

Pensions Board

5 July 2016

Time 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions
Venue Committee Room 3 - 3rd Floor - Civic Centre

Membership

Employer Representatives

Caroline Jones
Joe McCormick
Paul Sheehan
Mike Sutton
Chris West
Cllr Sandra Samuels

Trade Union Representatives

Sharon Campion (Unison)
Lee Nash (Unite)
Annette King (GMB)
Paul Sayers (UCATT)
Adrian Turner (Unison)
Cllr Harbans Bagri

Quorum for this meeting is seven

Information for the Public

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

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

Agenda

Part 1 – items open to the press and public

Item No. *Title*

BUSINESS ITEMS

- 1 **Election of Chair**
- 2 **Apologies for absence (if any)**
- 3 **Declarations of interests (if any)**
- 4 **Minutes of the previous meeting - 19 January 2016** (Pages 3 - 6)
[For approval]
- 5 **Matters arising**
[To consider any matters arising from the minutes of the previous meeting]

DECISION ITEMS

- 6 **Data quality** (Pages 7 - 10)
[To consider progress made on to improve data quality]
- 7 **Report of the Chair of the Pensions Board** (Pages 11 - 34)
[To note the report of the Chair of the Board]
- 8 **Governance monitoring report 2016** (Pages 35 - 40)
[To receive an update on the work being undertaken by the Fund in relation to its effective governance]
- 9 **Internal Audit report 2015-16** (Pages 41 - 52)
[To note the internal audit report]

Attendance

Members of the Pensions Board

CLlr Sandra Samuels (Chair)
CLlr Stephen Simkins (Vice-Chair)
Sharon Champion
Caroline Jones
Annette King
Joe McCormick
Lee Nash
Paul Sheehan
Mike Sutton
Adrian Turner
Chris West

Employees

Emma Bland	Compliance and Risk Manager - West Midlands Pension Fund
Rachel Brothwood	Assistant Director, Actuarial and Pensions - West Midlands Pension Fund
Geik Drever	Strategic Director of Pensions - West Midlands Pension Fund
Dereck Francis	Democratic Support Officer
Rachel Howe	Head of Governance - West Midlands Pension Fund

Part 1 – items open to the press and public

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|---|
| 1 | Apologies for absence (if any)
No apologies for absence were received for the meeting. |
| 2 | Declarations of interests (if any)
No declarations of interests were made. |
| 3 | Minutes of the previous meeting (2 July 2015)
Resolved:
That the minutes of the meeting held on 2 July 2015 be approved as a correct record and signed by the Chair. |
| 4 | Matters arising
Geik Drever, Strategic Director - Pensions Fund reported on the outstanding issues from the previous meeting which had all been actioned or scheduled to be actioned during 2016. |

5 **Governance Monitoring**

Rachel Howe, Head of Governance, West Midlands Pension Fund presented the report on work being undertaken by the Fund in relation to its effective governance.

Resolved:

That the work undertaken by the Fund in 2015 to ensure compliance with legislative requirements and best practice be received and noted.

6 **Information Governance Audit**

Emma Bland, Compliance and Risk Manager - Pensions presented an update on work undertaken by the Fund in relation to Information Governance (IG) and the outcome of the IG audit.

Resolved:

1. That the Information Governance work undertaken by the Fund be noted.
2. That the outcome of the Information Governance audit be noted.

7 **Pensions administration - data quality**

Rachel Brothwood, Assistant Director, Actuarial and Pensions presented the report on an overview of how the Fund measured data against legislative record keeping requirements and the expectations of the Pensions Regulator and on plans in place to make improvements to data quality and the data review process.

Mike West commented that the positive picture the report presented on data collection differed from reports received during discussions elsewhere that suggested data quality was a major issue. The Assistant Director, Actuarial and Pensions explained that the report showed that the Fund held data where it was expected to hold it, in accordance with the Public Service Pensions (Records Keeping and Miscellaneous Amendments) Regulations 2014. There were no material gaps or areas of concern in that respect. However the report does not address the question of the accuracy of the data held on the Funds records. Appendix two to the report set out the employers with different sets of data the Fund had sent back with queries, and on where responses were awaited. Follow up meetings would take place with the employers to resolve data issues. The Assistant Director, Actuarial and Pensions also went on to explain the size of the backlog on data accuracy issues and on where responses were awaited from employers.

During the ensuing discussion the Board asked what it could do help the Fund address data accuracy. In order for the Board to track and monitor improvement in the accuracy of the data being provided by employers, it would need to have a report on the scope and scale of the problem and the action plan to address it. Members of the Board indicated that employers needed to understand their role as a Pension Administrator and the Board should be able to hold employers to account for not exchanging good data. Some Board members indicated that, once the Fund felt that the engagement process with employers had been exhausted, they would be happy to 'name and shame' employers for their poor performance in providing accurate data. Other Board members felt that continuous engagement with employers and making sure they understood the importance of providing correct information would work better as an approach.

Member of the Board also commented that poor data accuracy was a cost to the Fund, its members and local tax payers. It was also acknowledged that the engagement work with employers to address the problem was a good way forward but that the issue needed to be escalated to Chief Executive level for them to take appropriate action. The Board also suggested that the Pensions Committee should be made aware of its concerns on this matter and be requested to give consideration to the governance procedures in place to resolve the poor data quality issue.

