

Pensions Committee

9 December 2015

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

Vice-chair Cllr Jasbir Jaspal (Lab)

Labour

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

Conservative

Cllr Paul Singh
Cllr Wendy Thompson

Liberal Democrat

District Members

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

Trade union observers

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

Quorum for this meeting is four Councillors.

Information for the Public

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

Contact Dereck Francis
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Copies of other agendas and reports are available from:

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

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

Agenda

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Election of Chair.
[To receive a nomination for Chair of the Committee from City of Wolverhampton Council for the remainder of the Municipal Year 2015/16] |
| 2 | Apologies for absence (if any) |
| 3 | Notification of substitute members |
| 4 | Declarations of interests (if any) |
| 5 | Minutes (Pages 5 - 16)
(a) Pensions Committee – 23 September 2015
[For approval]

(b) Investment Advisory Sub-Committee – 23 September 2015
[For approval] |
| 6 | Matters arising
[To consider any matters arising from the minutes of the previous meetings] |
| 7 | Pensions administration - proposed expansion (Pages 17 - 22)
[To receive the update] |
| 8 | Internal dispute resolution process (Pages 23 - 26)
[To review proposed changes to the Fund's internal dispute resolution process] |
| 9 | Pensions administration report from 1 July to 30 September 2015 (Pages 27 - 44)
[To receive the report on work undertaken by the Pensions administration service for the West Midlands Pension Fund and the West Midlands Integrated Transport Association Pension Fund] |
| 10 | Pensions administration - data quality (Pages 45 - 56)
[To note the ongoing review of data] |
| 11 | Risk and compliance monitoring 1 July to 30 September 2015 (Pages 57 - 82)
[To consider the risk register and feedback on the quarterly compliance monitoring programme] |
| 12 | Service plan monitoring 2015/16 and quarterly accounts September 2015
(Pages 83 - 104)
[To review performance against key performance indicators and monitoring information on the quarterly accounts] |

13 **Responsible investment activities** (Pages 105 - 112)
[To report on the work undertaken by the Investment team regarding their responsible investment activities between the period September 2015]

14 **Exclusion of press and public**
[To pass the following resolution:

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

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

<i>Item No.</i>	<i>Title</i>	<i>Grounds for Exemption</i>
15	Employer covenant update (Pages 113 - 120) [To receive the update on monitoring of employer covenants by the Fund]	Information relating to the financial or business affairs of any particular person (including the authority holding that information) Para (3)
16	Local Government Pension Scheme investment pooling (Pages 121 - 126) [To endorse the approach taken towards Local Government Pension Scheme investment pooling and note the potential implications]	Para (3)

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Attendance

Members of the Pensions Committee

Cllr Lorna McGregor (Vice-Chair)
Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Keith Inston
Cllr Jasbir Jaspal
Cllr Phil Page
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Wendy Thompson
Cllr Mohammed Arif (Walsall MBC)
Cllr Damian Gannon (Coventry City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Sandra Sandison (Solihull MBC)
Cllr David Sparks (Dudley MBC)

Trade Union observers:

Malcolm Cantello
Martin Clift
Victor Silvester
Ian Smith

Employees

Mark Chaloner	Assistant Director, Investments
Geik Drever	Strategic Director of Pensions
David Kane	Head of Finance
Dereck Francis	Democratic Support Officer
Simon Taylor	Acting Head of Pensions Administration
Rachel Brothwood	Assistant Director, Actuarial and Pensions
Mark Taylor	Director of Finance, s151 Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllrs Bert Turner (Chair) (City of Wolverhampton Council) and Cllr Mohammad Afzal (Birmingham City Council).

2 **Notification of substitute members**

No notifications of substitutes were received for the meeting.

3 **Vice-Chair of the Committee**

Cllr Lorna McGregor informed the Committee that she would be stepping down as Vice Chair of the Committee at the end of the meeting.

The Committee considered the election of a Vice Chair and the appointment of a Councillor to fill the vacancy on the Investment Advisory Sub Committee occasioned by Cllr McGregor's resignation.

Resolved:

1. That Cllr Jasbir Jaspal be elected Vice-Chair of the Committee with effect from the end of the meeting to the end of the Municipal Year 2015/16.
2. That Cllr Ian Brookfield be appointed to fill the vacancy on the Investment Advisory Sub Committee arising from Cllr Lorna McGregor's resignation of Vice Chair.

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

No declarations of interests were made.

5 **Minutes**

(a) Pensions Committee – 17 and 24 June 2015

Resolved:

1. That 'Mike Cantello (Union)' be corrected to 'Malcolm Cantello (Unison)' in minute no. 16 of the meeting held on 24 June and Barnett Waddington be corrected to 'Barnett Waddingham' in minute no. 5 of the meeting held on 17 June 2015.
2. That subject to the (1) above, the minutes of the meetings held on 17 and 24 June 2015 be approved as a correct record and signed by the Chair of the meeting.

(b) Investment Advisory Sub Committee – 24 June 2015

Resolved:

That the minutes of the meeting held on 24 June 2015 be approved as a correct record and signed by the Chair.

6 **Matters arising**

With reference to minute no. 6 Geik Drever, Strategic Director of Pensions reported that the Pensions Board had appointed Cllr Sandra Samuels and Stephen Simkins as its Chair and Vice Chair respectively. Cllr Samuels was an employer representative on the Board and Cllr Simkins was a member representative on the Board.

On this item Malcolm Cantello (Unison) queried the appointment of a Vice-Chair to the Board given that the Regulations only require the appointment of a Chair. The Strategic Director of Pensions reported that the Governance Review Working Group had agreed that a Vice-Chair should be appointed. It was also reported that the appointment was a matter for the Pensions Board.

7 **Local Government Pension Scheme (LGPS) Reform Update 2015**

The Chair (Cllr Lorna McGregor) asked the Committee to endorse the position on discussions with other funds on pooling for investments and to agree to contributing towards costs of any data collection and project development.

Geik Drever, Strategic Director of Pensions presented the report which provided an update on the reforms of the Local Government Pension Schemes over the last 12 months from Central Government and those anticipated in the next six to 12 months. She particularly drew to the Committee's attention and provided an update on the now interim national Scheme Advisory Board (SAB) and its work programme; discussions taking place with other funds on pooling for investments; a session on 16 October 2015 involving Chairs of Pensions Committees, the Local Government Association, the Department for Communities and Local Government and the Treasury Department to discuss pooling

Cllr Damian Gannon queried whether the KPMG report on the LGPS options for separation of lead authority from pension fund had been shelved and whether the background research on separation options referred to in SAB work programme would be presented to the Secretary of State. The Strategic Director of Pensions advised that the KPMG work had been completed but that the SAB were not proposing to take any action on the KPMG report. She understood that the research work on separation would not be submitted to the Secretary of State but undertook to confirm the position from the minutes of the SAB meeting.

Cllr Peter Bilson commented that the issue of separation was work in progress and the Committee would need to keep a watching brief on the SAB produces. Also the Committee would need to ensure that the West Midlands pensions Fund was not disenfranchised when responding to the national agenda.

The Strategic Director of Pensions informed the Committee that the SAB would not determine the policy arrangements. She added that she had been briefing the Chair on the discussions and action taking place.

Resolved:

1. That discussions with other funds on pooling for investments and the Fund contributing to costs of any data collection and project development be endorsed.
2. That the contents of the report be noted.

8 **SIAB Annual Review**

The Committee was invited to review the Fund's investment strategy and to consider changes to the Strategic Investment Allocation Benchmark (SIAB).

Graeme Johnson from Hymans Robertson delivered a presentation on the investment strategy. This year's review focussed on benchmarks and performance targets.

During the ensuing discussion Graeme Johnson responded to the Committee's questions on the benchmarking and performance targets.

Resolved:

1. That the following benchmark changes be approved:
 - a. For private equity, to the FTSE All World plus 2% per annum (from the FTSE All World).
 - b. For emerging market debt, to a 50/50 combination of the JP Morgan EMBI Global Diversified index and the JP Morgan GBI EM Global Diversified index (from the JP Morgan EMBI Global Diversified index).
 - c. For indirect property, to CPI plus 6% per annum (from the IPD UK annual property benchmark).
 - d. For real assets and infrastructure, to CPI plus 4% per annum (from one month £ LIBOR).
 - e. For absolute return, to one month LIBOR plus 3% per annum for insurance linked and 4% per annum from special opportunities (from one month £ LIBOR).
2. That the SIAB allocation to cash be increased to 2% from 1% with a corresponding decrease in the allocation to conventional gilts from 3% to 2%.
3. That the annual SIAB review by Hymans Robertson be noted.

9

West Midlands Pensions Fund Statement of Investment Principles

Cllr Peter Bilson referred to correspondence he and other members on the Committee had received from two Local Government Pensions Scheme members asking the Committee not to approve the Statement of Investment Principles (SIP) in its present form. He asked that a response be sent to scheme members on behalf of the Committee.

Mark Chaloner, Assistant Director, Investments presented the report on the Pension Fund's SIP.

Cllr Mohammed Arif voiced his concerns at the potential harm short selling could do to good companies and people. He queried whether the Fund had an ethical investment policy and whether this was the right time to bring in a Human Rights Charter in terms of the Fund's investments. He added that the Committee should consider ethical investment and the companies that the Fund invests in who had atrocious human rights records. He also reported on the receipt of emails from PGPS members.

In response to questions, the Assistant Director, Investments reported that the Fund had a meaningful, responsible investment policy predicated on engagement with companies. This had been reported on to previous meetings of the Committee, an example of which was the Fund's engagement on National Express. On the point of Human Rights, the Assistant Director, Investments reported that the Fund expected companies to comply with United Nations requirements.

Cllr Ian Brookfield agreed that the Fund had a responsible investment policy but he added that the Committee could not forget that the Fund also needed to ensure that it paid scheme members' their pensions, it was therefore a fine balancing act.

Geik Drever, Strategic Director of Pensions echoed comments made that the Fund's engagement policy was the best way forward. The Fund believed that it was more powerful when engaged in collaborative arrangements rather than acting alone.

Malcolm Cantello (Unison) queried whether section 8 of the SIP meant that some parts of the policy were not spelled out and whether the Fund's Investment Managers adopted responsible investment. The Assistant Director, Investments confirmed that responsible investment decisions were considered both in the selection and oversight of investments and external investment managers.

Resolved:

1. That the Fund's Statement of Investment Principles be approved.
2. That a written response be forwarded to the two LGPS members.

10 **West Midlands Integrated Transport Authority Pension Fund's Statement of Investment Principles**

The Committee was asked to approve the West Midlands Integrated Transport Authority (WMITA) Pension Fund's Statement of Investment Principles (SIP).

Resolved:

That the WMITA Pension Fund's Statement of Investment Principles be approved.

11 **West Midlands Integrated Transport Authority - Appointment of Investment Adviser**

The Committee considered the appointment of an investment adviser to the West Midlands Integrated Transport Authority (WMITA) Pension Fund.

Resolved:

That the appointment of Hymans Robertson as the investment adviser to the WMITA Pension Fund be approved.

12 **Annual Report and Accounts 2014/15**

David Kane, Head of Finance presented the audited annual report for the year ending 31 March 2015 for approval and publication on the Fund's website.

David Wallace and Aniquah Syed from the Fund's external auditors PricewaterhouseCoopers (PwC), took the Committee through the key findings from their draft annual audit report.

Cllr Ian Brookfield requested further information from PwC on their comment in the report regarding membership. David Wallace informed the Committee that providers have been working with employers to get the membership statistics right. More frequent checks would be undertaken in future.

Malcolm Cantello (Unison) pointed out that the schematic on page 179 of the accounts was incorrect and that a reference to Secretary of State on page 181 should also be corrected to 'Communities and Local Government'.

Resolved:

1. That the Annual Report for the year ending 31 March 2015, and its publication on the Fund's website following completion of the external audit be approved.
2. That PwC's draft annual audit report be noted.

13 **Accounting Policies 2015/16**

David Kane, Head of Finance asked the Committee to endorse the accounting policies to be used in preparing the Funds' accounts for the 2015/16 financial year. The policies were based on CIPFA standards and were unchanged from last year's policies.

Resolved:

That the Funds' accounting policies for the 2015/16 financial year be endorsed.

14 **Service Plan Monitoring 2015/16 - Quarter Two and Quarterly Accounts June 2015**

David Kane, Head of Finance presented the report 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.

In response to the Committee's comments and concerns about staffing and recruitment and whether there have been any considerations regarding the salary scales, Geik Drever, Strategic Director of Pensions reported on the challenges the Fund faced in attracting new employees. She explained that the Fund wanted to develop its own staff in house as well as attract new employees but that there was a need to increase the salary scales of some posts. Discussions were ongoing with Human Resources and the City Council's Managing Director was sympathetic to the Fund's position. She thanked the Committee for its support in allowing her to recruit but the challenge was in finding the right person.

Malcolm Cantello (Unison) commented that Birmingham City Council paid a 'golden hello' to recruit social workers and that it was important the Fund had its establishment up to the right number. The Strategic Director of Pensions added that HR would be looking at ways to try and accommodate what the Fund was seeking to achieve.

Malcolm Cantello (Unison) also commented that Members would be keen to see the figure for investment costs per member reduced now that this information was disclosed/ highlighted.

Resolved:

1. That performance against the Fund's key performance indicators as at the end of the second quarter be noted.
2. That the forecast outturn against operating budgets as at the end of the second quarter, which is an under spend of £1.9 million be noted.

3. That the quarterly accounts for the period ending 30 June 2015, which show that the value of the Fund at this date was £11.3 billion, a decrease of £179.7 million from 31 March 2015 be noted.

15 **Risk and Compliance Monitoring 1 April 2015 - 30 June 2015**

The Committee received a report on the Fund's risk register, together with feedback on the quarterly compliance monitoring programme. The Committee was requested to approve reporting on risks to Committee going forward and to approve the Fund's policy for reporting breaches of the law to The Pensions Regulator.

Malcolm Cantello (Unison) asked that a trend column be included in future monitoring reports.

Resolved:

1. That the risk register for West Midlands Pension Fund be noted.
2. That the proposal for reporting on risks to Committee going forward be approved.
3. That it be noted that no significant compliance issues have arisen during the quarter.
4. That the Fund's policy for reporting breaches of the law to The Pensions Regulator be approved.

16 **Pensions Administration Report from 1 April to 30 June 2015**

The Committee received a report on work undertaken by the pensions administration service during the period 1 April 2015 – 30 June 2015 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Association Pension Fund (the WMITA Fund).

Cllr Ian Brookfield commented that it was unacceptable that some employers were not providing the Fund with annual return information to enable it to produce annual benefit statements for some of its active members by the statutory deadline. Rachel Brothwood, Assistant Director, Actuarial and Pensions commented that under these circumstances the Fund would write to the individual explaining that because it had not received the necessary information from the individual's employer the Fund was unable to provide them with an annual benefits statement

Resolved:

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

4. That progress made with employer annual returns, the provision of annual benefit statements and the associated breach report to the Pensions Regulator (tPR) be noted.
5. That future activity with regards to data quality and pensions taxation be noted.

17

Responsible Investment Activities

Mark Chaloner, Assistant Director of Investments outlined the salient points of the report on work undertaken by the Investment Team regarding their responsible investment activities between the period 1 April to 30 June 2015.

Cllr Mohammed Arif asked that the member in Coventry be informed of the action the Fund had taken on the Israeli-Palestinian related research and engagement programme. The officers undertook to provide response.

Resolved:

1. That the Fund's voting and Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 30 June 2015, including Appendix 1 to the report be noted.
2. That it be noted that the issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement>
3. That the update on the Israeli-Palestinian related research and engagement program be noted.
4. That the Fossil Fuel Divestment Campaign being launched in September 2015 be noted

Investment Advisory Sub-Committee

Minutes - 23 September 2015

Attendance

Members of the Investment Advisory Sub-Committee

Cllr Lorna McGregor (Vice-Chair)
Cllr Jasbir Jaspal
Cllr Tersaim Singh

Observers

Cllr Ian Brookfield
Cllr Paul Singh
Cllr Wendy Thompson

District Members

Cllr Mohammed Arif (Walsall MBC)
Cllr Damian Gannon (Coventry City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Angela Sandison (Solihull MBC)
Cllr David Sparks (Dudley MBC)

Trade Union observers

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

Employees

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

Part 1 – items open to the press and public

Item No. *Title*

- 1 Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllr Bert Turner (Chair) (City of Wolverhampton Council) and Cllr Mohammad Afzal (Birmingham City Council).
- 2 Substitute members**
No notifications of substitutes were received for the meeting.
- 3 Declarations of interest (if any)**
No declarations of interest were made.

4 **Minutes of last meeting - 24 June 2015**

Resolved:

That the minutes of the meeting held on 24 June 2015 be approved as a correct record signed by the Chair of the meeting.

5 **Matters arising**

With reference to Minute No. 11 (Update on investment collaboration opportunities), Geik Drever, Strategic Director of Pensions reported that a report was included on the agenda for the Pensions Committee to be discussed later in the day on Local Government Pension Scheme Reform update 2015. The big issue in that report concerned discussions with other Funds on pooling for investments. She also reported that the Chair of the Pensions Committee had been invited to a meeting with the Local Government Association and the Department for Communities and Local Government on 16 October 2015 to discuss the issue.

Also on Minute No. 11, the Strategic Director of Pensions informed the Sub Committee that the Pensions Infrastructure Platform (PIP) would be attending the meeting on 9 December to discuss their work.

