

Pensions Board

5 July 2017

Time	2.00 pm	Public Meeting?	YES	Type of meeting	Pensions
Venue	Meeting Room 1, 4th Floor, Mander House, 7 Queens Arcade, Wolverhampton, WV1 4NB				

Membership

Employer Representatives

Paul Johnson
Caroline Jones
Joe McCormick
Cllr Sandra Samuels
Paul Sheehan
Mike Sutton

Member Representatives

Sharon Campion (Unison)
Annette King
Cllr Hazel Malcolm
Lee Nash (Unite)
Paul Sayers (UCATT)
Adrian Turner (Unison)

Quorum for this meeting is seven

Information for the Public

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

<i>Item No.</i>	<i>Title</i>
1	Election of Chair
2	Election of Vice-Chair
3	Apologies for absence
4	Declarations of interests
5	Minutes of the previous meeting - 24 January 2017 (Pages 5 - 12) [For approval]
6	Matters arising [To consider any matters arising from the minutes of the previous meeting]
7	Data Quality and Employer Performance (Pages 13 - 24) [To provide an update on the progress being made by the Fund to continue to improve data quality, and on the plans in place to make further improvements to data quality]
8	General Data Protection Regulations (GDPR) update (Pages 25 - 28) [To provide an update on the work of the Fund in preparing for the changes under GDPR]
9	Annual Governance Report 2017 (Pages 29 - 36) [To receive an update on the work undertaken by the Fund in relation to its governance]
10	Regulatory Update 2017 (Pages 37 - 44) [To provide regulatory updates and guidance from national bodies and to outline the steps taken by the Fund to ensure its compliance]
11	Annual Report and Accounts 2016/17 (Pages 45 - 50) [To receive an update on the preparation, approval and audit of the draft annual report for the year ending 31 March 2017]
12	Customer Engagement and Service Developments (Pages 51 - 64) [To provide an update on the work of the Fund on customer engagement and associated service delivery]
13	Policies Review 2017 (Pages 65 - 86) [To provide an overview of the Fund's statutory and good practice policies for the year 2017/18]

- 14 **Internal Audit Report 2016/17** (Pages 87 - 98)
[To receive the outcome of the work programme for internal audit for 2016/17]

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Attendance

Members of the Pensions Board

Employer representatives:

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

Member representatives:

Annette King (Vice-Chair)
Cllr Harbans Bagri
Sharon Champion
Adrian Turner

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Dereck Francis	Democratic Services Officer
Rachel Howe	Head of Governance - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Paul Sayers, Lee Nash and Geik Drever, Strategic Director of Pensions.
- 2 **Declarations of interests (if any)**
There were no declarations of interests.
- 3 **Minutes of the previous meeting - 5 July 2016**
Resolved:
 1. That minute 8 (Report of the Chair of the Pensions Board) be amended by the substitution of the word "employer" from "employee" in the fourth paragraph to that minute.
 2. That subject to 1 above, the minutes of the meeting held on 5 July 2016 be approved as a correct record and signed by the Chair.

4 **Matters arising**

Cllr Sandra Samuels (Chair) asked for feedback from the Board on the LGPS Central Stakeholder event held in the morning. Adrian Turner said that he felt there was not enough time for questions. He noted that the current governance arrangements did not facilitate Trade Union representation. Rachel Howe, Head of Governance, reported that a letter had been received by Pensions Committee to the Strategic Director of Pensions on this matter and a response had been issued, noting the request for representation.

The Chair asked Adrian Turner to formally write to the Board with his concerns so that these could be considered and raised as appropriate.

Chris West noted that the proposed governance structure made provision for the Administering Authority to have a seat on the stakeholders and Joint Committee of LGPS Central, but that employers were not represented within the investment pool.

