Committee shall consist of 10 Wolverhampton City Council members, 1 Elected Member from each of the 6 District Councils and 4 (non-voting) trade union representatives.

10.6.5.2 The quorum is 8

10.6.5.3 A substitution for any person appointed to the Pension Committee shall follow the Council's procedure

10.6.5.4 The term of office for a person appointed to the Committee shall be for a period no shorter than one year and no longer than eight years or their term of office (where the person is an elected Councillor, whichever is the shortest). This is to ensure a consistency of knowledge within the committee and to assist with the development of knowledge and experience.

10.6.5.5 Should an elected Councillor no longer be a member of their authority, their appointment on the Committee shall cease and a further nomination will be sought from that authority.

10.6.5.6 The Committee shall meet a minimum of quarterly

10.6.5.7 All persons appointed to the Committee will adhere to the Committee's code of conduct

10.6.5.8 Person's sitting on the Committee are expected to make themselves available to attend committee meetings. Person's who fail to attend 3 or more events (to include committees and training) will be asked to leave the committee 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 committee.

#### **10.6.6 Chairing the committee**

10.6.6.1 It will be the first business of the Committee at its annual meeting to receive nominations of a Chair and Vice Chair from Full Council who will sit for the term of one year.

10.6.6.2 In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In the circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

#### **10.6.7 Duties of the Pension Committee**

10.6.7.1 The Pensions Committee to act as the Pension Scheme Manager for the Administering Authority in the management and administration of the local government pension scheme for the West Midlands.

10.6.7.2 To adhere to the principles set out in the Statutory Guidance and Codes of Practice issued by the Pensions Regulator and undertake its duties in compliance with the obligations imposed on it.

10.6.7.3 To provide independent assurance to members of the fund of the adequacy of the risk management framework and the associated control environment, responsible for the fund's financial and non-financial performance to the extent that it affects the fund's exposure to risk.

10.6.7.4 To administer all aspects of the West Midlands Pension Fund on behalf of Wolverhampton City Council.

10.6.7.5 To determine staffing structures, changes to vacant posts or the establishment of new posts and to receive reports on matters of staffing and employment of officers within the Fund.

10.6.7.6 To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.

10.6.7.7 To communicate with members of the fund keeping accurate records and publishing information as required about the fund and its work.

#### **10.6.8 Training**

In compliance with the requirements of the Public Service Pensions Act 2013 persons appointed to the Committee shall undertake at least 3 training sessions per year. The first training session will be organised within 28 days of their appointment to the Committee with subsequent training scheduled after 3 months of appointment and after 9 months of appointment.

## 10.7 Investment Advisory Sub-Committee

Under Section 101 the Pensions Committee has delegated responsibility for Investments to the Investment Advisory Sub-Committee.  
All persons appointed to the Sub-Committee will adhere to the Committee's Code of Conduct.

### 10.7.1 Membership

10.7.1.1 The membership of the Sub committee shall be drawn from the Pensions Committee in proportionate numbers

10.7.1.2 The quorum shall be 5

10.7.1.3 The substitute for any persons appointed to the Sub Committee shall follow the Council's procedure

10.7.1.4 The Sub Committee shall meet a minimum of quarterly

10.7.1.5 In compliance with the legislative requirements of knowledge and understanding, person's appointed to the Committee are expected to make themselves available to attend committee meetings. Person's appointed who fail to attend 3 or more events (to include committees and training) will be asked to leave the committee 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 committee.

### 10.7.2 Chair

10.7.2.1 It will be the first business of the Sub Committee at its annual review to nominate a Chair who will sit for the term of one year.

10.7.2.2 In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In the circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

### 10.7.3 Role

10.7.3.1 To advise on the establishing of policies in relation to investment management including the appointment and approval of terms of reference of independent advisers to the Fund.

10.7.3.2 To monitor investment activity and the performance of the Fund.

10.7.3.3 To oversee the administrative and investment management functions of the Pension Fund.

## **10.8 DELEGATIONS TO THE PENSION BOARD**

10.8.1 The Pension Board is to conduct the duties imposed on it under Section 5 of the 2013 Act and associated legislation together with those duties outlined in the Statutory Guidance.

10.8.2 To adhere to the Codes of Practice issued by the Pension Regulator.

10.8.3 To assist the Pension Committee, as Scheme Manager, in securing compliance with the legislation relating to the governance and administration of the fund.