Referring to Minute 12 (Cleveland planning application update), the Strategic Director of Pensions reported that an appeal had been lodged on 9 September 2015 against the decision to reject the planning application for a residential scheme for up to 1000 homes on the Fund's agricultural land in Cleveland.

6 **Trustee Training 2016**

The Sub Committee reviewed trustee training arrangements on investments for 2016.

Geik Drever, Strategic Director of Pensions reported that it was intended to undertake another structured training programme in early March 2016. She undertook to forward details of the arrangements to members in due course.

Cllr Mohammad Arif suggested that the Sub Committee receive quarterly feedback on how the training programme was progressing. The Strategic Director of Pensions asked members to reply direct to Jane Hazeldine when they receive their training spreadsheets in order that she can update members' training records. She also recommended the trustee training online toolkit, the link to which would also be forwarded members.

Cllr David Sparks requested that important articles on investment matters from the Financial Times and other publications be forwarded to members

Resolved:

That the proposals for trustee training on Investments proposed for 2016 be noted.

7 **Exclusion of the press and public**

Resolved:

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

8 **West Midlands Pension Fund (WMPF) Asset Allocation and Investment Performance - Quarter Two - 1 April to 30 June 2015**

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

The Assistant Director, Investments responded to the Sub-Committee's questions on the allocation of cash balances and plans for investment of cash balances; the indirect property sector analysis; and on lending securities.

Cllr Mohammad Arif asked whether the Fund had an ethical stance on short selling. The Strategic Director of Pensions advised that the Fund was a responsible investment fund and its policy was to engage, and to support and promote best practice.

Resolved:

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

9 **West Midlands Integrated Transport Authority Asset Allocation and Investment Performance - Quarter Two - 1 April to 30 June 2015**

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

Resolved:

1. That the contents of the asset allocation and investment monitoring report for the quarter ended 30 June 2015 be noted.
2. That the commencement of unitisation of the attributable assets of the two employers (National Express and Preston Bus) with effect from 1 April 2015 be noted.

10 **Economic and Market Update - September 2015**

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

Resolved:

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

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Pensions Committee

9 December 2015

Report title	Pensions Administration – Proposed Expansion	
Originating service	Pensions Administration and Governance	
Accountable employee(s)	Rachel Brothwood	Assistant Director, Actuarial and Pensions
	Tel	01902 55 2091/1715
	Email	Rachel.brothwood@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever,	Strategic Director of Pensions
		01902 552020
		geik.drever@wolverhampton.gov.uk
	Amanda Porter, HR advisor	
	Trade Union representatives through formal consultation	

Recommendations for action or decision:

The Committee is asked to note the contents of the report and agree the additional staff cost pertaining to these changes.

1.0 Purpose

- 1.1 To provide Committee with an update on the review undertaken by the Fund and plans to expand the current Pension team to meet increasing workload and respond to regulatory changes.

2.0 Background

- 2.1 The management of human resources within the Fund is a function delegated to the Strategic Director of Pensions.
- 2.2 Following legislative changes effective from 2015, the Fund is subject to increased oversight, new standards and reporting requirements from both the Pensions Regulator and the Scheme Advisory Board. The Fund needs to adapt to ensure adherence to new guidance and demonstrate through reporting compliance with the new requirements.
- 2.3 In addition, the Fund has significant projects ahead including the 2016 actuarial valuation and, following the end of contracting out in 2016, reconciliation of GMP records with HMRC. These are both resource (and cost) intensive exercises.
- 2.4 To respond to these demands, the Fund is seeking to expand its pensions administration team. This review marks a positive response to the Scheme Advisory Board's call for action in October 2015, when the Board wrote to all LGPS Administrating Authorities to remind them that they must ensure sufficient resources are maintained to meet the statutory obligations placed on them to manage the Fund. Other Local Government Pension Scheme (LGPS) Funds are also reviewing and expanding their administration teams. A copy of the letter is attached at Appendix 1.

3.0 Consultation and key changes

- 3.1 Work on the proposed changes began in July 2015, through discussions with employees about the working practices of the Fund and how these could be improved to ensure an efficient and effective service delivery. While the majority of changes are in response to regulatory changes, the review was also driven by colleagues on the ground doing the work and in day-to-day contact with our members and employers.
- 3.2 In October 2015 an overview of the proposed changes was presented to employees. This outlined the key driving factors for change, with the proposed new structure presented in November following consultations with affected employees and the Trade Unions.
- 3.3 The changes bring a new focus to some of the key areas the Fund has identified it needs to prioritise going forward. These include the maintenance and management of Fund data (and critically the exchange of data with employers) and provision of excellent customer service. The new structure creates 20 new posts at the Fund, a net increase of 9 once the review is completed.

- 3.4 Where possible, existing posts have been assimilated or ring-fenced to new posts created under the review and those staff will be given priority interviews. Once those priorities are completed, the remaining vacant posts will be advertised
- 3.5 At the time of writing consultation is on-going and an update on this and recruitment to the new posts will be provided to Committee at the meeting.

4.0 Moving forward – the benefits of change

- 4.1 As a result of the expansion and wider review of operations, the Fund aims to:
- Increase Fund operational self-sufficiency
 - Reduce reliance and costs associated with third party providers and advisers
 - Focus on key areas to address the new legislative and regulatory requirements
 - Enhance skill-set to meet future demand
 - Embed knowledge of the operational aspects of the Fund (member benefits and participating employers) within the Pensions Administration teams
 - Raise profile and standards of customer service
- 4.2 In practice, the re-structure marks the start of longer-term change programme which will enable the Fund to respond to meet not only the changing regulatory environment but also the changing needs of the Fund employers and members.

5.0 Financial implications

- 5.1 The restructure will result in an increase in staff cost in the region of £280,000 – equivalent to £1 per member of the Fund. This is significant in the context of the Fund's overall cost of administration, oversight and governance (£18.70 per member over 2014/15) but manageable within the Fund's budget. In the absence of the changes proposed, it is likely that a higher cost would be incurred in the future as opportunities to enhance the efficient operation of the Fund would be missed.

6.0 Legal implications

- 6.1 The restructure is being driven by key changes in regulatory requirements. Failure by the Fund to meet those changes exposes the Fund to the potential for scrutiny and challenge. The restructure aims to mitigate those risks.

7.0 Equalities implications

- 7.1 The structure has been undertaken in consultation with HR and the trade unions and is being conducted in line with Council policy.

8.0 Environmental implications

- 8.1 There are no implications

9.0 Human resources implications

9.1 The establishment has been reviewed in the context of the evolving LGPS landscape and requirements on the Fund going forward. New posts will be established in areas the Fund needs to focus. Some posts have been put at risk as we review and re-focus on the tasks and skill-set required to enable the Fund to meet the changes and challenges ahead. Three of these posts are currently vacant. Overall, the number of posts will increase (net increase from the restructure is nine). Where possible and appropriate to do so, staff at risk will be assimilated or ring-fenced to new posts. Any compulsory redundancies will be mitigated through voluntary redundancy.

10.0 Corporate landlord implications

10.1 There are no implications

11.0 Schedule of background papers

11.1 None

12.0 Appendices

12.1 Appendix 1 – Scheme Advisory Board letter to LGPS Funds

Scheme Advisory Board

8 October 2015

For the attention of LGPS administering authorities in England & Wales
LGPS Fund Chairs of Pension Committees
Chief Executives
Chief Financial Officers

Dear colleague,

Risk of censure by The Pensions Regulator (TPR)

I am writing on behalf of The Local Government Pension Scheme Advisory Board ([SAB](#)), a body set up under Section 7 of the Public Service Pensions Act 2013, to remind you of the need to meet your statutory scheme duties, and to highlight the potential risk of censure faced by administering authorities, and the Section 101 Committees with the delegated oversight of the pensions function, if those duties are not met.

This fact was evidenced in a survey recently conducted by the Local Government Association which found that only seven of the 73 administering authorities that responded would meet the statutory requirement to publish all Annual Benefit Statements by 31st August.

The SAB recognises the current pressure on resources faced by administering authorities. However, LGPS administering authorities must ensure that sufficient resources are maintained to meet the statutory obligations placed on them to manage the scheme. Where sufficient resources are not provided, there are a number of potentially negative outcomes including:

- Censure by the Pensions Regulator (TPR) for non-compliance with the requirements of the Public Service Pensions Act 2013 and other primary legislation.
- Findings against the authority by the Pensions Ombudsman.
- Failure to fulfil financial responsibilities in accordance with Accounts and Audit (England) regulations 2011.
- Failure of internal control systems for financial and investment activities (Accounts and Audit (England) regulations 2011 and CIPFA/LASAAC code of practice).
- Overpayment or underpayment of pension amounts.
- Incomplete data leading to valuation assumptions which could result in increased employer contributions.
- Incorrect tax liabilities for the authority, participating employers, and scheme members.

Scheme Advisory Board

Given the current financial strain on councils, it is important to be clear that the cost of those resources necessary for delivering the administering authority role is met from the pension fund (under Regulation 4(5) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009). There should therefore be no direct impact on the authority's revenue account costs.

The requirement for a new design of benefit statement is only one of a number of areas of increased demands on administering authorities others include:

- A new scheme design introduced in April 2014.
- New local governance arrangements (pension boards) which came into effect in April 2015.
- Ending of contracting out in April 2016 (estimated to cost between £30m and £100m across all LGPS funds).

Pensions (and the LGPS in particular) remain an area of significant change and high profile, as evidenced in the Summer Budget announcement on pooled investments, both within government and the media. Administering authorities will therefore come under an increasing level of scrutiny with regard to compliance and should ensure they have the necessary capacity in place.

As ever, the SAB welcomes feedback from the LGPS community particularly with regards to the administration of the Scheme by administering authorities. Please contact the SAB Secretariat, (email elaine.english@local.gov.uk) if you would like to share your views in respect of this matter or to find out more about the work of the Board.

Yours faithfully,



Joanne Segars

Chair, Scheme Advisory Board

www.lgpsboard.org

Pensions Committee

9 December 2015

Report title	Internal Dispute Resolution Process	
Originating service	Pension Administration	
Accountable employee(s)	Rachel Howe Tel Email	Head of Governance 01902 552091 Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

Recommendations for action or decision:

The Committee is asked to approve:

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

1.0 Purpose

- 1.1 To provide Committee with an overview of the work the Fund is undertaking to ensure, in line with the requirements of the Pension Regulator's Code of Practice, that the Fund has a robust and transparent Internal Dispute Resolution Procedure (IDRP).

2.0 Background

- 2.1 The Pensions Act 1995 introduced the requirement for schemes to have an Internal Dispute Resolution Procedure where members of the scheme may challenge any decision taken that may affect their benefit. This formal procedure and process plays a key role in enabling the Fund to provide effective scheme governance and administration.
- 2.2 Since the legal requirement was introduced, the Fund has operated an IDRP working with employers to ensure a fair delivery of service to members. The Fund operates a two-stage process under which Stage one is investigated by a "adjudicator" nominated by the decision maker (typically the employer) and Stage two is investigated by the Administrating Authority. Following the introduction of new guidance for Public Sector Pension Schemes from the Pension Regulator earlier this year, it was appropriate to review the process and ensure existing arrangements were still fit for purpose and operating effectively in practice.
- 2.3 The review has also taken into account observations and feedback from recent appeals. This has helped the Fund to develop the existing procedures and processes to ensure disputes can be investigated and decided upon quickly and efficiently. For example, the Fund's ability to understand First Decisions by employers was one area we felt could be improved to ensure we were being kept informed of decisions which would help us should a Second Stage appeal be presented to the Administrating Authority.

3.0 Findings and key changes

- 3.1 A review of recent cases highlighted that there was scope to develop existing procedures and processes to enhance member experience and improve audit trail. It was identified that additional support materials for employers and further monitoring by the Fund is likely to avoid prolonged disputes and reduce the potential for decisions to be challenged.
- 3.2 Proposed changes include:
- A requirement for the Fund's compliance team to be notified as soon as a request under IDRP was received by the employer under Stage one and for every step thereafter up to issuing a decision. This will enable the Fund to keep track of appeals and trigger a review under Stage two, if the employer does not decide and confirm the Stage one outcome to the member within a specified period.
 - Template documents, letters and decision notices for use by all of our employers which will present a consistent and documented approach to decision making across the scheme.

- Guidance on the appointment (and review of) the “adjudicator” nominated to review decisions under Stage one.
- 3.3 The proposed new process and supporting materials have been summarised in an employer guide (which will be posted on the Fund’s website in due course, once piloted with selected employers).
- 3.4 All Stage two appeals presented to the Administrating Authority will be reviewed by Mark Taylor (as Section 151 officer) before issue of responses from Keith Ireland, Managing Director, City of Wolverhampton Council as the specified person to investigate respond to Stage two appeals. The Fund will continue to support the Administrating Authority in the investigation of Stage two appeals but will also use other Local Government pension Scheme (LGPS) schemes (by agreement) and professional advisers (as required) to obtain guidance and opinion in certain cases.
- 3.5 The Fund has reviewed its own internal process for managing IDRPs to ensure decisions are clearly supported by independent review and advice, as required. (Note that a reviewer acts in an advisory capacity only and is not a decision maker on the matter.) For example, external investigation and comment will always be sought in the event of an appeal against a decision made by the Fund.
- 3.6 The revised process requires any external reviewer to show competency when dealing with pension matters as well as a requirement to sign a data sharing agreement protecting our members’ personal data.

4.0 Next Steps

- 4.1 The updated procedures and new supporting documentation will be piloted with employers over the next few months and further developed to reflect any feedback.
- 4.2 The Fund is currently looking to establish an agreement with at least one other LGPS Fund to act as external reviewer. The intention is for the agreement to be reciprocal and this could therefore lead to an increase in workload for the Fund.
- 4.3 Due to the new process requiring notification to the Fund of each IDRPs appeal to an employer and monitoring of these decisions and responses by the Fund, there is also potential for an increase in workload in “policing” compliance with the IDRPs process. However, this is expected to be offset by the time-saved in following-up cases where responses to members have been delayed or decision making unclear.
- 4.4 We will work with employers to ensure that the process works for them as well as us and this will be monitored through the employer peer group. A full report will be presented to June Annual Committee seeking approval for the new process.
- 4.5 Separate to the Fund’s review, the Scheme Advisory Board issued a survey to schemes and their employers in September 2015. This was to inform its own review of ill health retirement procedures and IDRPs for the LGPS as a whole. The Fund process may develop in the future to reflect the outcome of work carried out and guidance issued by the Scheme Advisory Board.

5.0 Financial implications

- 5.1 There are no financial implications; the work undertaken has been incorporated into normal workloads. There may be a potential for work in this area to increase and this will be monitored.

6.0 Legal implications

- 6.1 The Administering Authority of a pension scheme must ensure they have a procedure in place to enable any person with an interest in the scheme to make an application to them for a decision on a matter in dispute. Failure to meet this requirement would subject the Fund to scrutiny and potential Judicial Review.
- 6.2 Measures have been put in place to protect member data in the event that this needs to be transferred outside of the Fund to enable an appeal to be investigated.

7.0 Equalities implications

- 7.1 The process has been drafted in accordance with the Equalities Act principles.

8.0 Environmental implications

- 8.1 There are no implications

9.0 Human resources implications

- 9.1 There are no implications

10.0 Corporate landlord implications

- 10.1 There are no implications

11.0 Schedule of background papers

- 11.1 Pensions Act 1995
<http://www.legislation.gov.uk/ukpga/1995/26>
- 11.2 Pension Regulator's Code of Practice
<http://www.thepensionsregulator.gov.uk/codes/code-dispute-resolution.aspx#s1072>
- 11.3 Current IDRP process (guide for members)
<http://www.wmpfonline.com/CHttpHandler.ashx?id=4593&p=0>

Pensions Committee

9 December 2015

Report Title	Pensions administration report from 1 July to 30 September 2015	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor Tel Email	Head of Pensions Administration 01902 554276 Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

Recommendations for action or decision:

The Committee is recommended to:

1. Approve the write-offs detailed in section 8.0 of this report.

Recommendations for noting:

The Committee is asked to note:

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

1. Purpose

1.1 To inform Committee of the work undertaken by the pensions administration service during the period 1 July to 30 September 2015 for both the Main Fund and the WMITA Fund.

2. Background

2.1 The Fund provides a pension administration service to its stakeholders, which covers employer and member services, 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 movement – Main Fund

3.1.1 The number of scheme members in the Fund in all three categories stands at 283,582 with an overall increase since 30 June 2015 of 2,591. Of the active membership of 107,165 - 49% are full-time and 51% 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, in general, active memberships are falling and pensioners and deferred membership increasing. Over the course of the last eighteen months, however, active numbers appear to have increased. The increase in active members is partially due to the receipt of bulk joiner files from employers on a lagged basis and therefore does not necessarily reflect the actual date these members joined the Scheme.

3.2 Membership movement – WMITA Fund

3.2.1 The number of scheme members in the WMITA Fund in all three categories stood at 5,157 on 30 September 2015, 10% are active members, 16% are deferred and the largest group are pensioner members at 74% of the total membership. Detailed below is the current information showing movements between 30 June 2015 and 30 September 2015.