In response to other comments and questions from the Board, the Strategic Director of Pensions and the Assistant Director, Actuarial and Pensions reported that:

- The Fund would be happy to forward a letter to all the seven district councils at the same time regarding queries on the data forwarded to the Fund. They were aware of the issues from a previous letter outlining certain data sets where information was outstanding. The Fund had also held meetings with each of the district councils to discuss the quality and exchange of data so as to improve the situation going forward. As a result of this engagement there had been some movement by the employers to address the data issues and improve performance. However there still remained significant scope for further improvement with some employers.
- In terms of sanctions the Fund could impose on employers in response to their performance in providing inaccurate data, the Pensions Administration Strategy outlined fines which the Fund could levy against employers as a penalty for delayed or poor quality provision of data. The Fund could also report an employer to the Pensions Regulator. That said, the Fund needed to work with employers to help them improve the quality of the data they provided and the engagement route was the preferred method and the one being employed. However, in some cases engagement would only take the Fund so far, at which point it would be necessary to levy a fine or pass on to the employer the costs of their failure to provide accurate data. This action had been taken in the past but it was not penal enough. The Fund would not be averse to increasing the amount of the penalties it could currently levy as it would help the efforts for improving the quality of the data. Also the Fund would not be against naming underperforming employers as long as there would be a benefit from doing so.
- The Fund had a team of staff dealing with data quality. They would be on hand to deal with responses received from district councils as a result of the latest letter to be issued.
- The forms that employers use in response to the Fund's requests for data had been reviewed and a fresh version had been issued.
- There are Pension Fund user groups where information is shared and the Fund shares information with a lot of other Funds. The Fund is the largest Pensions Fund with the most members and employers so its circumstances in relation to data quality would differ to those being experienced in smaller Pension Funds.

At the end of the discussion the Board acknowledged that the Fund was dealing with the issue of poor data quality from employers proportionately and that a detailed report would be submitted to the next meeting addressing the concerns Board members had raised.

The Strategic Director of Pensions thanked the Board for its views and attitude on this issue.

Resolved:

1. That the ongoing review of data and the actions being taken to ensure the completeness and quality of data held by the Fund be noted.
2. That a report be submitted to the next meeting of the Board on how employers are responding to the issues the Fund has raised with them; an understanding of the scale of the compliance; and an indication as to the employers with whom the Fund is experiencing the data issues.
3. That the Pensions Committee be informed of the Board's concerns regarding delayed or poor quality provision of data from employers and the Pensions Committee be requested to give consideration to the governance arrangements in place for this area so as to improve the situation going forward.

Pensions Board

5 July 2016

Report Title	Data Quality	
Originating service	Pension Services	
Accountable employee(s)	Rachel Brothwood	Assistant Director (Actuarial and Pensions)
	Tel	01902 551715
	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

Recommendation(s) for noting:

The Pensions Board is asked to note:

1. Pensions Committee's consideration of the concerns raised by Pensions Board and closer monitoring of work in this area; and
2. The actions of Fund officers and progress made by the Fund and employers to improve the Fund's data records.

1.0 Purpose

- 1.1 To provide an update to Pensions Board on the progress being made by the Fund to continue to improve data quality and to summarise the plans in place to make further improvements to data quality.

2.0 Background

- 2.1 Following the Pensions Board's meeting on 19 January 2016, a report on the actions being taken to address data quality was considered by Pension Committee at their meeting on 16 March 2016. Following discussion, Pensions Committee noted the actions being taken by Fund officers and resolved to monitor improvements closely and on a quarterly basis, pending review of further action.
- 2.2 Pensions Committee reviewed progress at their meeting on 22 June 2016 and Fund officers will report back verbally to the Pensions Board on 5 July 2016.
- 2.3 This report summarises the developments since the Pensions Board last met and the further actions being taken to continue to improve Fund data. Further information can be found in the reports to Pensions Committee in March and June 2016 which are listed in the schedule of background papers.

3.0 Developments in work undertaken to improve data quality

- 3.1 Since the Pensions Board met and discussed data quality in January 2016, the following activities have taken place:
 - Independent review of the work undertaken by the Fund – the Fund's benefit consultant, Barnett Waddingham, has reviewed the approach the Fund is taking to enhance data quality, noting strengths and areas where more could be done.
 - Charges and re-charge of cost to employers for delays and errors encountered in the 2015 annual return and active member benefit statement processes – total charges of £73,500 have been levied on Fund employers and letters issued to Chief Executives of the district councils in January 2016 to feedback on 2015 performance and set expectations for 2016.
 - Continued engagement with employers on data gaps and exchange – a combination of briefings, coaching sessions and workshops together with regular dialogue with larger employers to review outstanding data and issues from the 2015 annual return and take action to prevent these re-occurring in 2016.
 - Review and re-issue the schedule of charges relating to the annual return – a revised and more detailed commentary on the charges and application of these for the 2016 annual return process was issued to employers in March 2016

- Re-test of data against Public Sector record-keeping legislation and the Pensions Regulator requirements – some progress has been made to address and explain gaps, with plans in place to address these.