Rachel Brothwood, Director of Pensions noted that the views of Trade Unions were through the Administering Authorities Pensions Committee and that the make up of the Joint Committee for LGPS Central was still to be determined. Employers are represented to the Administering Authority through a number of informal and formal forums from employer peer groups to Pension Board and Local Authority representation on Pensions Committee. She went on to say that the engagement the Fund currently receives from both Trade Unions and Employers was important and valued and that such lasting opportunities to reflect both groups would continue going forward.

5 **Pension Board Appointments Process**

Chris West reported that he was tendering his resignation from the Board. He would be leaving the employment of Coventry City Council and would therefore no longer be eligible serve as a representative on the Board.

The Chair reported that she was sorry that Chris West would be leaving the Board. She placed on record her thanks and appreciation to Chris West for his valued contributions to the work of the Board and wished him well.

Rachel Howe, Head of Governance outlined a proposed appointments process for the West Midlands Pension Fund Local Pension Board. From 2017/18 there would be a vacancy for an employer representative and a member representative. A nomination pack had been prepared and would be published on the Fund's website and circulated to the Fund's employers and member groups within the next few weeks.

The Board discussed the pros and cons of using the alphabetical rotation for nominations to the Board rather than a random selection method but agreed there was no right or wrong approach and agreed the alphabetical rotation as a third stage nomination once stage 1 and 2 have provided no vacancies.

Sharon Champion reported that for the nomination of the Trade Union representatives, the nomination pack should go to Unison (who currently hold the seat up for nomination) for them to nominate and not the TUC. Adrian Turner agreed stating the TUC had previously agreed the representation on the Board by agreeing 1 seat per union with 2 going to Unison therefore any vacancies should be managed through the relevant trade union.

Adrian Turner suggested an amendment to paragraph 3.2 of the Appointments Process to include the words “write out to the appropriate Trade Union on an annual basis”.

The Board went on to discuss the role of elected members on the Board, noted one member representative and one employer representative and annual appointment by the Council facilitated 2 of the 4 seats renominated each year. In response to questions raised around the legal requirements to have elected members on the Board, Rachel Howe, Head of Governance advised that under the Regulations it had been provided for but it was not a requirement. City of Wolverhampton councillors could be appointed to the Board but they had to sit as either an employee or employer representative. Rachel Howe also confirmed that the terms of reference for the Board, which include its membership, had been approved by the board working group in 2014 prior to the creation of the Board and that trade union and employer representatives were part of that approval process. It was noted that a number of authorities do have elected councillors on the Local Pension Board but that practice is only starting to emerge and Local Pension Boards report operations for the Pensions Regulator and Shadow Advisory Board review.

In the light of the comments made the Chair suggested that the Unison and TUC Regional Office and the employers be invited to write in with their concerns and thereafter a formal response would be provided.

Resolved:

1. That paragraph 3.2 of the appointments process be amended to read:
“Following the January meeting, the Head of Governance will write out to the appropriate Trade Unions on an annual basis and seek nominations to the Pensions Fund”.
2. That subject to the amendment referred to in 1 above, the appointment process for the West Midlands Pension Fund Local Pension Board be approved.
3. A letter be sent to the Trade Unions informing them how the appointments process onto the Board would be dealt with going forward.
4. That a letter be sent to Unison inviting a nomination for a representative to serve on the Board for 2017/18.

6 **Pension Board Appointments 2017**

The Board was invited to nominate one employer and one employee representative to serve on an Appointments Panel together with the Chair and Vice-Chair of the Board and the Strategic Director of Pensions (or substitute) to consider any nominations received for 2017 and to confirm the seats for nomination to the Board for 2017.

Rachel Brothwood, Director of Pensions reported that a form would be circulated to Board Members to confirm their interests and the skills that they bring to the Board to assist the Appointments Panel consider nominations and the requirement for Pension Board.