	Membership as at 30th June 2015		Movements during the period				Membership as at 30th September 2015		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	510	0	510	-13	0	-13	497	0	497
Deferred Members	842	20	862	-15	0	-15	827	20	847
Pensioner Members	3,668	116	3,784	29	0	29	3,697	116	3,813
Total Members	5,020	136	5,156	1	0	1	5,021	136	5,157

3.3 **Workflow statistics – Main Fund**

- 3.3.1 The process analysis statistics (Appendix B) show details of overall workflow within the Pensions Administration Service during the period 1 July 2015 – 30 September 2015
- 3.3.2 During the period covered by this report 37,234 administrative processes were commenced and 33,244 completed. On 30 September 2015 there were 15,063 items of work outstanding. Of this 3,276 items were in pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. Within pensions administration, 11,682 processes are now either proceeding to the next stage of the process or through to final completion
- 3.3.3 A detailed analysis of the key processes across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in (Appendix C).
- 3.3.4 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 been processing new joiners by a bulk data import process. All employers went live using this service from 1 September 2014 which has released further capacity for other work processing. As a result, the joiner/rejoiner figures shown in appendix C appear to be low volume, but this is because this work is now processed via BDI and therefore not represented in these statistics.

3.4 **Workflow statistics – WMITA Fund**

- 3.4.1 During the period covered by this report 700 administrative processes were commenced and 656 completed. On 30 September 2015 there were 148 items of work outstanding.

3.5 **Employer membership data**

- 3.5.1 The Main Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 33 new organisations being admitted to the Main Fund during the period 1 July 2015 – 30 September 2015. The current number of employers as at 30 September 2015 is 511. The level of ongoing work being processed at the end of the period is as follows:-

- 32 admission agreements
- 40 academies
- 22 employer terminations

3.6 **Customer services**

- 3.6.1 An analysis of telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our members and employers (Appendix D). We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails achieving our Key Performance Indicator (KPI) of 85% or above.

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

3.6.3 Overall items scanned are slightly lower than in the previous year. This reflects the move to processing some work via bulk data import and via the web portal. The average % indexing error rate is below 0.2%, which remains a good level of quality control. The Fund is working towards increasing exchange of data via electronic means and progress has been made to move towards this 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. Internal Dispute Resolution Procedure (IDRP) casework

4.1 So far in the 2015/2016 financial year there are five cases which have been referred to Stage one of the procedure by the Fund. All of these cases have been dismissed.

4.2 The five cases dismissed at stage one related to the following pension issues:

- Timescale of calculating retirement and AVC benefit
- Level of benefits deferred benefits paid
- Incorrect transfer quote provided due to a technical issue
- Appeal against not being allowed to transfer out a pension credit

4.3 Fourteen cases have been received for Stage 2 investigation. Two of these cases were referred back to the employer to re-consider the stage one decision. Six cases are on-going and six cases have been dismissed.

4.4 The six cases dismissed at stage 2 related to the following pension issues:

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

5. Death grant

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

6. Application for admission body status

- 6.1 Organisations must satisfy one or more of the admission criteria before they can be admitted to the Main Fund following Pensions Committee approving the applications. Sometimes, a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Strategic Director of Pensions in consultation with the Chair or Vice Chair of Pensions Committee.
- 6.2 The table below lists the applications received for admission to the West Midlands Pension Fund which have been approved by the Strategic Director of Pensions and either the Chair or the Vice Chair of Pensions Committee.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
Catering Academy Ltd (Radford Primary)	Radford Primary Academy	1(1) Closed	Approved
Elite Cleaning Ltd (St Edmunds Campion)	Birmingham City Council	1(1) Closed	Approved
Elite Cleaning (Mirus Academy)	Matrix Academy Trust	9(9) Closed	Approved
TnS Catering Management Ltd (Potters Green)	Coventry City Council	2(2) Closed	Approved
TnS Catering Management Ltd (Moat House School)	Coventry City Council	3(3) Closed	Approved

7. Pensions in payment

7.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to September 2015 was £430m, of which £17.7m (£8.6m for pensions increase and £9.1m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

7.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
July 2015	70,868	29,826,177.48
August 2015	70,971	29,830,364.47
September 2015	77,655	30,591,144.89

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

7.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to September 2015 was £24.6m, of which £8,900 for added year's compensation was recovered from employing authorities and other bodies as the expenditure was incurred.

7.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
July 2015	3,731	1,796,882.36
Aug 2015	3,736	1,801,991.30
Sept 2015	3,796	1,816,838.96

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

8. Write-off policy decisions

8.1 Write-off analysis

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

	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Individual Value				
Less than £100	5	337.65	0	0.00
£100 - £500	20	4,210.73	3	759.88
Over £500	6	6,405.24	0	0.00
TOTAL	31	10,953.62	3	759.88

8.2 Write-on analysis

	Main Fund		WMITA Fund	
	Number	Total	Number	Total
Individual Value				
Less than £100	11	401.52	0	0
£100 - £500	3	578.64	0	0
Over £500	0	0.00	0	0
TOTAL	14	980.16	0	0

9. Communications & marketing activity

9.1 Web Portal

9.1.1 Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 34,500 members registered to use the web-portal

facility with over 19,000 of those having been authenticated. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 487

WMPF – 18,973

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

10. Financial implications

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

11. Legal implications

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

12. Equalities implications

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

13. Environmental implications

- 13.1 The report contains no direct environmental implications.

14. Human resources implications

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

15. Corporate landlord implications

- 15.1 The report contains no direct corporate landlord implications.

16. Schedule of background papers

16.1 None.

17. Schedule of appendices

17.1 Appendix A: Overall membership numbers

17.2 Appendix B: Process analysis

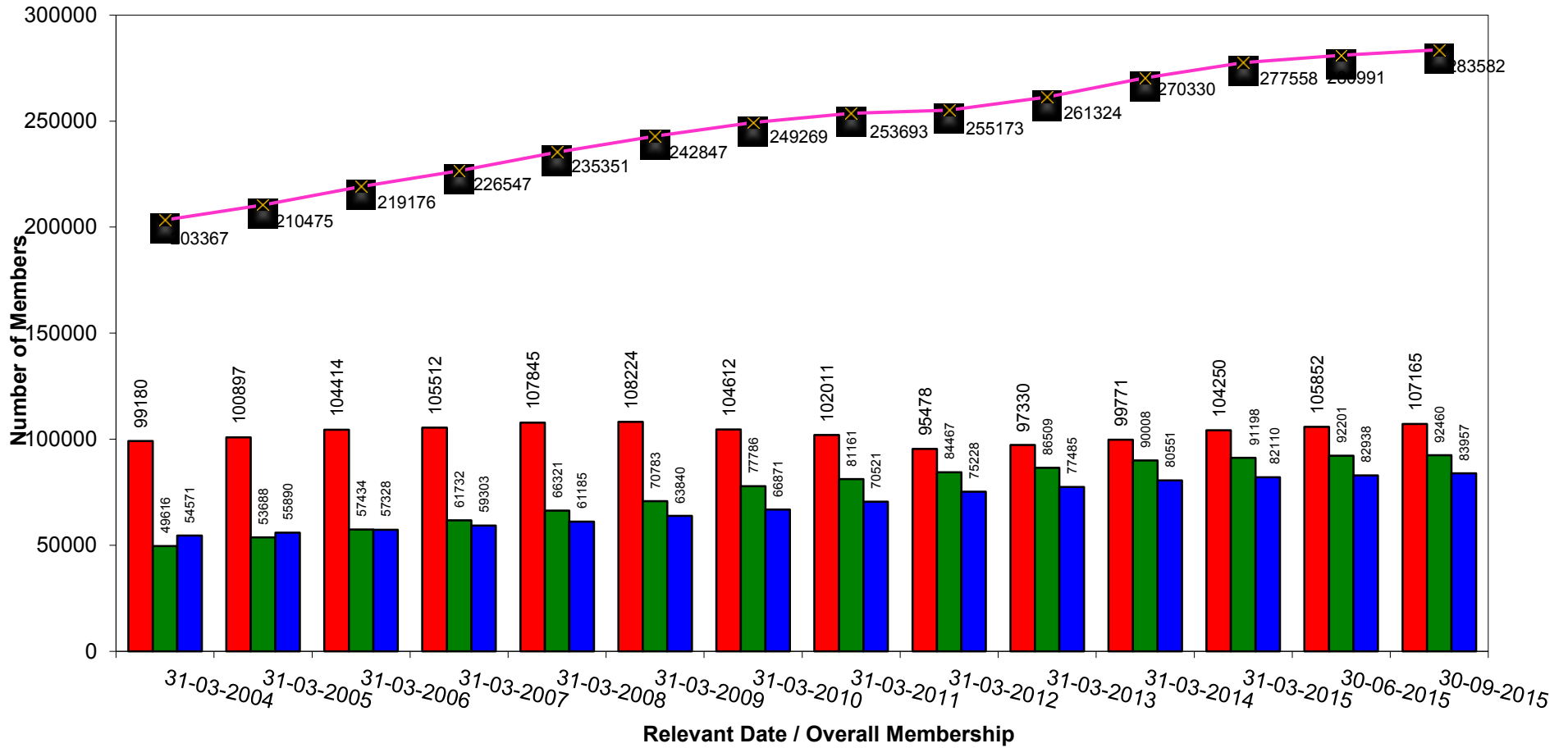
17.3 Appendix C: Detailed process analysis

17.4 Appendix D: Customer service statistics

17.5 Appendix E: Data quality statistics

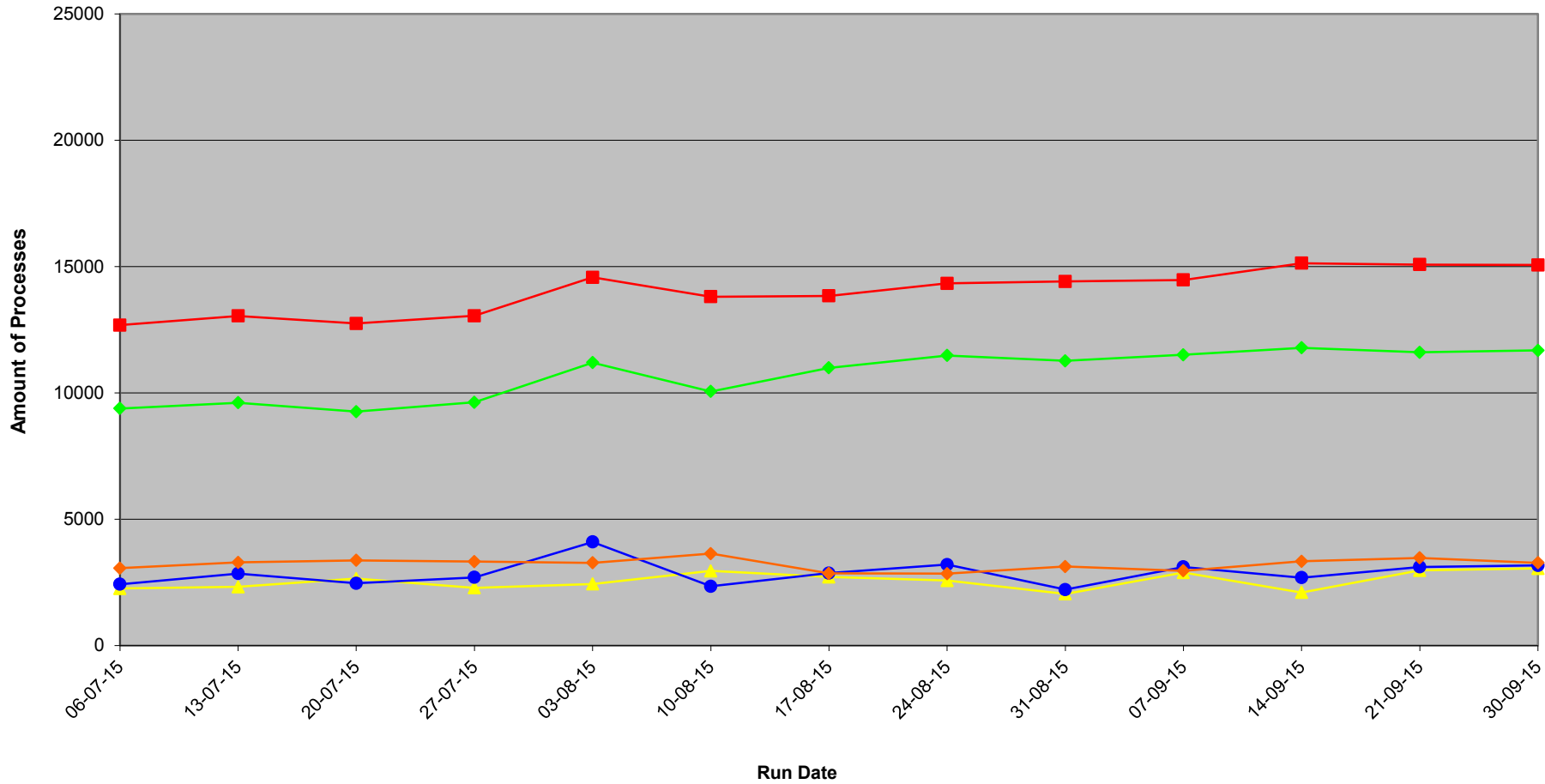
Overall Membership West Midlands Pension Fund Membership Statistics as at 30 September 2015

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Process Analysis



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2015/16

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

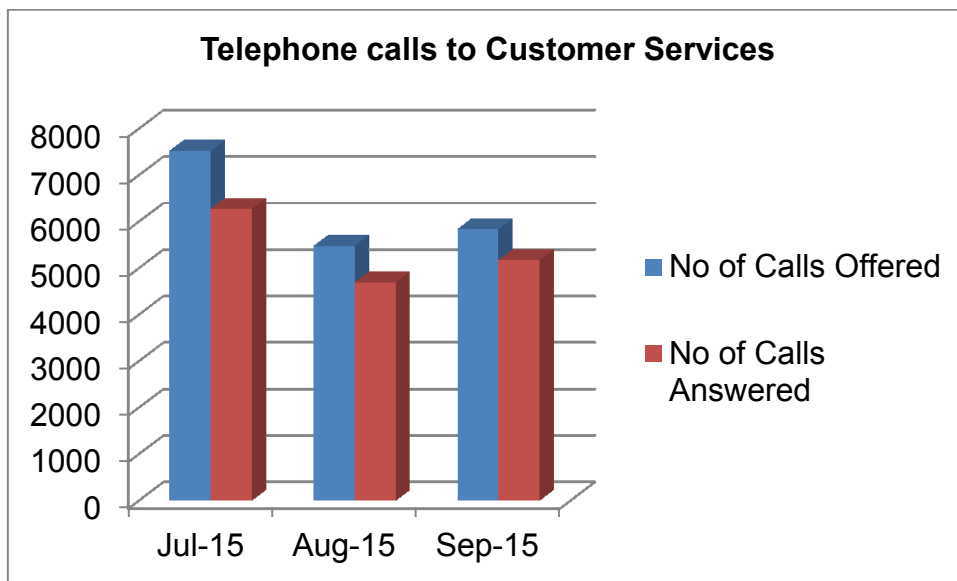
Process type												
Joiners and Rejoiners	8,763	6,403	11,138	13,558	1,654	0	1	0	2	4	2	9
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	415	471	348	788	628	659	3,309
Deferments	5,939	7,818	5,741	6,728	5,664	675	992	536	466	562	608	3,839
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	230	194	202	186	175	193	1,180
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	236	244	584	210	224	223	1,721
Deaths of members	295	262	287	285	230	28	33	32	31	20	33	177

Pensioner members

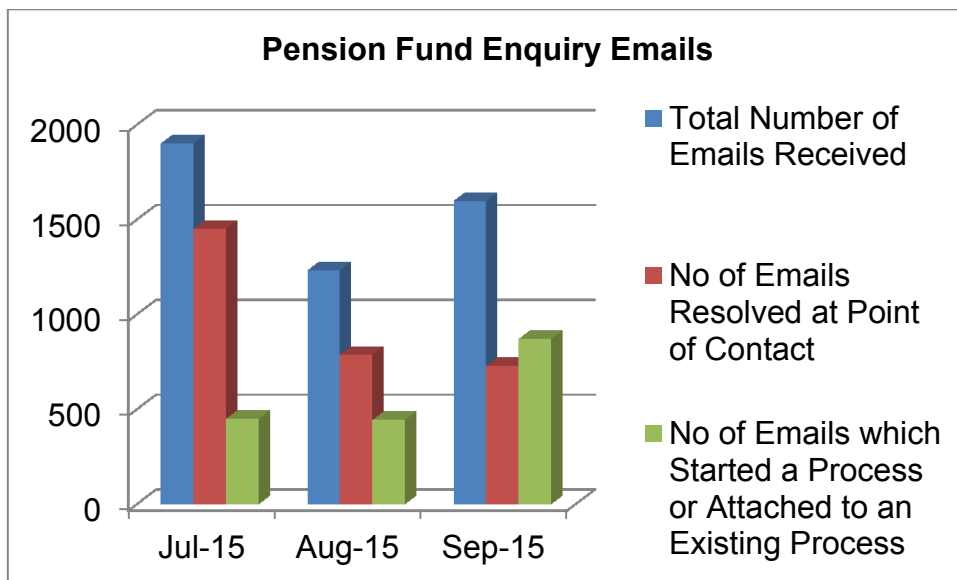
Process type												
Changes in circumstances:-												
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	294	194	327	825	1881	406	3,927
Changes of Address	2,420	2,681	2,131	1,732	1,733	221	178	150	180	137	137	1,003
Changes of Bank	2,927	2,531	2,783	3,420	3,281	270	186	207	188	171	171	1,193
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	22	10	11	5	4	3	55

Payroll						Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	
Actual number paid	792,724	837,189	870,804	895,018	913,864	70,295	70,398	76,992	70,868	70,971	77,655	437,179