4.0 Success to date

- 4.1 The 2016 annual return process has seen a significant improvement in employer performance with over 90% of employers returning files by the deadline (compared to around 50% in 2015) and around 10,000 errors to analyse (compared to over 32,000 in 2015).
- 4.2 Initial responses have been received to over 80% of the outstanding data queries raised by the Fund over 2014 and 2015.

5.0 Looking ahead

- 5.1 Further work is needed to build on the work in 2015/16 and continue to improve the efficient and timely exchange of accurate data between the Fund and employers. There is significant work still to do to update member records and process benefits to reflect outstanding data and avoid re-occurrence.
- 5.2 During 2016/17 the Fund plans to transition to monthly data returns and is actively engaging with employers and the Fund administration software suppliers to get this in place from April 2017. This will make exchange more efficient and avoid delays.
- 5.3 Following review of the annual exchange, greater focus will now be in place on the day-to-day exchange of information and the quality of this to enable the calculation of leaver and retirement benefits. The Fund will work with employers to reduce the number of cases where queries are raised which delays the completion of their benefit set-up.
- 5.4 Feedback from the 2016 annual return will be issued to employers over the summer. Charges will be levied for those who have not returned, or who return data with significant errors. Those who do not engage with the Fund or provide improvement where needed will be the subject of a risk report to the Pensions Regulator.

6.0 Financial implications

- 6.1 This report contains no financial implications.

7.0 Legal implications

- 7.1 This report contains no legal implications.

8.0 Equalities implications

8.1 This report contains no equalities implications.

9.0 Environmental implications

9.1 This report contains no environmental implications.

10.0 Human resources implications

10.1 This report contains no resources implications.

11.0 Corporate landlord implications

11.1 This report contains no landlord implications.

12.0 Schedule of background papers

12.1 Pensions Committee 16 March 2016

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4827&Ver=4>

12.2 Pensions Committee 22 June 2016

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=5957&Ver=4>

Pensions Board

5 July 2015

Report title	Report of the Chair of Pensions Board	
Originating service	Pension Services	
Accountable employee(s)	Name	Rachel Howe, Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be considered by	Name	Geik Drever, Strategic Director of Pension
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendation for noting:

1. The Pensions Board is asked to note the report.

1.0 Purpose

- 1.1 To provide feedback to the Board on the work undertaken during 2015/2016 and to meet the legislative requirement for producing an annual report.

2.0 Background

- 2.1 The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme.
- 2.2 The West Midlands Pension Fund created and implemented the board ahead of the deadline of 1 April 2015, ensuring appropriate training, development and consideration of matters relevant to the Fund and their role.
- 2.3 The board meets bi-annually and consists of 6 Employer and 6 Member representatives, a copy of the Board's work program is attached at Appendix 1.

3.0 Attendance at meetings

- 3.1 Attendance at the meetings has been high with an attendance rate of 92%
- 3.2 Attendance at training events has been 67%
- 3.3 A copy of the attendance record is attached at Appendix 2

4.0 Training

- 4.1 The fund has offered a number of training opportunities for Board members, where possible, training has been offered in conjunction with Pension Committee to develop and further relationships across the 2 groups.
- 4.2 Attached at Appendix 3 is a copy of the training matrix utilised by the Pension Board for 2015/2016.
- 4.3 All Trustees are required to undertake a minimum of 22 hours training and are encouraged to complete at least 10 hours of self-study to include the pension regulator's toolkit. Attached at Appendix 4 is a copy the individual training hours for the Board.
- 4.4 The fund has organised a training session on 23 August 2016 on the Pensions Regulator's Trustee Toolkit.

5.0 Reports of the Pension Board

- 5.1 During 2015/2016 the Board presented one report to Pension Committee requesting they address the issues highlighted.

5.2 The report related to Data quality at the Fund and on reviewing the information, the Pension Board felt that it did not give a full picture of the issues the Fund is currently experiencing with Data Quality and its ability to obtain “clean data” from Fund employers. The Local Pensions Board acknowledged the work undertaken but felt that improvements were not being made quickly enough to meet the standard set by the Pensions Regulator. They Board call for a policy of ‘naming and shaming’ employers who fail to meet the standard required.

5.3 The Committee’s response to the report is outlined in another agenda Item.

6.0 Costs

6.1 The cost in the creation and implementation of the Board has been minimal, having been included in existing officer workloads.

7.0 Forward plan for 2016/2017

7.1 In considering the challenges faced by the Fund over the next 12 months, as outlined in the service plan, it is proposed that the work of the Board be focussed on the following elements:

- Ensuring the Fund meets the legislative requirement on pooling
- Improving data quality and the move to monthly returns
- Ensuring the Fund has controls in place to identify and mitigate risk in employer covenants.

7.2 To assist the Board address these issues, the Fund has created a training plan for 2016/17. A copy is attached at Appendix 5.

7.0 Financial implications

7.1 As outlined in the report

7.0 Legal implications

7.1 The Fund is required to have a Local Pensions Board as set out in the Public Service Pensions Act 2013 which also requires the Fund produce an annual report on the work of the Board.