Resolved:

1. That an Appointments Panel comprising the Chair and Vice-Chair (Cllr Sandra Samuels and Annette King), Mike Sutton and Adrian Turner and the Strategic Director of Pensions, be convened to receive nominations onto the Board for 2017/18.
2. That nominations to the seat of Chris West (employer representative) and Sharon Campion (Trade Union representative) on the Board for be sought.

7 **Pension Board Workplan 2017/18**

Rachel Howe, Head of Governance presented for review and approval a draft workplan and training plan for the Board for the period 2017/18. Details of the training record for the Board during 2016/17 were also submitted.

Referring to the draft work plan for 2017/18, Paul Sheehan queried whether any of the policy reviews scheduled for July 2017 were more fundamental to the operation of the Fund and whether the list of policies to be reviewed were in the right order of risk. Rachel Brothwood, Director of Pensions advised that a number of the policies were linked and were scheduled based on the timing of the cycle.

Chris West queried whether the funding strategies would be agreed by the time of the Board's review of them. Rachel Brothwood, Director of Pensions reported that the role of the Board was to provide oversight and assurance. Generally the policies would be submitted and agreed by the Pensions Committee prior to the Board reviewing them. The Head of Governance added that the Board could also review the process of the decision making on the policies.

Regarding the attendance and training records for 2016/17, the Director of Pensions asked Board members to contact the Fund if their training /attendance records needed updating. Sharon Campion and Adrian Turner reported on areas within their training logs that needed to be updated.

Resolved:

1. That the proposed workplan of the Board for the period 2017/18 be approved.
2. That the proposed training plan for 2017/18 be approved.
3. That the training record for the Local Pensions Board for the year 2016/2017 be noted.

8 **Compliance Monitoring 2016/17**

Rachel Howe, Head of Governance presented the report which sought to provide the Board with assurance about the Fund's adherence to statutory guidance and legislation.

Resolved:

1. That the work of the Fund in complying with the Pension Regulator's Code of Practice be noted.
2. That the proposed compliance monitoring programme for 2017 be noted.

9 **Communication and Customer Engagement update**

Rachel Howe, Head of Governance outlined the salient points of the report on an update on the work of the Fund in the area of communications during 2015/16 and on the proposed activity for 2017.

Adrian Turner asked whether an officer from the Customer Engagement team could be made available to attend the Unison Branch Annual General Meetings for 2018. Rachel Howe, Head of Governance, asked that he forward the dates.

Sharon Campion and other members of the Board commented that members appreciated the Member Services Roadshows that are conducted throughout the year.

Resolved:

1. That the work of the Fund in improving communications with stakeholders during 2015/2016 be noted.
2. That the work of the Fund to improve continued engagement with stakeholders over the next year be noted.

10

Preparing for the General Data Protection Regulations (GDPR)

Rachel Howe, Head of Governance presented a report on an outline of the project plan to ensure that the Fund is compliant with changes to the General Data Protection Regulations for when they come into force in 2018. The changes to the regulations were necessitated due to technological advances and the availability of personal information being much more widespread.

Rachel Brothwood, Director of Pensions added that this area would be added to the Board's work plan for 2017/18.

Resolved;

That the proposed workplan of the Fund in preparing for the changes to Data Protection Regulation be noted.

11

Data Quality and Employer Performance - Quarterly Update - 1 July to 30 September 2016

Rachel Brothwood, Director of Pensions outlined the salient points of the report on progress being made by the Fund to continue to improve data quality; on the plans in place to make further improvements to data quality; and on the performance of employers against key performance standards as detailed in the Pension Administration Strategy (PAS).

Referring to the financial implications section of the report, the Chair commented that the Fund did not want to impose penalties on employers for late receipt of membership data/ and or data errors. However, the issuing of fines to recover additional costs incurred as a result of the poor employer performance was making a difference.