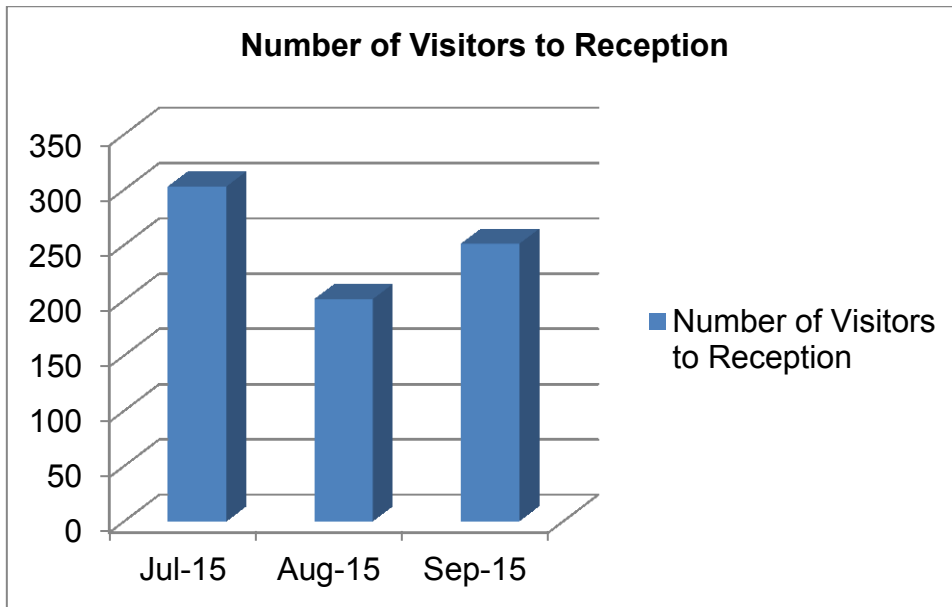
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	July 2015	Aug 2015	Sept 2015
No of Calls Offered	7526	5477	5839
No of Calls Answered	6279	4691	5173
Answer Rate	83.4%	85.6%	88.6%
Calls answered at first point of contact	98.7%	99.1%	98.8%

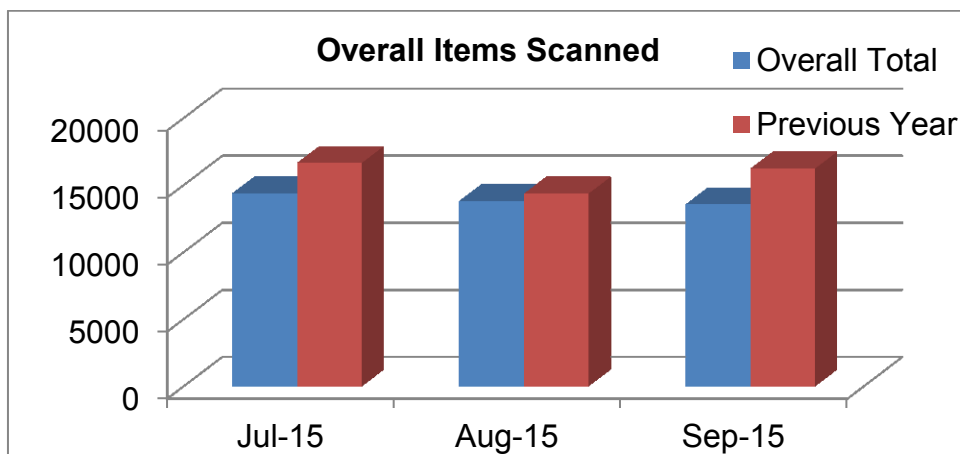


	July 2015	Aug 2015	Sept 2015
Total Number of Emails received	1903	1232	1598
Number of Emails resolved at point of contact	1453	788	728
Number of Emails which started a process or attached to an existing process	450	444	870



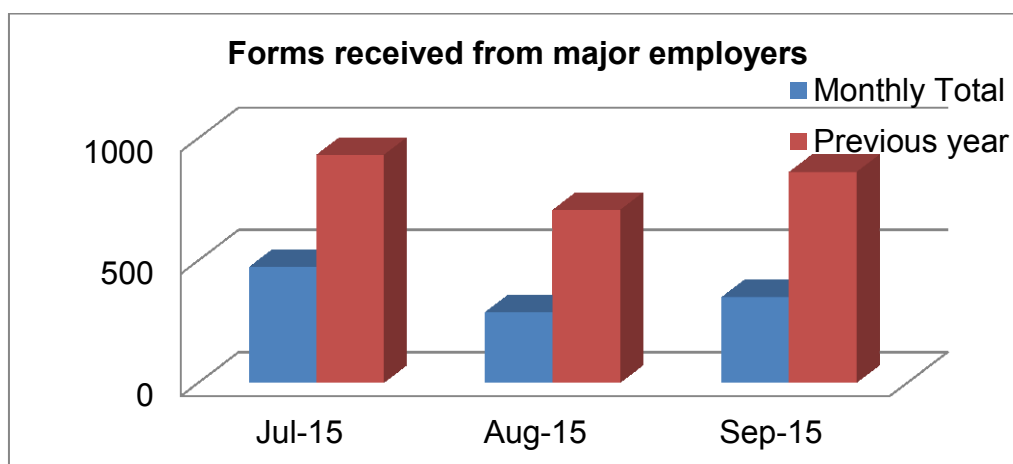
	July 2015	Aug 2015	Sept 2015
Number of Visitors to Reception	303	201	251

**Data Quality Statistics
1 July 2015 – 30 September 2015**



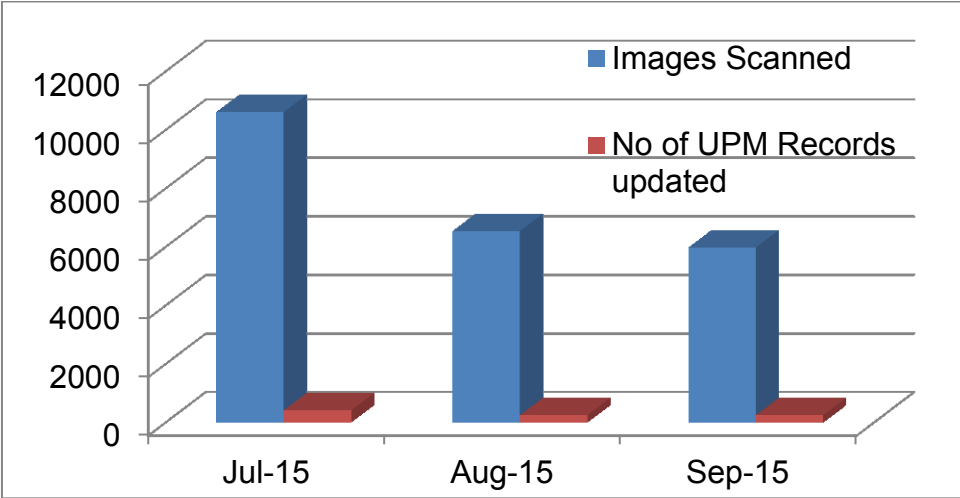
	Overall Total	Previous Year
July 2015	14385	16656
August 2015	13808	14370
September 2015	13573	16238

	Overall Scanned	Indexing errors	% error rate
July 2015	14385	17	0.12
August 2015	13808	10	0.07
September 2015	13573	9	0.06



	Monthly Total	Previous year
July 2015	473	932
August 2015	289	707
September 2015	350	862

Microfiche Statistics



	Images Scanned	No of UPM Records updated
July 2015	10608	416
August 2015	6542	251
September 2015	5982	251

CITY OF
WOLVERHAMPTON
C O U N C I L

Pensions Committee

9 December 2015

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

Recommendations for noting:

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

1.0 Purpose

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

2.0 Background

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

3.0 Fund data review process

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

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

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

4.0 2015 annual return process – follow-up

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

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

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

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

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

5.0 Financial implications

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

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

6.0 Legal implications

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

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

7.0 Equalities implications

7.1 There are no implications.

8.0 Environmental implications

8.1 There are no implications

9.0 Human resources implications

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

10.0 Corporate landlord implications

10.1 There are no implications

11.0 Schedule of background papers

11.1 None

12.0 Appendices

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

Appendix 1

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

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

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

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

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

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

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

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

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

Notes:

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

Appendix 2

Schedule of engagement with employers

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

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

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

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

Other employers

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



Pensions Committee

9 December 15

Report title	Risk and compliance monitoring 1 July 2015 – 30 September 2015	
Originating service	Pension Services	
Accountable employee(s)	Emma Bland Tel Email	Compliance and Risk Manager 01902 554387 emma.bland@wolverhampton.gov.uk
Report has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to:

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

1.0 Purpose

- 1.1 To provide the Pensions Committee with the Fund's top ten risks, feedback on the quarterly compliance monitoring programme, the Fund's compliance with The Pensions Regulator's code of practice and the Scheme Advisory Board's (SAB's) key performance indicators.
- 1.2 The Fund's compliance with The Pensions Regulator's code of practice and the SAB's key performance indicators, will also be taken to the Pensions Board in January 2016.

2.0 Risk register

- 2.1 The Fund's top ten risks are shown in Appendix 1. Detailed risk registers are separately maintained for each department of the Fund by Compliance.
- 2.2 The Fund's risks are assessed using a 5 x 5 scoring matrix to decide how likely they are to occur and how much of an impact they would have; the matrix is shown in Appendix 2.

3.0 Compliance monitoring programme

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

3.4 Exception reporting

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

3.4.1 Pensions Administration

In accordance with the reporting requirements placed on us by The Pensions Regulator, we reported an employer for failing to pay contributions in line with the actuarial certificate. The Pensions Regulator have acknowledged our submission and are currently reviewing.

3.4.2 Governance

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

3.4.3 Investments

The Fund receives monitoring reports from external fund managers on a quarterly/half yearly basis and reviews these, with the aim of making contact at least once a year. Where there are significant issues, more frequent contact is made.

Compliance reviewed the frequency of the Fund's monitoring through contact with external fund managers. The method of contact (e.g. face-to-face meeting, conference call) was left to the internal portfolio managers' discretion, dependent on size of holding, whether there are any issues, etc.

- Infrastructure – 21 funds out of 22 have been contacted within the last 12 months, and a call is scheduled for 17 December 2015, for the remaining fund.
- Property – 25 out of 28 funds have been contacted within the last 12 months and appointments are scheduled so that the remaining 3 will be contacted by 1 December 2015.
- Unquoted equities – 139 out of 171 funds have been contacted within the last 12 months. The portfolio manager has planned to meet or hold conference calls with the remaining managers by no later than 31 January 2016.

4.0 The Pensions Regulator's code of practice

- 4.1 In April 2015 The Pensions Regulator ("tPR") issued a code of practice for public service pension schemes. The code of practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
- 4.2 The Fund has assessed its compliance against this code of practice, using the RAG rating system, see Appendix 3. There are no areas of significant concern. Areas with an amber rating reflect development work being undertaken to further tighten controls and ensure a robust monitoring framework.

5.0 Scheme Advisory Board's key performance indicators

- 5.1 During 2014, the SAB Scheme Reporting Working Group developed a suite of 18 KPIs to assess and benchmark the health of LGPS funds. The 18 KPIs were made up of 4 core KPIs and 14 supplementary KPIs. For each of these KPIs, the Fund was required to score itself against stipulated examples of best practice and concern; the possible scoring range being -56 to +60.

5.2 Exception reporting

The Fund's self-assessment is attached in Appendix 4, the Fund has a score of +37. Listed below are the areas of the KPIs where the Fund did not achieve the maximum available score and where possible, the steps we are taking to address this.

5.2.1 KPI 1: <3 priority/"red" risks

At the time that the KPIs were submitted, the Fund had 3 risks rated as "high", (currently there are 2). However the Fund's view is that "less than three priority risks", does not necessarily indicate good practice and could mean that risks have been missed – more important, is to have a robust risk management framework in place.

5.2.2 KPI 2: Funding level rising and getting closer to 100% funded (or above) over the last three triennial valuations on a standardised like for like basis

The funding level reduced from 75% at the 2010 valuation to 70% at the 2013 valuation. Standardised assumptions will be used by all LGPS funds at the 2016 valuation. Although these assumptions have not yet been set, indicative work undertaken by Hymans suggests that when all funds were assessed on a like for like basis at 31 March 2013 valuation, WMPF's funding level would have been higher.

5.2.3 KPI 3: Implied deficit recovery period less than 15 years for last 3 valuations

The "implied deficit recovery period" is based on like for like Her Majesty's Treasury's assumptions (not each funds valuation assumptions), which are not available yet.

However, at the 2010 valuation, the Fund's deficit recovery period (using its own assumptions) was 25 years, reducing to 22 years at the 2013 valuation. The deficit recovery period will next be considered at the 2016 valuation. Whilst the Fund aims to reduce its deficit recovery period, this needs to be balanced with the impact on employers' contributions and thus affordability of the scheme.

5.2.4 KPI 7: Full compliance with TPR guidance and codes for public sector pension schemes

The Fund has undertaken a self-assessment against the code of practice, as outlined in 4.0 above.

5.2.5 KPI 8: Fund and employer discretions published

The Fund does not publish employer discretions as there are so many of them bespoke to each employer. Going forward we will publish the Fund's discretions and a list of employers who have discretions, with links to their websites.

5.2.6 KPI 8 and 18: Meet 'Plain English', Crystal Mark and or other recognised e-publishing standards

Whilst we endeavour to ensure our documents meet 'plain English' standards we do not hold the Crystal Mark to meet this standard. Given other priorities and the resource required to achieve this standard, this is not something we are pursuing at the moment.

5.2.7 KPI 10: Overall Fund investment return (net of fees) for last 1, 3 and 5 years in top three quintiles

The Fund's performance to March 2015 was not in the top three quintiles for all the 3 periods.

With regards to the percentage of fund mandates which have delivered over rolling 3 year performance periods, the complexity of our pooled fund arrangements is such that the KPI analysis would not be meaningful. It does work for segregated mandates and so our KPI response was focussed on these.

To reduce costs and improve performance going forward, the Fund:-

- Is reviewing its strategic asset allocation and implementation of its investment strategy.
- Has strengthened the decision making process through the implementation of the Investment Advisory Panel (IAP).

- Appointed an Independent Investment Advisor to the IAP, to provide independent, senior experience and pro-active assistance on all investment matters.
- Implemented an in-house active global equities portfolio in May 2015.
- Has reorganised its equity mandates, reducing the number of mandates from 17 to 12, to facilitate
 - Tighter monitoring and oversight of portfolios
 - The setting of portfolio objectives and portfolio construction (creating portfolios with more clearly defined characteristics)

5.2.8 **KPI 12: Common and conditional data meets TPR standards**

The Pensions Regulator stipulates that common and conditional data standards apply only to private sector schemes, public sector schemes must comply with the Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014. A data quality report is brought to this committee (9 December), setting out the actions being taken to ensure the completeness and quality of data held by the Fund.

5.2.9 **KPI 13: ABS meet or exceed regulatory standards and due timelines for issuance**

The Fund did not meet the statutory deadline of 31 August 2015 for issuing ABSs. This was the first time the Fund did not meet the deadline. The Fund notified The Pensions Regulator who confirmed they will not be taking any action, as the Fund issued by 31 October 2015. The Fund is actively working with its software provider and employers to improve the timeliness and ease of exchange of information, to prevent delays in 2016.

5.2.10 **KPI 15: No stage 2 Internal Dispute Resolution Procedures (IDRPs) and no Pensions Ombudsman findings against the Fund's actions in the last three years**

Six cases have been progressed to the Ombudsman in the last three years, with one resulting in a determination against the Fund. The Fund has little control over the number of stage 2 IDRPs, as these are where a member feels their dispute with their employer is unresolved and refers it to the Fund to investigate. However we are providing more guidance to employers so that cases are dealt with properly and completely in the first instance.