8.0 Equalities implications

8.1 There are no equalities implications.

9.0 Environmental implications

9.1 There are no environmental implications.

10.0 Human resources implications

10.1 There are no implications

11.0 Corporate landlord implications

11.1 There are no corporate landlord implications.

12.0 Schedule of background papers

12.1 Public Service Pensions Act 2013

<http://www.legislation.gov.uk/ukpga/2013/25/contents>

12.2 Report to the Pensions Committee 16 March 2016

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4827&Ver=4>

12.3 Fund's Service Plan

<http://www.wmpfonline.com/CHttpHandler.ashx?id=9302&p=0>

13.0 Schedule of Appendices

13.1 Appendix 1

Pension Board work programme 2015

13.2 Appendix 2

Attendance record

13.3 Appendix 3

Pension Board Training matrix

13.4 Appendix 4

Individual training hours for the Pension Board

13.5 Appendix 5

Training plan 2016/2017

Work plan 2015 (to be read in conjunction with the training matrix)

Role	Area of work	Action	Date
Good Governance			
	Policy review	Monitoring of Fund's policies and working practices with full annual review	July 2015
	Fund Communication	To monitor fund performance on the availability of information and quality of information produced by the Fund	July 2015
	Customer Engagement	Through the review of the customer engagement strategy to include customer journey mapping	January 2016 meeting
	Cost efficient administration and overall VFM fund management	To monitor performance annually	January 2016 meeting
	Internal and external audit	To work with the Fund's compliance team during annual audit in the compilation and presentation of Fund policies and working practices	January 2016 meeting
Fund administration			
	Data Quality	To monitor the quality of data received from employers and suggest ways to improve through working with employers.	Each meeting of pension board
	Employer covenants	Understanding of the covenant framework and monitor high risk	January 2016 meeting
Investment	Performance	To receive updates on the Fund's performance	January 2016 meeting
	Investment Strategy and Implementation	To receive updates on the Fund's work in this area	January 2016 meeting

Role	Area of work	Action	Date
Finance	Employer contributions	To monitor performance and suggest ways to improve through working with employers.	January 2016 meeting
	Annual report and accounts	To consider the annual Scheme Advisory Board report following publication of our report and to draw comparisons as areas for proposed improvement. http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report	July 2016

Appendix 2

Local Pensions Board Attendance Record 2015/16

Name	In House/Structured			AGM	MYR	Board Meeting	
	Induction course and risk workshop 22/7/15	Away Day 9/10/15	Structured training 19/1/16	26.11.15	2/7/15	2/7/15	19/1/16
Samuels		Y	Y	Y	Y	Y	Y
Simkins	Y	Y			Y	Y	Y
Campion		Y	Y	Y	Y	Y	Y
Sayers		Y	Y				
Jones	Y		Y		Y	Y	Y
King		Y	Y	Y		Y	Y
McCormick	Y	Y	Y	Y	Y	Y	Y
Nash		Y	Y		Y	Y	Y
Sutton		Y	Y	Y	Y	Y	Y
Turner	Y	Y	Y	Y	Y	Y	Y
West		Y	y		Y	Y	Y
Sheehan	Y		Y	Y			Y

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THE WEST MIDLANDS PENSION FUND KNOWLEDGE AND SKILLS FRAMEWORK

Area	Date Arranged	Pension committee (PC) Pension Board (PB) All	Comments
Pensions legislative and governance context			
General pensions framework			
A general awareness of the pensions legislative framework in the UK.	21 May 2015 22 July 2015	PB (first meeting) All (Trustee Induction Training)	
Scheme specific legislation			
An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.	21 May 2015 22 July 2015	PB (first meeting) All (Trustee Induction Training)	

An awareness of the LGPS Regulations and their main features.	21 May 2015 22 July 2015	PB (first meeting) All (Trustee Induction Training)	
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	The Committee reviews and approves the administering authority discretions annually or as changes arise. The Committee receives an annual report on the discretions that may be exercised by employers.	All All	
A regularly updated appreciation of the latest changes to the scheme rules.	The Committee receives regular reports on proposed and enacted legislation.	All	
Knowledge of the role of the administering authority in relation to the LGPS.	The Committee considers it's Governance Compliance Statement at least annually. 21 May 2015 22 July 2015	All PB (first meeting) All (Trustee Induction Training)	
Pensions regulators and advisors			

An understanding of how the roles and powers of the Pensions Regulator, the Scheme Advisory Board relate to the workings of the scheme.	21 May 2015 22 July 2015	PB (first meeting) All (Trustee Induction Training)	
General constitutional framework			
Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. The service plan, medium term financial plan and local performance indicators. A Risk Management workshop	The Committee considers its Governance Compliance Statement at least annually. 21 May 2015 22 July 2015 Arranged bi-annually with an external partner arranged by the Compliance team.	PB (first meeting) All (Trustee Induction Training) All	
Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	21 May 2015 22 July 2015	PB (first meeting) All (Trustee Induction Training)	
Pension scheme governance			

Page 22	An awareness of the LGPS main features.	21 May 2015	PB (first meeting)	
		22 July 2015	All (Trustee Induction Training)	
	Knowledge of the Myners Principles and associated CIPFA & SOLACE guidance.	21 May 2015	PB (first meeting)	
		22 July 2015	All (Trustee Induction Training)	
		A report on the Investment Principles is considered each year.	All	
A detailed knowledge of the duties and responsibilities of committee members.	21 May 2015	PB (first meeting)		
	22 July 2015	All (Trustee Induction Training)		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	21 May 2015	PB (first meeting)		
	22 July 2015	All (Trustee Induction Training)		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	21 May 2015	PB (first meeting)		
	22 July 2015	All (Trustee Induction Training)		
	This is covered in the Communications Policy Statement, which is reviewed periodically by the Committee.			