In response to questions from the Board about late receipt of data or errors in membership data and the implications of this for Fund members, the Director of Pensions advised that four employers had been reported to the Pensions Regulator for their poor performance in providing membership data. Three of the employers had since responded and one had not. One implication of late or inaccurate data for members is that the Fund may be unable to produce an Annual Benefit Statement (ABS). Regarding a query raised on feedback to employers, the Director Pensions reported that the Fund had a good level of engagement with employers on errors identified following annual return submission and would continue to work with them.

Sharon Champion asked whether the Government plans to cap exit payments would have an effect on receiving employee data from employers. The Director of Pensions advised that it could have an impact if restructuring plans advanced (and staff turnover unexpected) and it was a risk that the Fund was aware of.

The Chair asked the Board's view on whether it would like to be notified of the employers who were providing late employee data or inaccurate data and whether it should name the employers. Board members felt that the Fund should continue to encourage the employers to engage and that naming the employers should be a last resort. The question of whether there would be any governance issues from naming an employer was also raised. The Director of Pensions added that once the Fund reported an employer to the Pensions Regulator it would have followed a failing which had not been resolved through engagement and these cases would be reported to Pensions Committee and the Board.

Resolved:

1. That the progress and the actions being taken to continue to improve data quality be noted.
2. That performance of employers against key standards set out in the Pension Administration Strategy (PAS) be noted.

12

2016 Actuarial Valuation Process

Rachel Brothwood, Director of Pensions presented the report on an overview of the 2016 actuarial valuation process to enable the Board to review the 2016 process. Consultations were still ongoing on the actuarial valuation and would run until the end of the month.

Sharon Champion expressed concern that the outcome of the Government Actuary Department (GAD) review of the 2016 actuarial valuation results could trigger Secretary of State (SoS) intervention in the Fund's funding and investment strategy. The Director of Pensions reported that the advice was that this would be a last resort and that the Fund was not expecting to be singled out in the report based on the approach proposed for the 2016 Actuarial Valuation.

Adrian Turner asked for a worst case scenario for the Fund on who would meet an employers' costs if they could not afford their level of contributions over the three years to March 2020. The Director of Pensions reported that the Fund had to balance its responsibility of being able to pay pensions and the employers' ability to make their contributions. The Fund had a strategy as to how this would be managed and it was having a dialogue with employers to manage their pensions contributions over time where the employer had alerted the fund to an issue. The Fund is also talking to employers about alternatives to cash funding to ease short term financial pressures but noting the Fund's exposure to the risks of employer default. If an employer did fail to meet their contributions, the answer to who would meet their costs would depend on whether they had a guarantor. New employer contribution rates take effect from 1 April 2017. Regarding the budgetary arrangements for Academies being set around the academic year, the Fund is being flexible with Academies regarding payment of their contributions.

Chris West commented that organisations who are struggling financially were receiving excellent support from the Fund. It was his understanding that colleges, schools and local authorities could not close the Local Government Pension Scheme to their employees but that this did not apply to TUPE transfer employees. For a lot

of organisations who were struggling, an increase in pension contributions might mean a closure of the scheme to new members.

Sharon Champion reported that she was concerned that the dialogue taking place with employers and the Fund was not being relayed back to employees. The Director of Pensions reported that the Fund could not engage in dialogue with employees about potential changes to their pension arrangements as this was a matter between the employer and employee requiring specialist advice.

Annette King asked about the current position regarding the £95,000 exit cap. The Director of Pensions advised that information and guidance on the matter was awaited. Changes to the Local Government Pension Scheme (LGPS) early retirement terms had been suggested but to date no further details or proposals had been forthcoming.

Resolved:

That the process undertaken by the Fund to deliver the 2016 actuarial valuation for both the West Midlands Pension Fund (Main Fund) and the West Midlands Integrated Transport Fund (WMITA Fund) be noted.

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Pensions Board

5 July 2017

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

Recommendations for noting:

The Board is asked to note:

1. The progress and the actions being taken to continue to improve data quality
2. The performance of employers against key standards set out in the Pension Administration Strategy (PAS)
3. The progress and implementation of the monthly returns programme with scheme employers.