6.0 **Financial implications**

6.1 The compliance monitoring programme has not identified any areas of high concern.

7.0 **Legal implications**

7.1 **Risk management**

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

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

7.2 Regulator's code of practice

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

8.0 Equalities implications

8.1 This report contains no direct equal opportunities implications.

9.0 Environmental implications

9.1 This report contains no direct environmental implications.

10.0 Human resources implications

10.1 The report contains no direct human resource implications.

11.0 Corporate Landlord

11.1 There are no corporate landlord implications.

12.0 Schedule of background papers

12.1 Agenda item no. 15 at the 23 September 2015 Pensions Committee: Risk and compliance monitoring 1 April 2015 to 30 June 2015, which can be found at: - <http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4825&Ver=4>

13.0 Schedule of Appendices

13.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key

Appendix 3 – Compliance with The Pensions Regulator's code of practice

Appendix 4 – LGPS Scheme Advisory Board Key Performance Indicators

WEST MIDLANDS PENSION FUND RISK REGISTER

PENSIONS ADMINISTRATION RISKS																
Top 10	Objective at risk	Details of risk, including consequences			Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 10	To improve our funding level	Pensions Administration	PA2	Liabilities need to be orphaned across the Funds remaining employers in the event of an employer failing.	High (4)	High (4)	High (16)	1. All new employer bodies need to have a suitable guarantee/covenant in place prior to being admitted into the scheme 2. Monitoring is carried out on existing employers and the covenant strength is assessed and each employer is risk rated. 3. Higher risk employers are monitored closely by the Employer Team 4. Where there are concerns, the Fund opens dialogue with the relevant employers and where possible, arranges face-to-face meetings to explore their situation in more detail. Once the Fund has a more detailed understanding of the situation, it will discuss the possibility of the provision of additional security by those organisations to further strengthen their covenant.	1. Implemented 2. In progress 3. In progress 4. In progress	100% 60% 100% 15%	High (4)	Medium (3)	Medium (12)	1. Quarterly 2. Quarterly 3. Quarterly 4. Quarterly	Dec 15	Head of Pensions Administration
Page 63 In Top 10	To provide excellent customer service	Pensions Administration	PA3	Pension benefits are calculated with inaccurate or incomplete data (leading to under/overpayments)	Medium (3)	Very high (5)	High (15)	1. Robust process in place to ensure accuracy of calculations, including officer checking.	1. Implemented	100%	Medium (3)	High (4)	Medium (12)	1. Quarterly	Dec 15	Assistant Director - Actuarial & Pensions
								2. Induction training to ensure officers are suitably skilled, as well as regular staff training to raise awareness of the importance of data quality.	2. Implemented	100%				2. On-going	N/A	
								3. Data quality reviews of common and conditional data in place and reported to Committee quarterly.	3. Implemented	100%				3. Quarterly	Dec 15	
								4. The PAS sets out expectations and requirements of employers in relation to data quality.	4. Implemented	100%				4. Annually	Mar 16	
								5. Communication with employers at AGM to stress the importance of complete and accurate data.	5. Implemented	100%				5. Annually	Dec 15	
								6. Data validation checks undertaken:- (a) by actuary at valuation (b) through National Fraud Initiative (c) through Millennium Halo	6. (a) Implemented (b) Implemented (c) Implemented	100% 100% 100%				6. (a) Triennially (b) Every 2 years (c) Monthly	Mar 16 Mar 16 Dec 15	
								7. Web portal in place for members to input their details directly removing employee human error	7. Implemented	100%				7. On-going	N/A	
								8. Bulk data import in place for employers to load their joiners data straight to the Fund's system (UPM)	8. Implemented	100%				8. Adhoc - if required	N/A	
								9. Bulk data import in progress for employers to load their member changes data straight to UPM	9. In progress	95%				9. Adhoc - if required	N/A	
								10. Bulk data import to enable employers to load their early leavers data straight to UPM has been put on hold. The Fund provided a specification for this to Civica, but then found that Civica are producing a standard product which is likely to be cheaper.	10. Proposed	0%				10. In 6 months	May 16	
								11. Individual member changes and individual early leavers data can be loaded straight to UPM by employers.	11. Implemented	100%				11. Adhoc - if required	N/A	
In Top 10	To provide excellent customer service	Pensions Administration	PA5	The Fund does not complete the Guaranteed Minimum Pension (GMP) reconciliation.	High (4)	Very high (5)	High (20)	1. A project is underway to achieve this by December 2018. 2. Initial analysis has been completed. 3. The Fund has engaged ITM to do more analysis to identify the gaps. ITM report due end of Nov. 4. Progress of the project is reported monthly to the Senior Management Team. 5. Report to Pensions Committee quarterly.	1. In progress	10% - 15%	High (4)	High (4)	High (16)	Monthly	Dec 15	Head of Pensions Administration
In Top 10	To improve our funding level	Pensions Administration	PA7	Future liabilities increase	High (4)	High (4)	High (16)	1. The Fund undergoes a triennial valuation, in conjunction with the Fund's actuary. Although liabilities will increase, controls are put in place to ensure assets keep pace with liabilities. The closer the match,	1. Implemented	100%	Medium (3)	High (4)	Medium (12)	1. Triennially	Mar 16	Assistant Director - Actuarial and Investments
								2. Life expectancy: Although there is no life expectancy hedging, a prudent allowance is built into the actuarial assumption, for life expectancy to improve.	2. Implemented	100%				2. Triennially		
								3. Inflation and wage and salary inflation: The Fund invests in index-linked bonds and the PIP, which provides an index linked income stream.	3. Implemented	100%				3. Triennially		
								4. Interest rates: Investment returns are monitored quarterly with liabilities in mind.	4. Implemented	100%				4. Quarterly		
		Administration						1. Governance team in place to help translate regulations	1. Implemented	100%			Annually	Nov 15		
								2. Technical team in place to help translate regulations and to ensure new systems meet regulatory requirements.	2. Implemented							
								3. Robust testing process for any system changes.	3. Implemented							
								4. Use of other Fund's (that use UPM) knowledge.	4. Implemented							
								5. Civica have enhanced their specialist LGPS knowledge and can challenge any changes which do not adhere to the regulations.	5. Implemented							
								6. LGPS 2014 changes being loaded into UPM for use	6. In progress							85%

WEST MIDLANDS PENSION FUND RISK REGISTER

In Top 10	To provide excellent customer service	Pensions Adminis	PAB	Failure to adhere to statutory requirements/LGPS regulations.	High (4)	Medium (3)	Medium (12)	7. Internal dispute resolution (IDRP) process: (a) Undertaken IDRP process review (b) IDRP guide updated and being piloted with employers	7. In progress	80%	High (4)	Low (2)	Medium (8)	Annually	Dec 15	Assistant Director - Actuarial & Pensions
								8. ABS delivery: (a) Provided feedback into Local Government Association (LGA) survey, to be reported to The Pensions Regulator (TPR) (b) Sent follow up letter to Civica (c) WMPF report to TPR as required to meet reporting requirements and follow up on actions (d) Produced reports for all employers, highlighting issues. Met with 4 out of 7 districts to follow up. Expect to have met with all 7 by end of November.	8. (a) - (b) Implemented (c) - (d) In progress	60%						

WEST MIDLANDS PENSION FUND RISK REGISTER

INVESTMENT RISKS																
Top 10	Objective at risk	Details of risk, including consequences			Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 10	To achieve target investment returns	Investments	I2	Fund does not achieve investment returns.	High (4)	High (4)	Medium (16)	1. Diversified portfolio. 2. Monthly monitoring of investment manager performance at Investment Management Team (IMT) meetings. 3. Regular monitoring of market conditions.	Implemented	100%	High (4)	Low (2)	Medium (8)	Monthly	Dec 15	Assistant Director - Investments
GOVERNANCE RISKS																
Top 10	Objective at risk	Details of risk, including consequences			Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 10	To become a top performing fund	Governance	G1	The Fund breaches Information Security and Data Quality regulations.	High (4)	Very high (5)	High (20)	1. Continuous staff training on data protection	1. Implemented	100%	Medium (3)	High (4)	Medium (12)	Annually	Dec 15	Head of Governance/ Assistant Director - Actuarial & Pensions
								2. In-depth training for senior managers on information governance	2. Implemented	100%						
								3. There is an information governance project underway in preparation for an information governance audit in December.	3. In progress	50%						
								4. Data encryption and password protection	4. Implemented	100%						
								5. Use of file transfer protocol	5. Implemented	100%						
								6. All information security breaches are reported and any systemic issues are identified and corrected.	6. Implemented	100%						
								7. System back-up to protect against data loss.	7. Implemented	100%						
								8. A data improvement plan to be taken to the Dec 15 PC and Jan 16 Pensions Board (PB)	8. In progress	80%						
								9. A dedicated data team is being set-up, as part of the Pensions Administration structure review	9. In progress	60-70%						
In Top 10	To become a top performing fund	Governance	G2	Lack of independence between the Fund, elected members and pension board representatives from their authorities, resulting in poor decision making	High (4)	High (4)	High (16)	1. Full trustee induction training is provided to members on joining the Pensions Committee and Pensions Board to inform them of their duties and responsibilities.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)	Quarterly	Dec 15	Head of Governance
								2. There are sufficient numbers on the Committee to ensure that the Fund's interests are put before individual authorities.	2. Implemented	100%						
								3. Members are bound by codes of conduct.	3. Implemented	100%						
								4. Conflicts of interest policy in place for Pensions Committee and Pensions Board	4. Implemented	100%						
								5. All districts are represented and have voting powers.	5. Implemented	100%						
								6. Clear delegation of authority within the Council and the Fund's separate constitutions, setting out the roles and responsibilities of the Fund.	6. Implemented	100%						
								7. Conflicts of interest policy in place for Pensions Committee and Pensions Board.	7. Implemented	100%						
In Top 10	To provide excellent customer service	Governance	G3	The Fund cannot continue to operate and deliver its priority services following a disaster, IT incident or data loss scenario.	High (4)	Medium (3)	Medium (12)	1. Business continuity plan in place for incidents which deny access to Mander House. Includes ability to access systems from home. The plan is regularly reviewed and tested.	1. Implemented	100%	Medium (3)	Medium (3)	Medium (9)	Annually	Feb 16	Head of Governance
								2. WCC has 2 servers at a primary site (the Civic Centre) and 2 servers at a secondary site (Stafford County Council). The Fund's data is mirrored at both sites.	2. Implemented	100%						
								3. Testing of the business continuity plan by WCC is in the early stages. Compliance and Risk Team to liaise with WCC's IT department, to ensure testing takes place.	3. In progress	10%						
In Top 10	All objectives	Governance	G7	Change in government policy/LGPS reforms	Very high (5)	High (4)	High (20)	1. The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds.	1. Implemented	100%	High (4)	High (4)	High (16)	Monthly	Dec 15	Strategic Director of Pensions

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IMPACT AND LIKELIHOOD KEY

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










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

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



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**The Pensions Regulator
Code of Practice**


Summary of Fund's compliance with The Pensions Regulator's code of practice



Code	RAG status
Reporting breaches of the law	
Reporting duties	
Internal controls and managing risks	
Communicating to members	
Publishing scheme information	
Maintaining contributions	
Record keeping	
Resolving internal disputes	
Pension board conflicts of interest and representation	


Detail of Fund's compliance with The Pensions Regulator's code of practice


Code	Key points	RAG status	Current assessment and areas for development
Reporting breaches of the law	<ul style="list-style-type: none"> • All reporters should have effective arrangements in place to meet their duty to report breaches of the law. • The Fund must report breaches of the law when it has reasonable cause to believe that: <ul style="list-style-type: none"> ○ A legal duty relevant to the administration of the scheme has not been, or is not being, complied with ○ The failure to comply is likely to be of material significance to The Pensions Regulator (tPR) • The report must be made in writing and must be made as soon as reasonably practicable. • A system for recording all breaches even if they are not reported. • Not every breach has to be reported, tPR's traffic light system should be used to decide. 		<p>Current practice</p> <ul style="list-style-type: none"> • The Fund has a breach log, recording all breaches. • A breach procedure is in place and was approved by the Pensions Committee on 23 September 2015. • Employers to be updated through the November employer briefing note, that breaches may be reported.
Reporting duties	<ul style="list-style-type: none"> • Managers of public service schemes must let tPR know of any changes to their scheme's 'registrable information' and provide the up-to-date information as soon as possible. • Registrable information includes details about:- <ul style="list-style-type: none"> ○ The Scheme ○ The managers of the Scheme ○ Employers 		<p>Current practice</p> <ul style="list-style-type: none"> • WMPF is registered with tPR • The Fund's registrable information on Exchange online was fully reviewed in November 2015 and going forward will be updated as soon as possible following any changes.

Code	Key points	RAG status	Current assessment and areas for development
	<ul style="list-style-type: none"> In the future, tPR is planning to issue bespoke scheme returns for public service schemes to complete. These will ask schemes to provide registrable and other information to them on a regular basis (at least every three years). This is in addition to the ongoing duty for managers to notify them of changes to registrable information as soon as possible. 		<ul style="list-style-type: none"> Compliance will fully review annually.
<p>Internal controls and managing risks</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 72</p>	<ul style="list-style-type: none"> The scheme manager must establish and operate adequate internal controls that enable them to manage risks that relate to their scheme. Schemes should have a process to identify, evaluate and manage risks on an ongoing basis. <p>Internal controls checklist</p> <ul style="list-style-type: none"> Do you have effective arrangements and procedures to ensure that the pension scheme is being run in accordance with the scheme rules and requirements of the law? Do you regularly review the arrangements and procedures? Do you have a process to identify risks? Do you have a process to evaluate risks? Do you have in place processes or controls to manage risks? Do you have a risk register to record all risks identified and action taken? Do you regularly review the risk register? 		<p>Current practice</p> <ul style="list-style-type: none"> Compliance officers attend Team Management Meetings, to identify and evaluate risks. Risks are recorded in a risk register with actions taken. Risks are reported quarterly at Senior Management Team meetings and at Pensions Committee meetings. Risk workshops are held annually, attended by Senior Managers, Pensions Committee and Pensions Board members. WCC's audit department review and report on the Fund's risk management annually at Pensions Committee. <p>Areas for development</p> <ul style="list-style-type: none"> The Fund's compliance with tPR's code of practice (including internal controls and risk management) will be reported to the Pensions Committee and Pensions Board.


Code	Key points	RAG status	Current assessment and areas for development
	<ul style="list-style-type: none"> Do you have a standing item on the pension board agenda to review scheme risks? 		
Communicating to members	<ul style="list-style-type: none"> The scheme manager must provide annual benefit statements to active members of defined benefit (DB) public service pension schemes. The first statement must be provided within 17 months of the scheme regulations coming into force. The scheme manager must communicate certain other information to scheme members when required. The Fund should provide communications that are accurate, clear and accessible. 		<p>Current practice</p> <ul style="list-style-type: none"> The Fund aims to provide annual benefit statements to active and deferred members by 31st August each year. Annual benefit statements for deferred members were issued July 2015. Annual benefit statements for active members were issued in two batches (28 September 2015 and 19 October 2015) and did not meet the 31 August 2015 statutory deadline. tPR were notified and have confirmed they will not be taking any action. The Fund has a dedicated Communications Team to ensure communications such as annual benefit statements are accurate, clear and accessible. Letters to members are peer reviewed. <p>Areas for development</p> <ul style="list-style-type: none"> The Fund is actively working with its software provider and employers to improve the timeliness and ease of exchange of information, to prevent delays in 2016.

Code	Key points	RAG status	Current assessment and areas for development
Publishing scheme information	<ul style="list-style-type: none"> • The scheme manager must publish and keep up-to-date information about the pension board. • The scheme manager must publish information about the pension board and keep that information up to date, including: <ul style="list-style-type: none"> ○ Who the pension board members are ○ Representation on the pension board ○ Matters for which the pension board is responsible • The Fund should also publish: <ul style="list-style-type: none"> ○ The pension board's terms of reference ○ The pension board appointment process ○ Who each pension board member represents ○ Employment and job title (where relevant) and any other relevant position held by each board member ○ Any specific roles and responsibilities of individual pension board members • Schemes should consider publishing other information such as pension board papers, agendas and meeting minutes (with confidential information removed). 		<p>Current practice</p> <ul style="list-style-type: none"> • The Fund has a dedicated Pensions Board website with up-to-date information about the Pensions Board. The website is reviewed quarterly, to ensure it is up to date. There is also a full annual review. • Information published on the website about the Pensions Board includes all of the information recommended. • The Fund publishes Pensions Board agendas, papers and minutes. • The appointment process of the Pensions Board was published.
Maintaining contributions	<ul style="list-style-type: none"> • The scheme manager should produce and maintain a payment schedule or contributions monitoring record. • Check that contributions are paid to your scheme. • Set up a process that you can use to identify and manage contribution payment failures. 		<p>Current practice</p> <ul style="list-style-type: none"> • The Fund's finance team maintains a contributions monitoring record and carries out monthly contribution monitoring. • Compliance testing is carried out quarterly to ensure the timeliness and reasonableness of

Code	Key points	RAG status	Current assessment and areas for development
	<ul style="list-style-type: none"> You should attempt to recover contributions within 90 days of the due date (for employers' contributions) or prescribed period (for employees' contributions) and keep a record of your investigation and communications between you and the employer. If scheme managers have reasonable cause to believe that a late payment of employer and/or employee contributions is likely to be of material significance to the regulator, it must be reported to tPR and members within stipulated timescales and by the stipulated method. 		<p>contributions received.</p> <ul style="list-style-type: none"> Employers to be updated through the November employer briefing note, that late payers may be reported. <p>Areas for development</p> <ul style="list-style-type: none"> Consolidation of information from a number of sources to put in place a single monitoring tool. The Pensions Administration Strategy (PAS) is being updated for 1 April 2016 and will include more detail regarding late payers reporting policy and procedures. Compliance testing to check late payers are chased and that there are records of investigation.
Record keeping	<ul style="list-style-type: none"> The scheme manager must keep records of member and beneficiary information, transactions, and pension board meetings and decisions. The scheme should have effective record-keeping processes and regularly evaluated member data. The scheme should work with employers to ensure they understand what information they're required to provide and when they need to do this. Schemes must keep records of transactions made to and from the scheme and reconcile these against expected contributions and costs. 		<p>Current practice</p> <ul style="list-style-type: none"> The Fund has a Pensions Administration Strategy which is reviewed annually. Additionally employers are consulted with, as part of the review. Employer events during the year cover a range of topics, including what information employers are required to provide and the importance of data quality. Members records are held on the Pensions Administration system (UPM) which has inbuilt checks.