Pensions accounting and auditing standards			
Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.	November 2015	All	
Awareness of the role of both internal and external audit in the governance and assurance process.	November 2015	All	

Financial services procurement and relationship management			
Understanding public procurement			
Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.	November 2015	All	

A general understanding of the main public procurement requirements of UK and EU legislation.	November 2015	All	
Supplier risk management			
Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	<p>21 May 2015</p> <p>22 July 2015</p> <p>Training arranged bi-annually with an external partner arranged by the Compliance team.</p> <p>A summary of the Risk Register is included in a quarterly report</p>	<p>PB (first meeting)</p> <p>All (Trustee Induction Training)</p> <p>All</p> <p>All</p>	

Performance and risk management			
Total fund			
Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risks.	November 2015	All	
Performance of advisors			
Awareness of the Myners principles of performance management and the approach adopted by the committee.	November 2015	All	
Training on the role of the Investment Advisor	November 2015	All	
Performance of the committee			
Awareness of the Myners principles and the need to set targets for the committee and to report against them.	November 2015	All	

Performance of support services			
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	November 2015	All	Annual reports are considered on the performance of the providers of support services. Benchmarking information is included where this is available. Additional reports are considered, as required.

Financial markets and products knowledge			
Investment strategy			
Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property). The main asset classes of Equities, Bonds and Property, market overview, restructuring of the portfolio and the investment plan, sustainability, retail and residential.	November 2015 November 2015 November 2015	All All All	

Private Equity, Absolute return, Passive versus Active,	November 2015	All	
Corporate Governance and Shareholder Activism,	November 2015	All	
Responsible Investment			
Understanding of the role of these asset classes in long term pension fund investing.	November 2015	All	
Financial markets			
Understanding of the primary importance of the investment strategy decision.	November 2015	All	
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	November 2015	All	
An awareness of the limits placed by regulation on the investment activities of local government pension funds.	November 2015	All	

Actuarial methods, standards and practices			
Valuations			
<p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the Fund actuary, and inter-valuation monitoring.</p> <p>Actuarial valuations, the funding level and the Funding Strategy Statement</p> <p>Asset Liability Modelling</p>	November 2015	All	
Awareness of the importance of monitoring early and ill health retirement strain costs.	November 2015	All	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	November 2015	All	

Outsourcing			
A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.	November 2015	All	

Governance and Decision Making			
The decision making process including delegations and the relationship with the Administering Authority	21 May 2015	PB	
Understanding Due Diligence	21 May 2015	PB	
Pensions Regulator Code of Practice	21 May 2015	PB	
Statutory Guidance issued by the Scheme Advisory Board	21 May 2015	PB	

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Pension Board Individual Training Hours

Name	In-house/Structured	Conference	Self-Study	Total
Cllr Samuels	30			30
Cllr Simkins	30			30
Adrian Turner	30			30
Sharon Campion	30			30
Annette King	30			30
Paul Sayers	30			30
Lee Nash	30		*4	34
Mike Sutton	30			30
Joe McCormick	41		*7	48
Chris West	30	122.5		152.5
Paul Sheehan	30		3	33
Caroline Jones	30			30
TOTAL	404	122.5	10	503.5

*Pension Regulator's Toolkit

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Pension Board Training Schedule 2016

Date	Trustees or Pension Board	Location	Agenda	Total Hours
5 July 2016	Pension Board	Mander House	<ul style="list-style-type: none"> • Compliance workshop • Annual returns • Working with employers 	3.0
14 July 2016	Pension Board	Mid-Year Review	<ul style="list-style-type: none"> • Investment Pooling • Annual returns • Data Quality • Pension Admin strategy • Annual report and accounts • Valuation 2016 	4.0
23 August 2016	Trustees and Pension Board	In-House	<ul style="list-style-type: none"> • TPR Toolkit • Employer covenant monitoring 	6.0
5 January 2017	Pension Board	In-House	<ul style="list-style-type: none"> • Regulatory updates 	3.0

PENSION BOARD (minimum 22 hours)		
	<ul style="list-style-type: none">• 3 days structured training• Mid-Year Review• 20 hours per annum self-reading	12 hours 4 hours 20 hours Total 36 hours

Pensions Board

5 July 2016

Report title	Governance Monitoring Report 2016	
Originating service	Pension Services	
Accountable employee(s)	Name	Rachel Howe, Head of Governance
	Tel	01902 554387
	Email	rachel.howe@wolverhampton.gov.uk
Report to be considered by	Name	Geik Drever, Strategic Director of Pension
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendation for noting:

The Pensions Board is asked to note:

1. The work undertaken by the Fund in 2016 to ensure the effective governance of the Fund.

1.0 Purpose

- 1.1 To update the Pensions Board on the work being undertaken by the Fund in relation to its effective governance.