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, summarise the plans in place to make further improvements to data quality and to report the performance of employers against key performance standards as detailed in the Pension Administration Strategy (PAS).

2.0 Background

- 2.1 The Fund has always placed the retention of good quality data high on its list of priorities, however the importance has heightened more recently following greater scrutiny from the Pensions Regulator together with the forthcoming changes in Data Protection legislation.

- 2.2 A summary of the activity undertaken by the Fund to identify and act on poor data quality is listed below:

- comparison of data record keeping against the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
- application of charges/re-charges on employers to reflect late receipt of annual return files and poor quality of data
- review of annual return errors and issue of analysis to employers
- regular engagement with district councils in regards to outstanding data items and production of action plans where required
- independent high level review of the work carried out by the Fund
- Data mapping exercise in readiness for tighter controls under the General Data Protection Regulations
- Review of the Fund's processes for deferred member data and the use of tracing services
- Procurement of microfiche scanning and review of the digitisation process.

- 2.3 The Fund's Pension Administration Strategy (PAS), most recently revised from April 2017, sets the performance and quality standards for employers and the Fund. The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the Fund and scheme employers. Most notably the timely exchange of accurate information in relation to Fund members. The administration strategy sets out the expected levels of performance of the Fund and scheme employers, and provides details about the monitoring of performance levels.

- 2.4 To help deliver the Data Quality program, the Fund undertook a program of recruitment to its Business Performance and Data Team which included the appointment of 2 senior Data Managers.

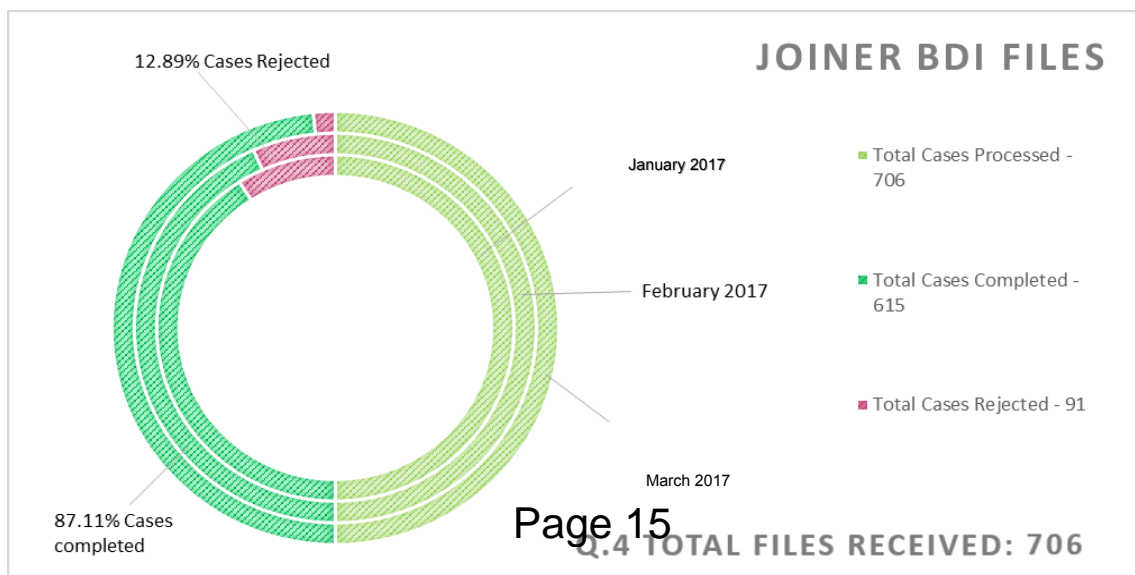
3.0 Outstanding Data – Progress

- 3.1 As outlined to the Board in the January 2017 report, the Fund has and continues to take a number of actions to engage with employers to improve the quality of data held.