Code	Key points	RAG status	Current assessment and areas for development
	<ul style="list-style-type: none"> • Schemes should retain records for as long as is relevant for the purposes for which they are needed. • Schemes must ensure that member data processes meet the requirements of the Data Protection Act 1998 and the data protection principles. • Schemes should monitor data quality at least annually. If poor quality or missing data is identified the scheme should agree a data improvement plan. This should have a defined end date and must be monitored to track progress. • Where data problems are identified which are not being resolved the scheme should consider whether a breach of the law needs to be reported to the PR. 		<ul style="list-style-type: none"> • Data protection is embedded in the organisation. All Fund employees have received training. • Data quality checks of common and conditional data are carried out. <p>Areas for development</p> <ul style="list-style-type: none"> • A data improvement plan to be taken to 9 December 2015 Pensions Committee and 19 January 2016 Pensions Board. • Following this, a mid-year review of progress will be taken to the 2016 June/July Pensions Board.
Resolving internal disputes	<ul style="list-style-type: none"> • The scheme manager must set up and operate arrangements which comply with legal requirements for resolving internal disputes with members and others. • The Fund should regularly check that the arrangements work effectively. <p>Communication</p> <ul style="list-style-type: none"> • The procedure should be: <ul style="list-style-type: none"> ○ Communicated in scheme documentation, e.g. a joining booklet ○ Easily accessible, e.g. on the scheme website • Schemes can choose to specify a time limit to submit an application for some people and must provide a time limit for 		<p>Current practice</p> <p>Communication</p> <ul style="list-style-type: none"> • The Fund includes its internal dispute resolution process (IDRP) in its joining booklet (A Guide to the LGPS for employees (England and Wales)) and has a separate IDRP booklet. Both are published on the scheme website. • The Fund operates a two stage process, stage 1 is with employers and stage 2 is with the Fund. • The Fund sets a time limit to submit an application of 6 months for all.

Code	Key points	RAG status	Current assessment and areas for development
	<p>others (6 months recommended for the latter). Where the scheme can choose to specify a time limit, this limit should be published and made readily available.</p> <p>Managing the application</p> <ul style="list-style-type: none"> • Upon receipt of a second stage IDR application: <ul style="list-style-type: none"> ○ An acknowledgement should be sent ○ Contact details of TPAS should be provided • Members should be advised if the time frame is expected to be shorter or longer than the published timeframe (two months for the Fund's stage 2 currently) and provide regular progress updates to manage their expectations. • When notifying the applicant of a decision contact details for the Pensions Ombudsman should be provided <p>Raising awareness Schemes should:</p> <ul style="list-style-type: none"> • Raise awareness of the IDR • Ensure it is being followed • Review the procedure regularly to ensure it remains effective • Ensure that any 'specified person' undertaking the first stage of a two stage procedure is also implementing procedures 		<p>Managing the application</p> <ul style="list-style-type: none"> • IDR stage 2 applications logged and allocated a reference number. They are then acknowledged by the Fund, there is no set timescale to acknowledge and we do not provide contact details of TPAS (although they are in the published IDR booklet). • IDR stage 2 decisions are currently communicated to individuals within 2 months. We notify the individual if this time frame is likely to be longer, but not shorter. At this point we provide contact details for TPAS and the Pensions Ombudsman. • If an individual has not heard anything from stage 1 (a) after 3 months, or (b) 1 month after a stipulated response date, they can refer their application to the Fund under stage 2. <p>Areas for development</p> <ul style="list-style-type: none"> • The IDR process and policy has been updated to reflect the tPR's code and is currently being piloted by employers. • Employers to be asked to notify the Fund of IDR applications at the first stage. • Compliance to monitor timescales are being adhered to for stage 1 and 2 – a new internal KPI has been introduced. • Raising employer awareness – for example, to

Code	Key points	RAG status	Current assessment and areas for development
			include in the April employer briefing note, following the pilot.
Pension board conflicts of interest and representation	<ul style="list-style-type: none"> • Pension board members must disclose any potential conflicts to the scheme manager, providing the scheme manager with such information as they reasonably require for the purposes of meeting the legal requirements for conflicts of interest. • Scheme managers must: <ul style="list-style-type: none"> ○ Be satisfied that public service pension board members do not have a conflict of interest ○ Check from time to time that none of the members of the pension board have a conflict of interest as a crucial part of managing potential conflicts ○ Maintain a register of conflicts of interest which is monitored and reviewed regularly. ○ Details of conflicts and actions to mitigate it should be recorded. <p>Managing conflicts of interest</p> <ul style="list-style-type: none"> • Schemes should ensure that there is an agreed and documented conflicts policy and process. • Clear guidance on the roles, responsibilities and duties of pension boards and their members should be set out in scheme regulations or in other scheme documentation. 		<p>Current practice</p> <ul style="list-style-type: none"> • Conflicts of interest are recorded at each Pensions Board and Pensions Committee meeting. • As well as recording conflicts, actions to mitigate the conflicts are also recorded. • The Fund has a conflicts of interest policy. • Pensions Board terms of reference are published on the Fund's website. • Guidance on the roles, responsibilities and duties of the Pensions Board and its members is set out in terms of references and the Fund's constitution. • The Pensions Board has an equal number of employer and member representatives.

Code	Key points	RAG status	Current assessment and areas for development
	<p>Representation on boards</p> <ul style="list-style-type: none"> • Pension boards must have an equal number of employer and member representatives. 		

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No.	Key Indicator	Examples of level for concern	Examples of good practice for high performing fund	Fund score	Evidence and comments	Minimum possible score	Maximum possible score
1	Risk management	No or only a partial and/or an unclear risk register with no or poorly specified or un-implemented mitigation actions over time leading to increased fund risk. No evidence of a risk register being a) prioritised	Comprehensive risk register covering the key risks (in accordance with current CIPFA guidelines) with prioritisation, robust mitigation actions, defined deadlines, with action tracking to completion. Evidence and e-links to demonstrate a) risks prioritised on a RAG red, amber, green or by a scoring methodology				
		b) annually reviewed by Pensions Committee	b) completed actions signed off by Pensions Committee after at least annual update,	1	a) Risks prioritised using a 5x5 scoring matrix b) Departmental risk registers are reviewed at quarterly Senior Management Team meetings and top ten selected to present to Pensions Committee quarterly: http://wolverhampton.moderngov.co.uk/ieListMeetings.aspx?Committeed=186		
		c) annually reviewed by internal audit or external audit	c) annual review by internal audit and external audit	1	c) Internal audit review quarterly to look for any changes and then report annually to Pensions Committee. The 2014/15 annual internal audit report can be found at: http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?Cid=186&Mid=4824&Ver=4		
		d) used to reduce high risks	d) <3 priority/"red" risks	0	d) The Fund has 3 risks rated as "high".		
		e) available for public scrutiny.	e) public disclosure of a summary version published on fund website or in fund annual report.	1	e) Summary version published in the Fund's annual report: http://www.wmpfonline.com/annualreports		
		Self score -1 point for each one	Self score +1 point for each one	4		-5	5
2	Funding level and contributions (see explanatory notes)	a) Decreasing funding level (calculated on a standardised and consistent basis) and/or in bottom decile of LGPS, over the last three triennial valuations on a standardised like for like basis.	Evidence and e-links to demonstrate a) Funding level rising and getting closer to 100% funded (or above) over last three triennial valuations on a standardised like for like basis. Funding % 91 to >100 =score +5 80-90 =+4 70-79 =+3 60-69 = +2 <59 = +1				
		b) No or minimal employer funding risk assessment and monitoring and not reported to Pensions Committee	b) Employer funding risk assessment and monitoring reports to Pension Committee. Net inward cashflow forecasts meeting planned income or significantly exceeding benefot outgoings.	1	a) The funding level reduced from 75% at the 2010 valuation to 70% at the 2013 valuation http://www.wmpfonline.com/article/4829/Actuarial-Valuation		
		c) Total actual contributions and actual received in last 6 years less than that assumed and certified in last 2 triennial valuations.	c) Total actual contributions received in last 6 years equate to (or exceed) that assumed and certified in the last 2 triennial valuations.	1	b) We risk assess each employer and provide monitoring reports to Pensions Committee. c) Employers are generally paying the correct amounts due with the exception of a handful of cases.		
		d) Net inward cash flow less than benefit outgoings so need for any unplanned or forced sale of assets.	d) Net inward cash flow significantly exceeds benefit out-goings	1	d) A Hymans study we recently commissioned suggests net inwards cash flow currently exceeds benefit out-goings.		
		Self score -1 for each one	Self score a) as above and rest +1 for each one	5		-4	8
3	Deficit recovery (see explanatory notes)	a) No or opaque deficit recovery plan.	Evidence and e-links to demonstrate : a)Transparent deficit recovery plan for tax raising and non-tax raising bodies.				
		b) Lengthening implied deficit recovery period (for contributions)	b) Implied deficit recovery reducing each triennial valuation.	1	Transparent deficit recovery plan for tax raising and non-tax raising bodies, the FSS and 2013 actuarial valuation can be found at: http://www.wmpfonline.com/CHttpHandler.ashx?id=4589&p=0 http://www.wmpfonline.com/article/4829/Actuarial-Valuation		
		c) Implied deficit recovery periods >25 years for last 3 valuations.	c) Implied deficit recovery period in line <15 years for last 3 valuations	0	The Fund's deficit recovery period was 25 years at the 2010 valuation, reducing to 22 years at the 2013 valuations respectively.		
		Self score -1 point for each	Self score +1 point for each one	2	See above	-3	3
4	Investment returns (see explanatory notes)	a) Required future investment return (calculated on standardised and prudently consistent basis) not aligned to the investment strategy target return, so lower likelihood of the fund achieving its funding strategy.	Evidence and e-links to demonstrate : a) Required future fund investment return (calc by actuary) are consistent with and aligned to investment strategy (asset mix expected target returns) so higher likelihood of the fund meeting its funding strategy.				
		b) Actual investment returns consistently undershoot actuarially required returns	b) Actual investment returns consistently exceed actuarially required returns	1	a) The investment strategy is formed with the aim of generating the returns required to meet liabilities. b) It is important that the Fund's investment returns over the last 10 years exceed actuarially required returns and for the Fund this is the case.		
		Self score -1 point for each one	Self score +1 point for each one	2		-2	2
Primary KPIs				13		-14	18

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Pensions Committee

9 December 2015

Report title	Service Plan Monitoring 2015/16 and Quarterly Accounts September 2015	
Originating service	Pension Services	
Accountable employee(s)	David Kane	Head of Finance
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Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
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Recommendation(s) for noting:

The Committee is recommended to note:

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

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 September 2015.
- 1.2 The KPIs and operating budgets were approved by the Committee on 18 March 2015 as part of the Service Plan 2015-2020, a full copy of which can be found on the Fund's website: www.wmpfonline.com.

2.0 Performance Against Medium Term Plan

- 2.1 The eight key priorities in the Service Plan are detailed in Appendix 1, which represents a summarised update of activities. Activities against the plan continue in line with objectives. A summary of performance against KPIs is included in Appendix 2.
- 2.2 Performance against some pension administration objectives 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 later in the year.

3.0 Forecast Outturn Against Operating Budget 2015/16

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

Budget Heading	Approved Budget 2015/16 £000	Forecast 2015/16 £000	Forecast Variance £000
Employees	4,797	4,403	(394)
Premises	328	299	(29)
Transport	60	54	(6)
Communications and Computing	604	535	(69)
Investment Management and Advice*	9,559	8,207	(1,352)
Professional Fees	1,530	1,515	(15)
Other Supplies and Services	487	476	(11)
Support Services	458	500	42
Service development	350	350	-
Total Expenditure	18,173	16,339	(1,834)
Miscellaneous Income	(5)	(9)	(4)
Net Expenditure	18,168	16,330	(1,838)

* Note: this line includes invoiced external fees only

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

- 3.3 The forecast under spend on staffing budgets (£314,000) is due to posts being vacant, or in the process of being recruited to, during the year to date. Recruitment has been difficult, in part due to salary scales. The Fund is looking to develop its own staff in-house, including through the recruitment of Fund Trainees, which is now underway. In addition, the structure of the Pensions team has been reviewed; this is the subject of another report to this Committee.
- 3.4 The maximum net increase in staffing costs arising from the review of the Administration function can be met from the service development budget, and these forecasts assume that it will be funded from that budget. The exact cost will depend on the timing of the changes and the individuals involved.
- 3.5 There are forecast savings across a range of other headings, reflecting the inclusion of up-to-date information and forecasts.
- 3.6 As at the end of September 2015, investment management fees are forecast to be £1.4 million under budget, reflecting the on-going work to streamline portfolio management arrangements. However, since these are heavily influenced by market movements and investment performance, this is particularly subject to change during the remainder of the year. Total investment management fees for the year, including those that are not invoiced, are estimated to be £77.0 million. In addition to this, internal investment management costs are forecast to be £2.2 million, giving rise to a total cost of investments of £79.2 million.
- 3.7 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out forecast cost-per-member compared to budget, using the three standard headings specified by CIPFA. These figures are stated for West Midlands Pension Fund only, reflecting the £150,000 recharge to the ITA Fund. The forecast cost-per-member is lower than budgeted for each of the three headings.

	2015/16 Budget	2015/16 Forecast
Total Administration Costs (£000)	3,621	3,521
Administration Cost per Member (£)	12.83	12.41
Total Oversight and Governance Costs (£000)	2,422	2,338
Oversight and Governance Cost per Member (£)	8.58	8.24
Number of Members	282,258*	283,582**
Total Administration, Oversight and Governance Cost per Member (£)	21.41	20.66
Total Investment Management Costs (£000)	N/A	79,162
Investment Management Cost per Member (£)	N/A	279.15
Investment Management Cost as a Percentage of Investment Assets		0.71%

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

** As at 30 September 2015

3.8 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 Quarterly Accounts – West Midlands Pension Fund

4.1 Appendix 3 provides a Fund Account for the six months ending 30 September 2015, and a Net Assets Statement as at 30 September 2015.

4.2 The Net Assets Statement provides a value for the Fund at 30 September 2015 of £11.0 billion. This is a decrease of £484.8 million from the 30 September 2015 value.

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

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

4.4 The main reason for the reduction in the value of the Fund during the quarter is the general fall in markets, the net fall in the value of investment assets over the period being £589.9 million.

4.5 It should be noted that the figure for current liabilities at 30 September 2015 is much higher than the 31 March 2015 equivalent: this is almost entirely due to early payment of contributions, recognised as receipts in advance. Of the £91.5 million current liabilities, £51.4 million is receipts in advance; of this, £38.5 million is represented by four councils. Over the remainder of the financial year, this will unwind and current liabilities will reduce.

5.0 Quarterly Accounts – West Midlands ITA Pension Fund

5.1 Appendix 4 provides a Fund Account for the six months ending 30 September 2015, and a Net Assets Statement as at 30 September 2015.

5.2 The Net Assets Statement provides a value for the Fund at 30 September 2015 of £460.4 million. This is a decrease of £14.5 million from the 30 September 2015 value.

5.3 As with West Midlands Pension Fund, the main reason for the reduction in the value of the Fund during the quarter is the general fall in markets, the net fall in the value of investment assets over the period being £13.4 million.

6.0 Financial implications

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

7.0 Legal implications

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

8.0 Equalities implications

8.1 This report has no equalities implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 The report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

12.0 Schedule of background papers

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

13.0 Appendices

1. Priorities and Implementation Targets Monitoring
2. Key Performance Indicator Monitoring
3. West Midlands Pension Fund Quarterly Accounts 30 September 2015
4. West Midlands ITA Pension Fund Quarterly Accounts 30 September 2015

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WMPF Service Plan 2015-20
Priorities and Implementation Targets

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

Activity	Benchmark Measurement	Target	Frequency	Comments
Drive progress through performance improvement				
a) Improve data quality standards to meet regulatory requirements	Review of performance against specific targets set by the regulator in respect of completeness and accuracy of data	Achieve targets set by the regulator	Ongoing/annual	Fund data has been assessed relative to the "common data" requirements and a set of "conditional data" requirements, as set out by the Pensions Regulator for private sector schemes. An assessment of the Fund data relative to new public sector record keeping requirements, introduced in April 2015, is underway. Both the regulatory requirements and employer performance following the 2014 data cleansing review and 2015 Annual Return exercise have been reviewed, and Data Improvement Plans are being developed with major employers. The Fund is looking to more closely monitor employer performance against the administration strategy and impose charges, in line with this, for poor performance. The Fund will also pass on costs to employers for additional Annual Benefit Statement work.
	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) Develop cross-cutting key performance indicators focused on service priorities	Performance against new key performance indicators (KPIs)	The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set	Monthly	Revised KPIs have been implemented with effect from January 2015 and these have been monitored and amended where necessary. Emphasis will be given to ensuring that the focus remains on these KPIs at the same time as managing the overall workload. Standards are being met in the majority of cases, although performance has been below target in some areas of pension administration following the implementation of LGPS 2014. 2014 changes are still restricting some processes but, in the main, this is now due to limited internal resource to test and implement system developments.

Activity	Benchmark Measurement	Target	Frequency	Comments
Develop and implement customer engagement strategies				
a) Develop, review and consult upon and implement engagement strategies	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	The Fund has formalised its customer engagement strategy and this was presented to Pensions Committee in June 2015. The Fund has also moved to an electronic model of working with the web portal facility available for members together with electronic benefit statements. The fund actively seeks reviews and feedback on the presentations and resources it provides to member and employers and utilises survey monkey to input those results creating a benchmark for comparison going forward. Recent questionnaires indicate that 88% of members believe the Fund provides a service that is satisfactory or better, with 37% rating it excellent. The fund has also devised a customer engagement strategy to incorporate customer journey mapping which is being piloted with the LGA in the roll-out of this year's ABS statements.
b) Hold AGM and mid-year reviews annually for employers	Events held in summer and winter each year and are favourably received	Two events per year with 90% of respondents to feedback stating event was either good or excellent	Report to SMT following event	The Fund's mid-year review 2015 was a huge success with positive feedback on all aspects, including the new venue. 93% of attendees rated the event as good/excellent. Following consultation with mid-year review attendees it has been agreed to continue with the 2 half-day events. The AGM is due to be held on 26 November.
c) Develop communications with stakeholders' needs in mind	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	In addition to b) the Fund hosts an Employer Peer Group and regularly provides employer briefing notes to representatives. The Pensions Board is now up and running, and will be a useful source of new ideas and assisting with communication.
d) Implement and review customer journey mapping (CJM) programme	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly	The CJM program is well underway having held a focus group on the new benefit statements. Three further groups are planned before the end of the financial year, to focus test the website, annual returns and the pensioner newsletter with the hope of also holding a group on annual returns.