10.8.4 Undertake any other duties imposed by the Pension Committee from time to time.

10.8.5 The Pension Board is not a decision making body.

10.8.6 The Pension Board is not a scrutiny function.

10.8.7 The Pension Board will be collectively and individually accountable to the Pensions Committee.

10.8.8 The Pensions Board shall adhere to the Standing Orders of Wolverhampton City Council and all matters of due process so far as they do not conflict with the business of the board.

### **10.8.1 Pension Board Terms of Reference**

10.8.1.1 All persons appointed to the Board will adhere to the Committee'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.

10.8.1.2 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.

10.8.1.3 The Pensions Board shall meet a minimum of twice yearly on a bi-annual basis. The ability to call additional meetings rests with the board and with pensions committee, such additional meetings to meet the minimum quorum requirement.

10.8.1.4 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 The Openness of Local Government Bodies Regulations 2014. Save as all other provisions of these regulations do not apply to the pension board.

10.8.1.5 The Pension Board shall have the reporting obligations as set out in the Fund's 'Pension Board Reporting Policy'.

10.8.1.6 The Pension Board shall adhere to the operational policies of the Fund.

## 10.8.2 Membership

10.8.2.1 The Pensions Board consists of 12 persons made up of 5 employer and 5 member representatives in equal proportion plus 2 Wolverhampton City Council Elected Members. The employer and member representatives will hold the majority.

10.8.2.2 Recruitment to the board will follow the Fund's 'Pension Board recruitment policy'

10.8.2.3 The quorum is 7

10.8.2.4 Substitutions for the Pension Board shall be available by representative group not by individual board member. Substitutions will be sought as part of the appointing process. Where substitutions are required to attend the pension board meetings, formal notice of their attendance should be provided to the Fund at least two working days in advance of the meeting to afford the opportunity of papers to be circulated and read.

10.8.2.5 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 a 4 year rotation with one third nominations received in year 2 and one third nominations received in year 4, and so on.

Such rotation not to fall in the same year as Pension Committee rotation. This is to ensure a consistency of knowledge within the Pension Board and to assist with the development of knowledge and experience.

- 10.8.2.6 Nominations to the pensions board will be sought from the nominating body group on each occasion as the rotation for appointment arises. Where more than one nomination is received interviews for the vacant position will be held by the Director of Pensions, the Chair of Pensions Committee and one other.
- 10.8.2.7 Person's appointed to the Pensions Board are expected to make themselves available to attend meetings. Person's appointed who fail to attend 3 or more events (to include meetings and training) 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.
- 10.8.2.8 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.
- 10.8.2.9 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.

### **10.8.3 Chairing the Board**

- 10.8.3.1 It shall be the first business of the Board at its annual meeting to nominate a Chair and a Vice-Chair for that year
- 10.8.3.2 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.

### **10.8.4 Information**

- 10.8.4.1 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.

10.8.4.2 Information detailing the pensions boards terms of reference shall be published on the fund's website together with the any vacancies as they arise.

## G Delegations to the Director of Pensions

Function	Limits or restriction on delegation
<b>West Midlands Pension Fund</b>	
G1 The administrative management of matters in connection with the Council's role as administering authority for the West Midlands Pension Fund.	In accordance with the statutory provisions and any determinations of the Pensions Committee.
G2 The investment and general management of the Fund in accordance with the Pensions Committee's investment strategy set out in its policy statement.	In accordance with the statutory provisions and any determinations of the Pensions Committee.
G3 To provide services to the West Midlands Integrated Transport Authority Pension Fund.	In accordance with the agreement between the Council and the ITA.
<p data-bbox="181 1576 858 1720">G4 The general delegations to Strategic Directors as they relate to the Council's role as administering body and to the following</p> <p data-bbox="271 1756 858 1792">4.1 Financial Administration</p> <p data-bbox="271 1868 858 1904">4.2 Contracts and tendering</p> <p data-bbox="271 1980 858 2016">4.3 Management of Human Resources</p>	<p data-bbox="948 1756 1378 1827">In accordance with the Fund's Financial Procedure Rules</p> <p data-bbox="948 1868 1378 1939">In accordance with the Fund's Contract Procedure Rules</p> <p data-bbox="948 1980 1378 2013">In accordance with the Fund's</p>



4.4 Day to day administration and operational management

employee and staffing schedule and only for Fund staff

In accordance with the Constitution and any specific restrictions or limitations imposed.