2.0 Background

- 2.1 The Local Pension Board's role is to ensure the effective governance of the scheme in its adherence to legislation and best practice.
- 2.2 This year has seen a number of challenges faced by Local Government Pension Schemes as we have adapted to the new level of oversight from the Pensions Regulator, commenced preparations for Investment Pooling and as we move into our Actuarial Valuation year. This report highlights the work undertaken by the Fund to address these challenges while maintaining high levels of customer service.

3.0 Investments

- 3.1 It has been a mixed year for investments following a difficult start to the year for markets. Although quoted equities, which make up 48% of total assets held by the Fund, have seen a year on year fall in value, other areas of the portfolio, notably alternatives, property and private equity, have performed positively. Importantly, the Fund's performance compared to its benchmark return has been good, standing at 2.41% against a benchmark of 0.71%.
- 3.2 The ITA Fund had a relative underperformance, 0.7% against a benchmark of 0.9%, which was attributable to the weaker performance from the diversified growth funds.
- 3.2 The Fund remains highly cost conscious and aware of the need to demonstrate that it delivers value for money for its members and employers. Restructuring our portfolio has continued during the last year, including the introduction of an in-house, actively managed global equities portfolio. This, along with other changes over the last few years has yielded ongoing savings of almost £25 million per year.
- 3.3 In real terms and on a like for like basis, this year the Fund has a reported saving of £10 million on investment management costs when compared to last year.

4.0 Value for Money

- 4.1 The Fund is always conscious and focussed on managing the costs of administration. As a result of tight financial controls and ongoing review of budgets to identify savings, the Fund has been able to reduce the cost of administration, oversight and governance from £18.70 per member to £17.72.

5.0 Working with Members

- 5.1 Throughout the year the Fund has undertaken a programme of engagement with its members, hosting roadshow events and 1-2-1 sessions at employer locations. Communication has been a key focus of the Fund since the 2014 scheme changes and it has worked with relevant service areas to update communications and information making it more accessible through the Fund's website.

6.0 Working with Employers

- 6.1 As we moved into our valuation year it has been the focus of the Fund to work with employers through consultation and engagement. Data Quality has been key for the Fund and as reported to the last Board meeting, the Fund has been developing innovative ways to assist employers to provide accurate data.
- 6.2 In May the Fund undertook a Customer Journey Mapping exercise inviting employers to attend specifically designed workshops focussing on the annual returns process at the Fund highlighting why accurate data was key as we move into our valuation year.
- 6.3 As a result of this work, the Fund has seen a positive increase in the timeliness of accurate data provided for the 2016 annual return.
- 6.4 A presentation outlining progress and future plans to drive performance improvement will be delivered to employers at the Fund's Mid-Year Review on 14 July looking at the improvement both parties could make to improve the exchange of information in the future.

7.0 Governance

- 7.1 At the start of the year the Fund were delighted to achieve the external accreditation of the CIPFA Mark of Governance Excellence. The Fund was the first pension fund in the UK (both public and private) to achieve this accreditation. It was also awarded the CIPFA accreditation for CPD training and became an ACCA Approved Employer.
- 7.2 In addition, the Fund has won 3 awards, for Passive Investment, Trustee Development and Best Use of Private Equity as well as achieving highly commended for Responsible Investment.
- 7.3 The Fund is currently undertaking an exercise to review its policies and statutory documents. These will be presented to Pensions Committee in September for formal approval.

8.0 Charity Work

8.1 In 2015/16 the Fund undertook a number of events to raise money for various charities and have raised £1944.05 for the financial year.

8.2 A breakdown of the monies raised and the charities is attached at Appendix 1.

9.0 Financial implications

9.1 There are no financial implications contained within this report.

10.0 Legal implications

10.1 The Local Pension Board is tasked with ensuring the effective governance of the scheme.

11.0 Equalities implications

11.1 There are no equalities implications.

12.0 Environmental implications

12.1 There are no environmental implications.

13.0 Human resources implications

13.1 There are no implications.

14.0 Corporate landlord implications

14.1 There are no corporate landlord implications.

15.0 Schedule of background papers

15.1 None

16.0 Appendices

16.1 Appendix 1
Charity breakdown.

Month	Charity	Amount
April 15	Comic Relief	153.32
May 15	Multiple Sclerosis Society	66.00
June 15	Stroke Association	60.20
July 15	Beacon Centre for the Blind	51.12
August 15	Mencap	52.69
September 15	Breast Cancer UK	67.14
October 15	Promise Dreams	129.00
November 15	Help for Heroes	114.19
November 15	Children In Need	78.20
December 15	Little Brothers of the Good Shepherd	286.75
December 15	Text Santa (Christmas Jumper Day)	42.00
January 16	Compton Hospice	512.83
February 16	Compton Hospice	
March 16	Compton Hospice	
March 16	Sport Relief	330.61
		1,944.05

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Pensions Board

5 July 2016

Report title	Internal Audit Report 2015 - 2016	
Originating service	Pensions	
Accountable employee(s)	Amanda McDonald	Client Lead Auditor
	Tel	01902 550411
	Email	Amanda.mcdonald@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Board is asked to note:

1. The internal audit report for 2015-2016

1.0 Purpose

- 1.1 To provide the Board with the outcome of the work programme for internal audit for 2015-2016

2.0 Background

- 2.1 The purpose of internal audit is to provide the Strategic Director, Section 151 Officer and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, audit are required to review the risk management and governance processes.
- 2.2 At its meeting in March, Committee were presented with the Internal Audit work programme which outlined the focus of this work for the year 2015-16.