Activity	Benchmark Measurement	Target	Frequency	Comments
Management of risk strategies				
a) Regular risk management reviews	Annual risk review	To have an action plan for the most significant risks	Annual/quarterly monitoring	The risk register has recently undergone a full review not only in risks noted but also in the way the register is created. The risk register will run as an active document with the compliance testing working alongside those risks highlighted as the top ten by individual teams. The annual risk workshop was held with members of both Pensions Committee and Pensions Board in July, and the risk register was updated to reflect members' views.
b) Review of major changes and new activities of business	Review/approval from Pensions Committee	All Fund risks are adequately managed	Ongoing/quarterly reviews of risk register	The risk register underwent a full review through the previous quarter and was approved by Pensions Committee in June 2015. It is reviewed on a quarterly basis by the management team to ensure all risks are updated in line with their impact and probability.
c) Develop and maintain risk management approach in order to give annual assurance statement	Review/approval from Pensions Committee	All Fund risks are adequately managed	Annual review	The risk management of the Fund is constantly being reviewed: as well as a) above, regular testing is conducted with regards to performance and compliance monitoring. No issues have been identified for the year to date.
d) Develop and implement business continuity planning	Review/approval from SMT	Full test of business continuity plan to be completed by Q2 2015	Annual review	The business continuity plan has been reviewed and updated in March 2015, with a full annual review to be completed each year. A full test of the plan was undertaken in April with feedback being presented to SMT and individual teams. This month, Internal Audit have completed their review of the plan, and did not identify any areas of concern. The Fund is working with the City of Wolverhampton Council to incorporate its plan into the overall corporate plan.

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

Activity	Benchmark Measurement	Target	Frequency	Comments
Triennial actuarial valuation				
a) Engage with employing bodies and discuss issues	Consultation programme extended to all participating employers	Meet agreed timetable	Next actuarial valuation 2016	Extensive engagement undertaken with employing bodies, particularly around the 2013 valuation. Engagement is underway to support the 2016 valuation discussions. In addition, the Fund is engaging with individual employers and groups to discuss specific funding issues (such as exit planning).
b) Collect data for valuation	Formal valuation project plan	Meet agreed timetable	Annually	Pending: data cleansing work underway and expected to continue throughout Q4 2015 / Q1 2016.
c) Communicate individual results	Actuarial contributions certified as per regulatory requirements	Meet agreed timetable	Next actuarial valuation 2016	Pending for 2016 valuation.
d) FSS to be updated accordingly to include the Fund's strategy for deficit repair	Regulatory requirements	Comprehensive and up-to-date	Next actuarial valuation 2016	A review of the strategy is underway following the change of actuary, in conjunction with planning for the 2016 valuation and following developments in SAB reviews.
e) Ongoing review of investment strategy to maintain SIP	Regulatory requirements	Comprehensive and up-to-date	Annual	SIP updated after changes in Investment strategy agreed. Reinforced with the adoption (in December 2014) of a Statement of Investment Beliefs.
f) Regular employer covenant review	All employer covenants reviewed and necessary actions taken	Risk-based employer covenants	Annual	Under review ahead of 2016 valuation. Looking to develop approach and tailor to different employer groups, incorporating guidance from the Pensions Regulator.

Activity	Benchmark Measurement	Target	Frequency	Comments
Trustee and Pensions Board member training				
a) Maintain and expand the opportunities to build trustee and pension board member knowledge and understanding	CIPFA Skills and Knowledge Framework and the legislative requirements concerning the knowledge of Pensions Board members. Wide range of knowledge-building opportunities provided. Intensive off-site training when required.	Minimum of three days' provision to Committee and Board members	Ongoing/yearly report	The Fund has a programme of training which aims to develop knowledge throughout the year, developing more complex training in line with the level of experience of a trustee/pension board member. In 2014/15, trustees exceeded their training hours with a total of 869 hours which was an increase of over 150% from the previous year. Pensions Committee approved the training matrix for 2015/16 at their June meeting. The Pensions Board have also approved a new training timetable with the topics and presentations delivered at a level based on a training needs analysis survey completed by board members. Induction for all new Committee and Board members has been completed.
b) Monitoring of approved training policy	Wide range of knowledge-building opportunities provided	100% target achieved	Ongoing	The Trustee Management Officer is responsible for maintaining a record of training for the members of Pensions Committee and Pensions Board, ensuring the requirements of knowledge and understanding are met by each member. Where a shortfall of training hours is identified, the Trustee Management Officer provides support and guidance on available resources, as well as offering and arranging one-to-one sessions with individual Committee/Board members. Please see (b) above.
c) Identification of training needs and development of training plan	Wide range of knowledge-building opportunities provided	Training needs identified and addressed	Ongoing	Please see (b) above.
d) To ensure trustees meet TPR competency requirements	TPR framework and standards and training needs analysis	Compliance with CIPFA Knowledge and Skills requirements	Ongoing	Please see (b) above.

Activity	Benchmark Measurement	Target	Frequency	Comments
Developing people				
a) Ensure a skilled, flexible and professional workforce	Staff induction, training plan and appraisal	22 hours' training per annum and appraisals for all staff	Ongoing	The in-house training team are adept at developing staff, ensuring their technical knowledge of systems is up to date. The Business Support Officer monitors the performance of each team, providing reports to SMT to monitor their team's training hours, and identifying where there are shortfalls. The team are also developing their soft skills training which will be implemented into induction sessions for new staff.
b) Measure and improve competency levels through performance appraisals	Annual appraisal	All staff to have up-to-date appraisals	Annual appraisal with six-month review	Annual appraisals successfully delivered for 100% of all eligible staff with six-monthly reviews being conducted in October. This process is constantly under review and the business development service are reviewing feedback and exploring ways to improve for the future.
c) Learning and development guide developed and reviewed with due attention to training needs analysis and performance appraisals	Training needs addressed with development plan created	Training needs analysis to be reviewed annually	Annual	The Fund has a training strategy in place for staff wishing to study for a degree or relevant training, with applications assessed on the basis of a business case prepared by the employee. In addition, 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.
d) Cultivate a working environment where knowledge is shared	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing	As well as above, staff briefing sessions take place circa twice a month on subjects that are current hot topics or on developments at the Fund.

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Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration		
D	1	IMPROVE FUNDING LEVEL										
		A	Funding level to increase from current levels of 70% (Taken from IAS26 Report)	>70%	GD	75.0%	31/03/13	75.0%	31/03/10	→ 0.0%		
C	2	TRANSFERS IN										
		M	Transfer in quotations processed within 10 days of receiving all the required information	90%	RB	76.0%	Apr 15 - Sept 15	89.0%	Apr 15 - Jun 15	↓ -13.0%		
		M	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%	RB	86.4%	Apr 15 - Sept 15	85.7%	Apr 15 - Jun 15	↑ 0.7%		
		TRANSFERS OUT										
		M	Transfer out quotations processed within 20 days	90%	RB	77.5%	Apr 15 - Sept 15	68.5%	Apr 15 - Jun 15	↑ 9.0%		
		M	Transfer out payments processed within 10 days	90%	RB	38.1%	Apr 15 - Sept 15	37.4%	Apr 15 - Jun 15	↑ 0.7%		
		RETIREMENTS										
		M	Retirement options to members within 15 days	90%	RB	17.7%	Apr 15 - Sept 15	21.4%	Apr 15 - Jun 15	↓ -3.7%		
		M	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%	RB	96.6%	Apr 15 - Sept 15	96.7%	Apr 15 - Jun 15	↓ -0.1%		
		M	New retirement benefits processed for payment following receipt of election within 5 days	90%	RB	93.6%	Apr 15 - Sept 15	93.1%	Apr 15 - Jun 15	↑ 0.5%		
		DEFERRED RETIREMENTS										
		M	Retirement options to members within 15 days	90%	RB	22.2%	Jun 15 - Sept 15	30.7%	Apr 15 - Jun 15	↓ -8.5%		
		M	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%	RB	78.6%	Jun 15 - Sept 15	93.3%	Apr 15 - Jun 15	↓ -14.7%		
		M	New retirement benefits processed for payment following receipt of election within 5 days	90%	RB	92.3%	Jun 15 - Sept 15	91.7%	Apr 15 - Jun 15	↑ 0.6%		
		DEATHS										
		M	Acknowledgement of a death within 5 days of receiving the notification.	90%	RB	93.0%	Apr 15 - Sept 15	93.1%	Apr 15 - Jun 15	↓ -0.1%		
		M	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%	RB	51.7%	Apr 15 - Sept 15	50.6%	Apr 15 - Jun 15	↑ 1.1%		
		M	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%	RB	97.0%	Apr 15 - Sept 15	95.6%	Apr 15 - Jun 15	↑ 1.4%		
		A	3	EMPLOYER AND MEMBER SERVICE - CALLS								
				M	85% of calls received to the customer helpline to be answered.	85%	RB	83.0%	Apr 15 - Sept 15	80.3%	Apr 15 - Jun 15	↑ 2.7%
M	85% of calls received to the employer helpline to be answered.	85%	RB	94.2%	Apr 15 - Sept 15	92.7%	Apr 15 - Jun 15	↑ 1.5%				
C	4	CUSTOMER SATISFACTION/SURVEY										
		Q	Overall member satisfaction score for employers to be 85%.	85%	RB	80.0%	Apr 15 - Sept 15	92.8%	Apr 15 - Jun 15	↓ -12.8%		
Q	Overall employer satisfaction score for employers to be 85%.	85%	RB	100.0%	Apr 15 - Sept 15	100.0%	Apr 15 - Jun 15	→ 0.0%				
B	5	INVESTMENT RETURNS/OVERALL FUND PERFORMANCE										
		M	Returns to be within 2% of the benchmark (3 Yr Rolling) (West Midlands Pension Fund)	VARIANCE +/- 2%	GD/MC	BENCHMARK	5.87%	BENCHMARK	10.22%	May-15	↑ 1.40%	
		ACTUAL	8.00%	ACTUAL	10.95%							
		RELATIVE	2.13%	RELATIVE	0.73%							
Reporting Period	Sep-15	Reporting Period	May-15									
C	6	BENEFIT STATEMENTS										
		A	ABS issued to 90% of eligible active members by 31st August 2015	90%	RB	83.0%	Sep-14	87.0%	Sep-13	↓ -4.0%		
A	DBS issued to 85% of eligible deferred members by 31st August 2015	85%	RB	98.0%	Jul-15	89.0%	May-14	↑ 9.0%				
A	7	CONTRIBUTIONS RECEIVED										
		M	Main Fund 98% (total value) of contributions to be received by the due date.	98%	DK	98.9%	Apr 15 - Sept 15	99.14%	Apr 15 - Jun 15	↓ -0.2%		
M	Travel Fund 98% (total value) of contributions to be received by the due date.	98%	DK	100.0%	Apr 15 - Sept 15	100.00%	Apr 15 - Jun 15	→ 0.0%				
		CLEAN AUDIT REPORT										
			Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report		Yes	Year to	Yes	Year to			

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
A	8	A	Annual audit returns no significant findings	0 significant findings	DK	● 0	31/03/2015	● 0	31/03/2014	→ 0
			Receive an unqualified audit opinion from the Travel Funds external auditors	Clean Report		Yes	Year to 31/03/2015	Yes	Year to 31/03/2014	
			Annual audit returns no significant findings	0 significant findings		● 0		● 0		→ 0
EXTERNAL ACCREDITATION										
A	9	M	The Fund to be shortlisted for 75% of the awards in which it is entered	75%	RH	Applications	Apr 15 - Sept 15	Applications	Apr 15 - Jun 15	→ 0.0%
						7		4		
						No. Pending		No. Pending		
						1		0		
						No. Shortlisted		No. Shortlisted		
						6		4		
Percentage Shortlisted	Percentage Shortlisted									
● 100%	● 100%									
M	Retain CSE, IIP and CIPFA Governance accreditations	100%	RH	● 100%	Apr 15 - Sept 15	● 100%	Apr 15 - Jun 15	→ 0.0%		
SICKNESS ABSENCE										
A	10	M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	ALL	● 3.9	Apr 15 - Sept 15	● 2.0	Apr 15 - Jun 15	↓ -1.9
COST PER MEMBER										
A	11	Q	Administration and governance cost per member to be reduced from budgeted figure of £21.41.	£20	ALL	● £20.66	Sept 15 (forecast)	● £20.13	Jun 15 (forecast)	↓ £0.53
TRAINING HOURS										
A	12	Q	Average CPD per Fund employee to be 22 hours or more.	22 hours	ALL	● 29.6	Sep-15	● 16.8	Jun-15	↑ 12.8
DATA QUALITY										
A	13	Missing forename(s)	0%	● 0.00%	Sep-15	● 0.00%	Jun-15	→ 0.00%		
		Missing surname	0%	● 0.00%		● 0.00%		→ 0.00%		
		Incorrect gender for member's title	0%	● 0.01%		● 0.01%		→ 0.00%		
		Gender is not male or female	0%	● 0.00%		● 0.00%		→ 0.00%		
		Invalid or temporary NI number	0%	● 0.25%		● 0.25%		→ 0.00%		
		Missing date of birth	0%	● 0.00%		● 0.00%		→ 0.00%		
		Invalid date of birth (this includes members over 75 and who are still active or members under 16 and not a beneficiary)	0%	● 0.01%		● 0.01%		→ 0.00%		
		Member has no address	0%	● 4.14%		● 1.62%		↓ 2.52%		
		Missing postcode	0%	● 1.92%		● 1.92%		→ 0.00%		
		Missing scheme retirement date	0%	● 0.01%		● 0.01%		→ 0.00%		
		Missing date joined pensionable service	0%	● 0.01%		● 0.01%		→ 0.00%		
		Member has no employing company recorded	0%	● 0.00%		N/A		N/A		
		Member has no pay location	0%	● 0.00%		N/A		N/A		
		Member is active but has not received contributions for 12 months	0%	● 0.00%		N/A		N/A		
		Non Active member with missing date of leaving	0%	● 0.40%		N/A		N/A		
		Date Of Retirement/Date Pension Started is present and after Date Joined Scheme	0%	● 0.01%		● 0.01%		N/A		
		Date Joined Company is after Date Joined Scheme	0%	● 0.00%		N/A		N/A		
		Active Member has no earnings in last 12 months	0%	● 4.64%		N/A		N/A		
		No entries in basic/pensionable/other salary	0%	● 1.37%		N/A		N/A		
		Member has no Contribution History	0%	● 4.24%		N/A		N/A		
Pensioners and Beneficiaries with no pension record	0%	● 0.00%	N/A	N/A						
TRUSTEE TRAINING AND PENSIONS BOARD										
A	14	M	Satisfaction rate from feedback of trustee training/pension board events to be 90%.	90%	RH	● 98.0%	Apr 15 - Sept 15	● 100.0%	Apr 15 - Jun 15	↓ -2.0%
			Attendance rate of trustees/board members at training events.	85%		● 57.9%	Apr 15 - Sept 15	● 55.0%	Apr 15 - Jun 15	↑ 2.9%
			Amount of training provided to trustees/board members during the year.	22 hours		● 19.5	Apr 15 - Sept 15	● 1.0	Apr 15 - Jun 15	↑ 18.5
INFORMATION TO BE PUBLISHED QUARTERLY										
A	15	Q	Expenditure exceeding £500	31-Jul-15	DK	● 23-Oct-15	Sep-15	● 30-Jul-15	Jun-15	N/A
			Transactions on a Government Procurement Card			● 23-Oct-15		● 30-Jul-15		
			Procurement information			● 09-Oct-15		● 25-Jun-15		

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
			Procurement information Contracts, commissioned activity, purchase orders, framework agreements and any other legally enforceable agreement with a value that exceeds £5,000.		RH	● 09-Oct-15		● 25-Jun-15		
STAFF TURNOVER										
A	16	M	Staff turnover to be between 5-10% in a financial year (Calculated as no. of leavers/no. of posts at start of year)	5%-10%	RH	● 5.20%	Apr 15 - Sept 15	● 1.95%	Apr 15 - Jun 15	↑ 3.25%
AVAILABILITY OF ONLINE SERVICES										
A	17	M	Website and web portal to be available 95% of the time (based on working hours as monitored)	95%	RH	● 91.7%	Jul 15 - Sept 15	N/A	N/A	N/A
		M	Number of occurrences web portal is unavailable	0		● 54	Jul 15 - Sept 15	N/A	N/A	N/A
		M	Number of members predicted to be registered on web portal by 31 March 2016	50,000		● 34,844	Sep-15	● 23,315	Jun-15	↑ 11,529
QUARTERLY ACCOUNTS										
A	18	Q	Days taken to prepare quarterly accounts	20 days	DK	● 33 days	Sep-15	● 33 days	Jun-15	N/A
QUALIFICATIONS										
A	19	Q	At least 75% of staff to hold a relevant qualification	75%	ALL	● 57%	Sep-15	● 57%	Jun-15	N/A
COMPLAINTS MONITORING										
		M	All complaints to be completed within 20 working days of receipt	100%	RH	● 92.9%	Apr 15 - Sept 15	N/A	N/A	N/A