4.5 Management of operational land and premises used for service delivery

In accordance with the Fund's financial and contract procedure rules

4.6 Compliance with the Health and Safety at Work etc Act 1974 and the Regulatory Reform (Fire Safety) Order 2005.

In accordance with the Council's Health and Safety policies and procedures.

4.7 Compliance with the Council's equal opportunities policy and relevant legislation

In accordance with the Council's equal opportunities policies and procedures.

4.8 Compliance with the Human Rights Act 1998

4.9 Compliance with the Data Protection Act and the Freedom of Information Act 2000.

4.10 To maintain written delegations for employee responsibility for their Business Units.

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# Pensions Committee

10 December 2014

<b>Report title</b>	Information Governance	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Rachel Howe	Head of Governance
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	Email	<a href="mailto:rachel.howe@wolverhampton.gov.uk">rachel.howe@wolverhampton.gov.uk</a>
<b>Consultees</b>	Kevin O Keefe	Chief Legal Officer
	Adam Hadley	Scrutiny and Transparency Manager
<b>This report has been considered by</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	<a href="mailto:geik.drever@wolverhampton.gov.uk">geik.drever@wolverhampton.gov.uk</a>

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## Recommendations for noting:

The committee is recommended to:

1. Note the contents of the report

## **1.0 Purpose**

- 1.1 To outline proposals to register the Fund as a Data Controller under the Data Protection Act.

## **2.0 Background**

- 2.1 The Data Protection Act 1998 (the DPA) is based around eight principles of good information handling. These give people specific rights in relation to their personal information and place certain obligations on those organisations that are responsible for processing it.
- 2.2 Currently the organisation responsible for the Fund's handling of data is Wolverhampton City Council as Administering Authority. However discussions with solicitors, who are considered experts in this field, have determined that under the provisions of the DPA, the Fund should register as being responsible for its own handling of data.

## **3.0 Data Controller or Data Processor**

- 3.1 The DPA draws a distinction between a 'data controller' and a 'data processor' in order to recognise that not all organisations involved in the processing of personal data have the same degree of responsibility. While some organisations may hold information for a specific reason, other organisations may be in control of it and determine how it is stored, who has access to it, etc.
- 3.2 It is the data controller that must carry the data protection responsibility.
- 3.3 The DPA states that the Data Controller is a person who (either alone or jointly or in common with other persons) determines the purposes for which and the manner in which any personal data are, or are to be processed
- 3.4 The Data Processor is a person who, in relation to personal data, processes the data on behalf of the data controller.
- 3.5 The DPA further requires that every organisation that processes personal information must register with the Information Commissioner's Office (ICO), unless they are exempt. The Fund does not fall into one of the exempt categories.

## **4.0 The Fund as Data Controller**

- 4.1 As Committee are aware the Fund holds information for all members of the pension scheme and currently, we have in excess of 270,000 accounts.
- 4.2 While some of that information is also held by Wolverhampton City Council as an employer, the Fund holds other information which is not accessible by the City Council and which is not required for their purposes (as they are not the sole employer of all members of the Fund).

4.3 For this reason the Fund are considered to be in control of this information, information which is sensitive personal data.

## **5.0 Duties of a Data Controller**

5.1 As stated above the DPA includes responsibilities for data controllers. Non-compliance with these responsibilities may represent a contravention of the data protection principles and qualify as an offence under the DPA. It may even give way to legal action from an individual seeking compensation under section 13 of the DPA. Below is a summary of the key elements to be implemented.

5.2 All data controllers have a statutory obligation to respond to subject access requests usually within 40 calendar days of receipt

5.3 All data controllers must have a Fair Processing Notice (otherwise known as a Privacy Notice), which is available to data subjects. A Fair Processing Notice is intended to make sure that data subjects are aware of how data is collected and used by the data controller. It aims to ensure that data controllers process personal data fairly and lawfully.

5.4 Data controllers have a responsibility under the data protection principles to ensure there are appropriate technical and security measures to protect personal data. For example, portable and mobile devices including laptops and other portable media used to store and transmit personal data should be encrypted using encryption software which meets the current standard or equivalent.

5.5 Data controllers are obliged under the DPA to ensure personal data is only kept for as long as necessary. To comply with this it is recommended that data controllers have retention schedules that set out regular review periods for personal data that is held by the data controller and the purposes for which the data is held. These retention periods will vary dependent on the nature of the data and the purposes for which it is held.

5.6 In light of the above duties, the fund will have to ensure that strict controls are in place as there will be financial implications for non compliance.