3.0 Progress, options, discussion, etc.

- 3.1 A copy of the outcome report is attached at Appendix 1.
- 3.2 The report notes that no significant audit issues have arisen throughout the year and most importantly, where identified weaknesses / improvements have been identified during the course of audit work, management have agreed recommendations.

4.0 Financial implications

- 4.1 There are no financial implications

5.0 Legal implications

- 5.1 Outlined in the report and appendix

6.0 Equalities implications

- 6.1 There are no implications

7.0 Environmental implications

- 7.1 There are no implications

8.0 Human resources implications

- 8.1 There are no implications

9.0 Corporate landlord implications

9.1 There are no implications

10.0 Schedule of background papers

10.1 Report to Pensions committee 24 June 2015

<https://wolverhamptonintranet.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4824&Ver=4>

11.0 Appendices

Appendix 1 – Audit report 2015-2016

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Internal Audit Annual Report – 2015/16

Introduction

Our internal audit work for the period 2015/16 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Fund's governance, risk management and control processes.

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

- The work of the external auditors
- Statutory policies and plans
- The work of the Fund's Compliance Monitoring Team
- Other pieces of consultancy or third party work designed to alert the Fund to areas of improvement

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

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

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

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

Overall Assurance

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

- All audits undertaken during 2015/16.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.

Internal audit opinion

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

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

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

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

Compliance with the Public Sector Internal Audit Standards

Public Sector Internal
Audit Standards

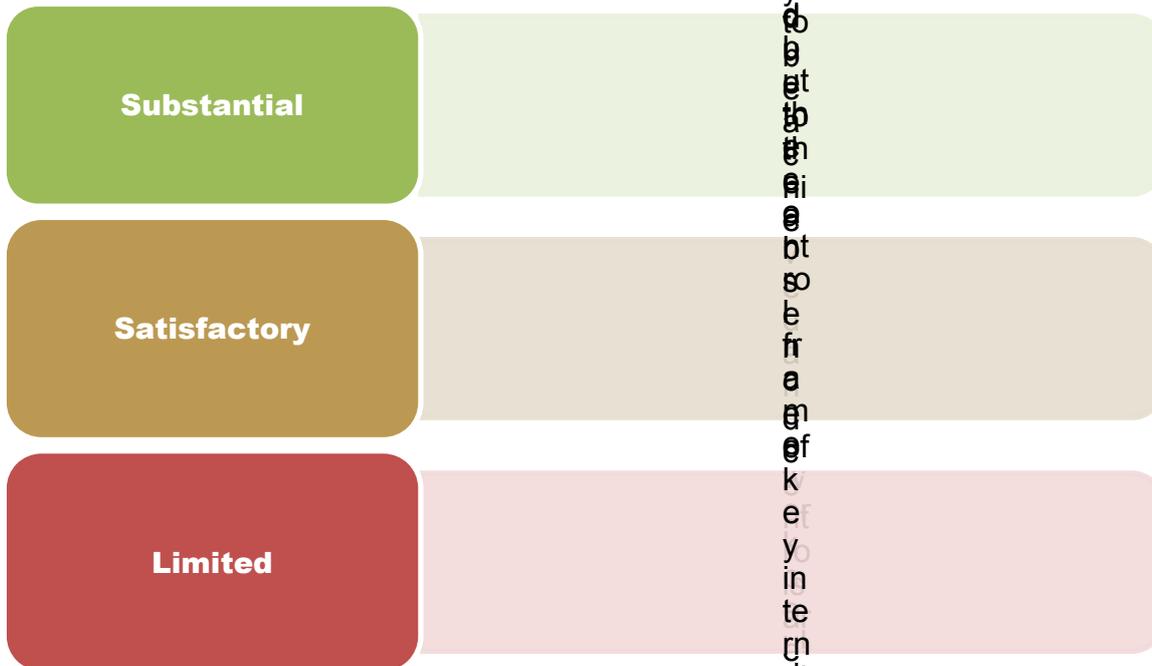
Applying the IS1 International Standards to
the UK Public Sector

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

Summary of work completed

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

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



The following internal audit reviews were completed during 2015/16

Systems Reviews		Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Review of Pensions Administration Strategy		-	3	1	4	4	Satisfactory
Admitted Bodies, Guarantor Scheme		-	2	4	6	6	Satisfactory
Asset Allocation Review		-	-	3	3	3	Substantial
Assurance Mapping		NA	NA	NA	NA	NA	NA
Business Continuity / Resilience Management Arrangements		-	2	5	7	7	Satisfactory

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Key Financial Systems		Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Members Payroll		-	1	-	1	1	Satisfactory
Income and Expenditure		-	-	2	2	2	Substantial
Benefit Calculations		-	1	-	1	1	Satisfactory
Reconciliation of Members Contributions		-	-	-	-	-	Substantial

Follow up Reviews completed in 2015/16

Early Retirement Costings - all recommendations had been satisfactorily implemented.