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

FREQUENCY KEY	
A	Annual
Q	Quarterly
M	Monthly

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WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE HALF-YEAR ENDING 30 SEPTEMBER 2015

Fund Account

2014/15		Q1-2 2015/16
£m		£m
	Contributions & Benefits	
(500.2)	Contributions Receivable	(318.4)
(9.5)	Transfers In	(4.7)
(15.7)	Other Income	(15.2)
(525.4)	Total Contributions and Other Income	(338.3)
498.3	Benefits Payable	254.7
261.5	Payments To and On Account of Leavers	12.7
0.4	Other Payments	0.2
760.2	Total Benefits and Other Expenditure	267.6
86.3	Management Expenses	42.6
	Returns on Investments	
(160.5)	Investment Income	(77.0)
(827.6)	Changes in Value of Investments	761.1
(652.6)	Profits and Losses on Disposal of Investments	(171.2)
(1,640.7)	Net Return on Investments	512.9
(1,319.6)	Net (Increase)/Decrease in the Fund During the Period	484.8
10,144.4	Net Assets of the Fund at the Beginning of the Period	11,464.0
11,464.0	Net Assets of the Fund at the End of the Period	10,979.2

WEST MIDLANDS PENSION FUND ACCOUNTS FOR THE HALF-YEAR ENDING 30 SEPTEMBER 2015

Net Assets Statement

31 March 2015		30 September 2015
£m		£m
	Investment Assets (at Market Value)	
185.9	Fixed Interest Securities	176.6
1,019.6	UK Equities	940.1
3,861.3	Overseas Equities	3,771.0
5,102.5	Pooled Investment Vehicles	4,813.1
656.4	Property	687.0
91.9	Foreign Currency Holdings	48.0
458.3	Cash Deposits	502.4
1.6	Other Investment Assets	-
44.3	Outstanding Dividend Entitlement and Recoverable With-Holding Tax	54.4
11,421.8	Investment Assets	10,992.6
11,421.8	Net Investment Assets	10,992.6
11.6	Other Long-Term Assets	6.1
54.8	Current Assets	72.0
(24.2)	Current Liabilities	(91.5)
11,464.0	Net Assets of the Fund at the End of the Period	10,979.2

WEST MIDLANDS ITA PENSION FUND ACCOUNTS FOR THE HALF-YEAR ENDING 30 SEPTEMBER 2015

Fund Account

2014/15 £000		Q1-2 2015/16 £000
	Contributions & Benefits	
(10,125)	Contributions Receivable	(5,008)
(4)	Transfers In	-
(1,991)	Other Income	(471)
(12,120)	Total Contributions and Other Income	(5,479)
28,364	Benefits Payable	14,500
34	Payments To and On Account of Leavers	94
4	Other Payments	5
194	Administration Expenses	98
28,596	Total Benefits and Other Expenditure	14,697
	Returns on Investments	
(17,267)	Investment Income	(8,507)
(24,113)	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13,380
(18,900)	Increase/Decrease in Value of Bulk Annuity Insurance Buy-In	-
678	Investment Management Expenses	386
(59,602)	Net Return on Investments	5,259
(43,126)	Net (Increase)/Decrease in the Fund During the Period	14,477
431,760	Net Assets of the Fund at the Beginning of the Period	474,886
474,886	Net Assets of the Fund at the End of the Period	460,409

WEST MIDLANDS ITA PENSION FUND ACCOUNTS FOR THE HALF-YEAR ENDING 30 SEPTEMBER 2015

Net Assets Statement

31 March 2015		30 September 2015
£m		£m
	Investment Assets (at Market Value)	
211,418	Investment Assets	196,986
263,720	Bulk Annuity Insurance Buy-In	263,720
1,027	Current Assets	1,348
(1,279)	Current Liabilities	(1,645)
474,886	Net Assets of the Fund at the End of the Period	460,409

Pensions Committee

9 December 2015

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

Recommendations for noting:

The Committee is asked to note:

1. The Fund's voting and Local Authority Pension Fund Forum's (LAPFF's) engagement activity for the three months ending 30 September 2015, including Appendix 1.
2. The issues discussed by LAPFF are set in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement>
3. The update on the aerospace and defence industry campaign and associated press release. LAPFF engagement being cited as a factor in the decision by Singapore Technologies to cease in the design, production and sale of anti-personnel mines and cluster munitions.
4. The update on the Israeli-Palestinian engagement program.

1.0 Purpose

- 1.1 To inform the Pensions Committee of the work undertaken by the Investment team regarding their responsible investment activities between the period 1 July to 30 September 2015.

2.0 Background

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

3.0 Responsible Investment Activities

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 231 company meetings –91 UK, 33 European, 43 North American, 9 Japanese, 37 Asia (excluding Japan), and the remaining 18 meetings predominantly located in Australia/New Zealand and South America. During this period there were 13 meetings where the Fund supported all the resolutions put forward by companies. Approximately 35.2% of the resolutions were not supported by the Fund.

Engagement through Partnerships

- 3.3 Our engagement program is predominantly implemented through the Fund's membership of the Local Authority Pension Fund Forum (LAPFF). 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 65 public sector pension funds in the UK with combined assets of over £175 billion. LAPFF members regularly meet together to discuss environmental, social, and governance (ESG) issues and ways to promote high standards of corporate behaviour at investee companies.
- 3.4 A summary of LAPFF's engagement activities for the quarter are provided alongside the voting activity report in Appendix 1. The issues are set out in the Quarterly Engagement Report which is available on LAPFF's website:
<http://www.lapfforum.org/Publications/engagement>.

- 3.5 A member of the Committee recently queried the next steps in the National Express engagement. The Committee may recall that the Fund supported the shareholder resolution at the company's May 2015 Annual General Meeting asking the company to conduct an independent review into labour issues in its US operations.

An additional query was also raised on the engagement with Sports Direct. The Fund opposed the company's annual report at its last AGM due to the following issues:

- Lack of disclosure on its human rights policies and how they are implemented;
- Significant number of "zero-hour" contracts
- Specific labour-related issues with its US subsidiary over the course of the year under review

LAPFF will be conducting further engagement on National Express and Sports Direct, details of which will be forthcoming to its members (including the Fund) in due course. The Fund will continue to keep the Pensions Committee updated as and when appropriate.

Update on Divestment Campaign – Aerospace and Defence Industry

- 3.6 Over the past two years, the Fund has been asked to consider excluding investments on ethical and social grounds, most recently certain armaments companies stemming from a campaign led by Coventry Deanery Justice and Peace Group. The Pensions Committee requested that LAPFF perform an assessment of whether certain aerospace and defence companies are producing or selling cluster munitions.
- 3.7 In total, nine companies were contacted in November 2014 regarding their involvement with cluster munitions, four of which responded (Alliance Techsystems, Lockheed Martin, Textron and Singapore Technologies). The four companies in question had explicit references to the production of cluster munitions on their websites and/or in their promotional materials. The engagement program of the four companies was completed in November 2014 and based on its findings, the Pensions Committee decided to not exclude the companies from its investment portfolio.
- 3.8 The Fund has been requested to conduct additional engagement with Textron to clarify its position on the production and sale of cluster munitions in light of new information. The Fund will have a teleconference call with the company in December 2015 and will provide an update to the Pensions Committee in March 2016.
- 3.9 On 11 November 2015, Singapore Technologies released a statement that it had ceased the design, production and sale of anti-personnel mines and cluster munitions. In a separate letter to the LAPFF, the company cited its engagement as a factor in the company's decision.
- 3.10 In November 2015, the Fund received some press on the issue from the Coventry Telegraph and the Birmingham Mail respectively, both of whom produced similar articles. The weblink to the Coventry Telegraph article is provided here for the Committee's reference: <http://www.coventrytelegraph.net/news/coventry-news/revealed-coventry-council-pension-fund-10354399>. The Fund has responded with a press release which

reconfirmed the Pension Committee policy position of engagement rather than exclusion. The press release is provided in Appendix 2.

Update on Israeli-Palestinian Campaign

3.11 With regard to the action item from the previous Pension Committee meeting in September, the Fund will conduct a follow-up engagement in April with the following five companies as part of this program: Motorola, Veolia Environment, Caterpillar, Hewlett Packard, and G4S. The Fund will report the findings of the program to the Pensions Committee in due course.

4.0 Financial implications

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

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no equal opportunities implications.

7.0 Environmental implications

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

8.0 Human resources implications

8.1 This report contains no direct human resources implications.

9.0 Corporate landlord implications

9.1 This report contains no direct corporate landlord implications.

10.0 Schedule of background papers

- LAPFF Quarterly Engagement Report July to September 2015:
<http://www.lapfforum.org/Publications/engagement>

11.0 Schedule of Appendices

- Appendix 1 (Voting and Engagement Activity)
- Appendix 2 (Press release on aerospace and defence industry)



July to September 2015

Voting report

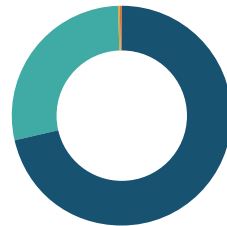
Over the last quarter, we voted at 231 meetings (2,702 resolutions). At 231 of those meetings, we opposed or abstained one or more resolutions. We supported management on all resolutions at 13 meetings.

Total
We voted at 231 meetings (2,702 resolutions) over the quarter.



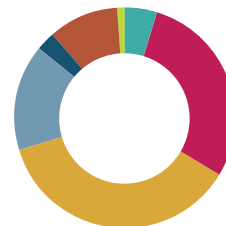
■ Total resolutions voted in favour	63.3%
■ Resolutions where voted against or abstained	35.2%
■ Non-voting	1.4%
■ Withdrawn	0.1%

UK & British Overseas
We voted at 91 meetings (1,470 resolutions) over the quarter.



■ Total resolutions voted in favour	71.6%
■ Resolutions where voted against or abstained	28.1%
■ Non-voting	0.2%
■ Withdrawn	0.1%

UK: votes against and abstentions by category



■ Remuneration	4.9%
■ Annual reports	28.9%
■ Directors	36.7%
■ Auditors	15.6%
■ Corporate donations	2.6%
■ Share capital	10.4%
■ Others	0.9%

Europe and Global EU
We voted at 33 meetings (365 resolutions) over the quarter.



■ Total resolutions voted in favour	54.0%
■ Resolutions where voted against or abstained	38.4%
■ Non-voting	7.6%

USA and Canada
We voted at 43 meetings (378 resolutions) over the quarter.



■ Total resolutions voted in favour	46.3%
■ Resolutions where voted against or abstained	53.7%

Asia
We voted at 37 meetings (251 resolutions) over the quarter.



■ Total resolutions voted in favour	57.0%
■ Resolutions where voted against or abstained	43.0%

Japan
We voted at 9 meetings (88 resolutions) over the quarter.



■ Total resolutions voted in favour	72.7%
■ Resolutions where voted against or abstained	27.3%

Rest of the World
We voted at 18 meetings (150 resolutions) over the quarter.



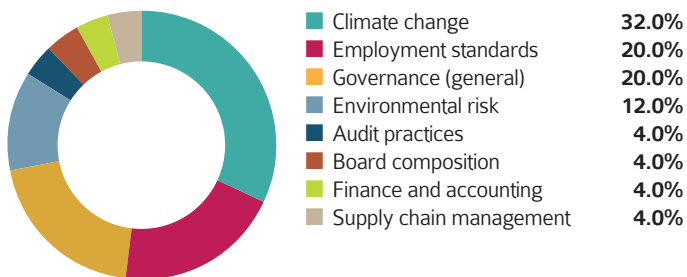
■ Total resolutions voted in favour	53.3%
■ Resolutions where voted against or abstained	42.6%
■ Non-voting	4.1%

July to September 2015

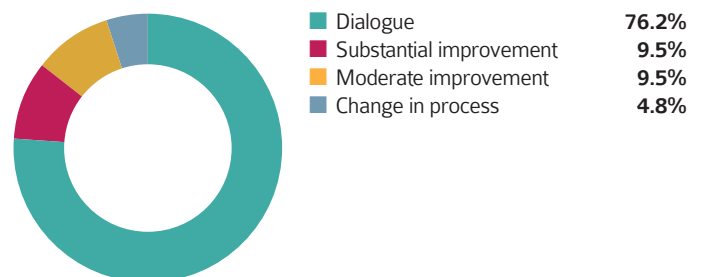
Engagement summary

Over the last quarter, the Local Authority Pension Fund Forum (LAPFF) engaged with 16 companies on a range of environmental, social and governance issues on behalf of the Fund and other members. Where applicable, LAPFF will engage with companies on more than one issue simultaneously. The engagements included in these figures are supplementary to our voting-based engagements during proxy season.

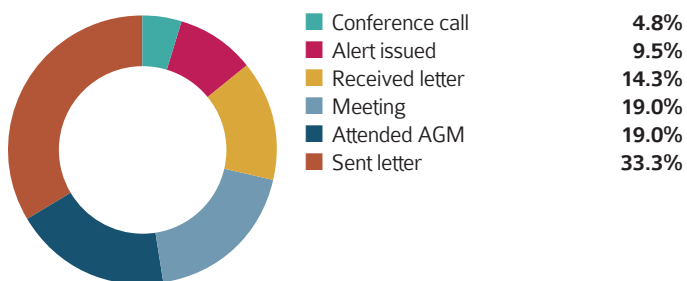
Engagement by topics



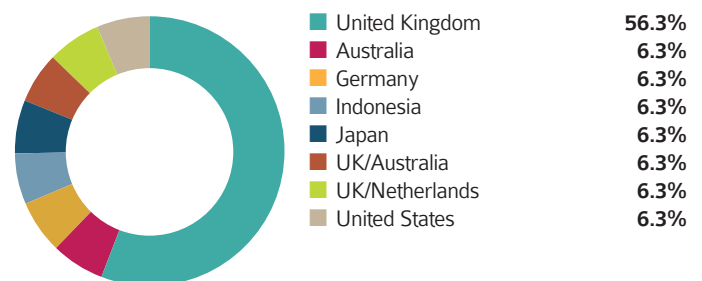
Engagement by outcomes



Engagement by activities



Engagement by domicile



West Midlands Pension Fund responds to UK Fossil Free Divestment Campaign

The Fund believes that effective management of financially material environmental, social and governance risks should support the Fund's requirement to protect returns over the long term. With regard to climate change risks, the Fund recognises that the scale of the potential impacts is such that a proactive and precautionary approach is needed in order to address them.

The Fund's Pensions Committee has reviewed the issue of climate change and believes that a rapid, reactive response to this potential long term risk, for example divesting from all oil and gas stocks, may prove a detrimental strategy. As long term shareholders, the Fund feels that it must allow sufficient time for companies to respond to this rapidly changing regulatory and market environment. A balanced and prudent approach is therefore required. As such, at this time the Fund prefers to influence corporate behaviour through a robust active ownership approach. The Fund's concern is if we divest completely we lose the ability to influence and hold companies to account, whilst other sources of capital, less engaged in tackling climate risk, will step in and will be less forceful in their approach to long term stewardship and sustainability. This position of "engagement versus exclusion" is one of the Fund's beliefs and guiding principles, as outlined in its Responsible Investment Framework¹.

As outlined in its Framework, the Fund is committed to conducting the following activities to address potential climate change impacts to its portfolio:

- Encouraging improvement in the level of disclosure by companies of material climate change impacts through collaborative initiatives, for example via our partnership with the Local Authority Pension Fund Forum (LAPFF) and the Aiming for A' investor coalition, the Carbon Disclosure Project (CDP), and the Institutional Investors Group on Climate Change (IIGCC);
- Supporting – and where applicable co-file – reasonable shareholder proposals to disclose/justify a company's approach to climate change risk (as evidenced by the Fund's recent co-filing of shareholder resolutions at BP and Shell respectively);
- Reviewing its fund managers to understand their approach to incorporating climate change considerations and encourage improvements in identifying and assessing the potential impact of climate change;
- Contributing to public policy with regard to climate change as it relates to investment considerations through participation with organisations such as the IIGCC. In support of this aim, the Fund is a signatory to the Global Investor Statement on Climate Change;
- Increasing awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives; and,
- Keeping up to date on the latest research and thinking on the financial materiality and interconnectedness of climate change within and across asset classes.

In terms of opportunities, it should be noted that the Fund does have some investments in renewable and low carbon energy production and will continue to consider such investments where the risk/return profile fits the pension fund's investment strategy. Details of these investments can be found in the Fund's 2015 Annual Report (Page 44, 45) here: <http://www.wmpfonline.com/CHttpHandler.ashx?id=7083&p=0>. Further information on the Fund's responsible investment approach can be found here: <http://www.wmpfonline.com/ri>.

Ends

¹ <http://www.wmpfonline.com/CHttpHandler.ashx?id=7181&p=0>

Notes for Editors:

The West Midlands Pension Fund is one of the largest funds of the LGPS in England and Wales. As at 31 March 2015, it provided pension services to 277,558 current and former employees of the seven West Midlands district councils and 473 participating employers. The Fund was valued at £11.4 billion on that date and employed 116 FTE members of staff.

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

More information and case studies on the West Midlands Pension Fund's social investments in the region can be found in the Annual Report and Accounts 2014/15 at www.wmpfonline.com/annualreports

For more information, please contact:

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Email: victoria.bennett@wolverhampton.gov.uk

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