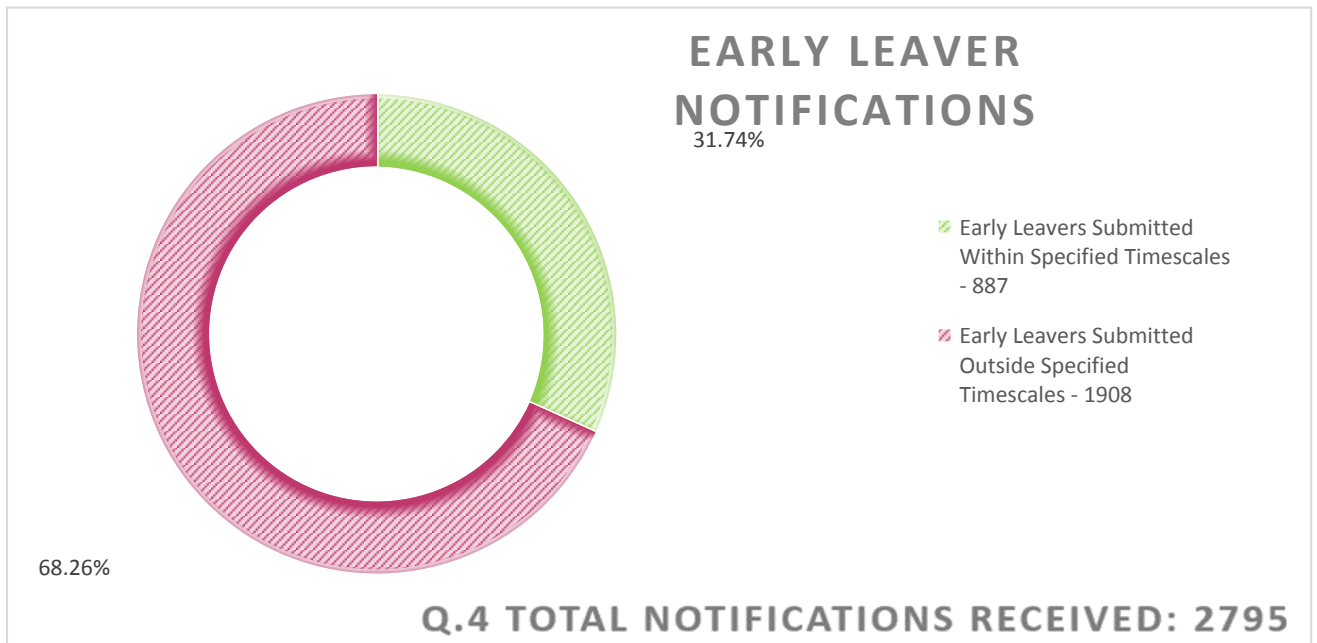
- 3.2 Following this increased engagement with employers, the Fund has received the 2017 Annual Returns with 97% of employers returning their files by 31 May 2017, compared to 92% last year. The typical known issues to date include, missing notifications for joiners and leavers, missing hours for casual workers, historic errors from previous annual returns processes, and records with no contributions received.
- 3.3 The Fund continues to work with employers to monitor and review progress in reducing these data errors. This includes the production of employer dashboards since 1 January 2017 for our larger employers highlighting areas for continued improvement, and setting up agreed monitoring processes. As at the end of May 2017, an overall reduction of 18.5% has been achieved across the employer base, with just over 16,300 issues remaining to be resolved.
- 3.4 The Fund is working with employers to support the acceleration in the reduction of outstanding data. Regular updates and meetings are being held with key employers and performance is being monitored on a regular basis. In addition work is currently underway to focus engagement with those employers where progress could be improved.