Overall Governance and Risk Management Procedures – satisfactory progress was being made in implementing recommendations.

Key Financial Systems - satisfactory progress was being made in implementing recommendations.

Corporate / Special Requests

In addition to Pension Fund planned work, We also undertake corporate work on behalf of the Fund as part of the City of Wolverhampton audit plan. This includes adherence to corporate policies and procedures such as Payroll, Human Resources, Finance Arrangements, ICT, Further, we continue to act as the Fund's corporate fraud contact. We have also provided advice and consultancy to the Fund on a number of issues throughout the year, including:

- Provision of support / evidence for the Information Governance accreditation charter mark awarded by the Chartered Institute of Public Finance (CIPFA).
- Development of a counter fraud approach.
- Assistance implementing and embedding data security procedures.

Key issues arising during the year

Review of Pensions Administration Strategy (PAS)

The PAS is an LGPS requirement and should detail arrangements for communications, performance measurement and the circumstances when additional charges can be made to employers. The audit review identified that appropriate procedures were in place at the Fund. However, some performance targets established in the PAS were either not being or unable to be measured. Limited information regarding the performance of scheme employers was made available and enforcement action for poor employer performance has been limited. Recommendations made have been accepted by management.

Admission Bodies, Guarantor Scheme

An audit of the controls in place to ensure guarantors are obtained for admission bodies was undertaken. Without the security of a guarantor, any financial failings could potentially result in unpaid pension liabilities which would be charged to all remaining scheme employers in the Fund. Our audit confirmed that although the Fund had robust procedures to ensure that new admissions were appropriately guaranteed, a number of bodies were admitted prior to current regulations which posed a risk to the fund as they did not have a guarantee. Also, it was noted that when an employer's admission agreement was terminated, there were delays in issuing invoices and receiving payment for associated termination costs. Appropriate recommendations have been made and Fund management are liaising with Legal services to strengthen arrangements.

Asset Allocation

This audit sought assurance that asset allocations are in accordance with the Statement of Investment Principles and Funding Statement Strategy. Further, allocations are transparent; and subject to monitoring. We identified three issues to improve the transparency of information, amendments to the Funding Statement Strategy and the Statement of Investment Principles and the responsibilities of the internal investment team regarding reviewing the asset allocation.

Assurance Mapping

An assurance map was developed with the assistance of the Governance Team. This was based on the current top ten risks facing the Fund and demonstrates what assurance was available to mitigate the risks and where the fund remained exposed. It is anticipated that this document will be embedded in the Fund and form part of the overall assurance framework.

Business Continuity / Resilience Management

We reviewed arrangements to ensure that the Fund had access to an appropriately skilled and resourced emergency planning and continuity function and aligns with City of Wolverhampton plans. We identified two issues relating to the lack of clarity for the management arrangements for business continuity between the Fund and the City of Wolverhampton, and the absence of a business impact analysis.

Key Financial Systems

On an annual basis, we undertake a review of the main financial systems to provide assurance that procedures are operating effectively, this year we reviewed:

Members Payroll

There was a robust system of controls for the processing of payroll. However, key performance indicators (KPIs) and processing targets had not been achieved consistently throughout the year. At the time of our review there were two areas with a high volume of unprocessed records relating to the finalisation of a deceased members pension and notifications indicating an unexpected change.

Income and Expenditure

Testing on a sample of portfolio transactions was undertaken to ensure that appropriate controls are applied to income and expenditure. This confirmed that sound procedures had been adopted. Two recommendations were made regarding administrative issues which have been implemented by management.

Benefit Calculations

Testing confirmed that robust controls are in place for the processing of benefit calculations. However, issues were identified concerning the timely completion of calculations. A recommendation has been made to establish an action plan to identify the main underlying contributory factors causing the delays and how these can be addressed.

Reconciliation of Members Contributions

This audit reviewed the procedures for updating and reconciling internal records and the general ledger. Many improvements to procedures were noted during the year, including the use of automatic data uploads. No further recommendations were suggested.

National Fraud Initiative

We co-ordinate the Cabinet Office's National Fraud Initiative (NFI) data matching exercise on behalf of the Fund. This involves matching Fund records to DWP data, deceased records, and payrolls. The latest matches' reports were reviewed and two confirmed matches identified. Action is being taken to recover overpayment of pensions. A further 295 possible matches have also been highlighted and work is underway to confirm if any other overpayments have occurred.

Financial Appraisals

Where an organisation is seeking admitted body status to the Fund, a financial appraisal is completed (the purpose of which is to establish whether the organisation will or will not be able to meet its financial obligations to the Fund). We completed 19 such appraisals on behalf of the Fund during 2015/16. The financial appraisals provide a business failure score rating from 1 to 100, with 1 being the highest risk and 100 the lowest. Where appropriate, recommendations are made to obtain either a bond or guarantee from the organisation.