## **6.0 Action required**

6.1 Discussions with the Fund's Chief Legal Officer and the City Council's Scrutiny and Transparency Manager have determined that the Fund now need to take steps to ensuring its compliance with the DPA by registering as a Data Controller.

6.2 It was agreed with the Chief Legal Officer that this be implemented by 1 April 2015.

## **7.0 Next Steps**

7.1 The Head of Governance together with the Compliance and Risk Manager will work with officers from the City Council to review the Council's corporate processes in relation to data management and their suitability for implementation into the processes of the Fund.

7.2 A further report will be brought back to Committee before 1 April to confirm these steps

## **8.0 Financial implications**

8.1 There is a fee cost to the registration of the Fund as a data controller of £35.

8.2 In addition there is a resource implication to the Fund in setting up and adopting these processes which will need to be absorbed by Fund staff as part of their current duties.

8.3 Failure to comply with the requirements could amount to a significant financial penalty from the Information Commissioner which will need to be borne by the Fund.

## **9.0 Legal implications**

9.1 Registration by data controllers is a legal requirement and our failure to meet this requirement would mean we are falling foul of the legislation which would leave us open to challenge.

## **10.0 Equalities implications**

10.1 There are no equalities implications

## **11.0 Environmental implications**

11.1 There are no environmental implications

## **12.0 Human resources implications**

12.1 There are no human resource implications

## **13.0 Corporate landlord implications**

13.1 There are no corporate landlord implications

## **14.0 Schedule of background papers**

14.1 Data Protection Act 1998

<http://www.legislation.gov.uk/ukpga/1998/29/contents>



# Pensions Committee

10 December 2014

<b>Report title</b>	Appointment of representatives to a Special Appointments Committee	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Amanda Porter	HR Specialist
	Tel	01902 554066
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<b>Report to be/has been considered by</b>	Geik Drever	Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk
<b>Consulted</b>	Councillor Paul Sweet	

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## Recommendations for decision:

The Committee is asked to agree:

1. That the Fund establish an Assistant Director Actuarial & Pensions post.
2. That a Special Appointments Committee be set up comprising the Chair and Vice Chair of the Pensions Committee and the Deputy Leader of Wolverhampton City Council and two other Pensions Committee members from Wolverhampton City Council.
3. That two District Council Members be appointed to the Special Appointments Committee.

## **1.0 Purpose**

- 1.1. To advise Committee that the fund proposes to establish an Assistant Director Actuarial & Pensions post.
- 1.2. To nominate two District Council Members to serve on the Special Appointments Committee to appoint an Assistant Director.

## **2.0 Special Appointments Committee for Assistant Director Actuarial and Pensions post**

- 2.1 As part of the Councils Constitution (Employee Employment Procedure Rules) Committee needs to appoint a panel comprising of senior members of the City Council to include:

- Chair and Vice Chair of the Pensions Committee
- Deputy Leader, in his capacity as Member of the Investment Advisory Sub – Committee
- Two Pension Committee representatives from Wolverhampton City Council.
- Two Representatives from the District Councils on a politically balanced basis.
- Officer representatives comprising the Director of Pensions and Human Resources (as advisors to the panel).

- 2.2 The broad timetable for the appointment is as follows:

Mid January 2015	- long list of candidates
Early February 2015	- finalise short list
End February 2015	- final interviews

- 2.3 The Committee is requested to select two District Council representatives to serve on the Special Appointments Committee.

## **4.0 Financial implications**

- 4.1 The part-year cost of the new post in 2014/15, which is estimated at a maximum of £30,000, will be funded from under spends arising from staffing vacancies during the year to date, which are forecast to amount to over £400,000.
- 4.2 The full-year cost of the post, which will range from £103,000 to £125,000 depending on scale point (at April 2014 costs), will be reflected in the Fund's annual operating budget for 2015/16.

## **5.0 Legal implications**

- 5.1 There are no legal implications as a result of these proposals



**6.0 Equalities implications**

6.1 There are no direct implications for the Councils Equal Opportunities Policy.

**7.0 Environmental implications**

7.1 There are no environmental implications as a result of these proposals.

**8.0 Human resources implications**

8.1 Human resources implications are as detailed in the report.

**9.0 Corporate landlord implications**

9.1 There are no Corporate Landlord implications as a result of these proposals.

**10.0 Schedule of background papers:**

10.1 Form ECR2 , Establishment change request

10.2 Staffing decision notice

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