4.0 Employer performance against the Pension Administration Strategy

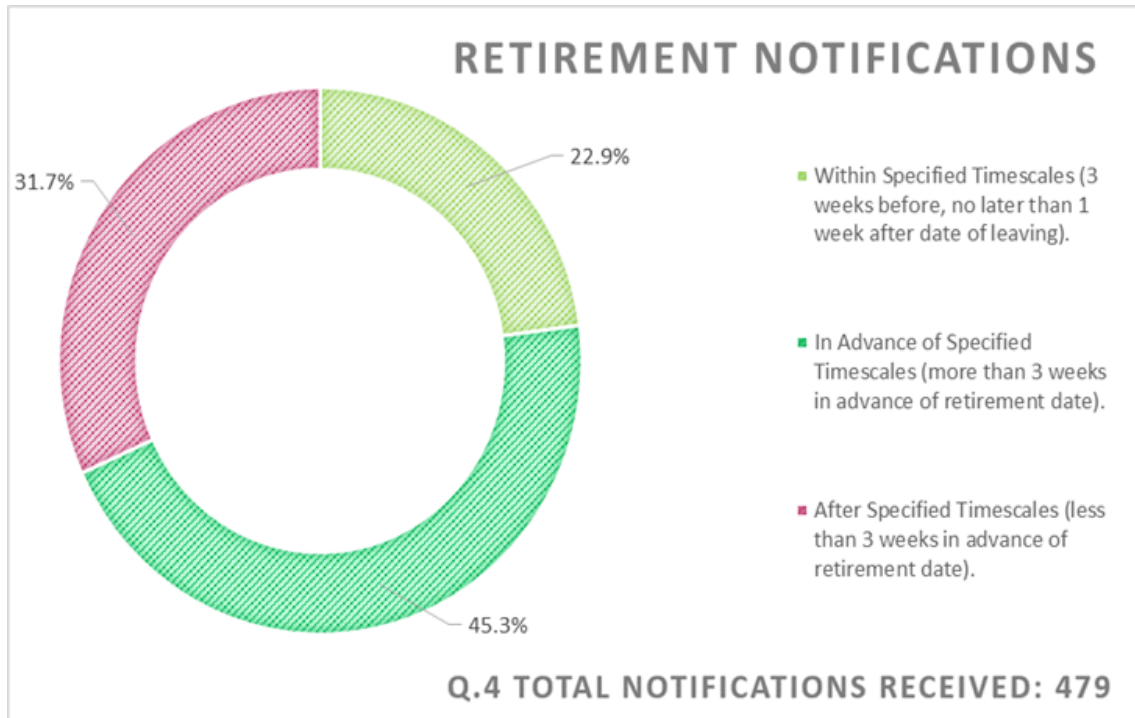
- 4.1 Alongside monitoring outstanding data items, the Fund is reviewing and enhancing the performance management framework for performance against the employer standards specified in the PAS. The performance standards focus on timeliness and quality and covers, but is not limited to, the following key areas:
- Submission of joiner information
 - Notification of leavers (early leaver and retirees)
 - Submission of annual return data
 - Response to queries raised by the Fund
- 4.2 Employers are required to notify the Fund of new joiners to the scheme within 6 weeks of a member joining. On average from the files submitted from January 2017 – March 2017, the average timeframe was 11 months and 3 weeks. From January 2017 – March 2017 the Fund received a total of 706 bulk joiner files from employers. On average the Fund rejected 13% of the joiner data files received due to the quality of the data provided, this can be due to missing mandatory fields or incorrect formatting.



- 4.3 Employers are required to notify the Fund when members leave employment either as an early leaver or due to retirement. To enable the efficient processing of member benefits there are specified timescales for notifying the Fund.
- 4.4 Overall, from January 2017 – March 2017 an improvement has been seen in the quality of the bulk joiner files submitted by employers and the timeliness of the notification of members leaving early. However, overall the timeliness of submissions of early leaver notifications is poor (with over 2/3's late) and has shown a slight decrease since Q3 as per chart 3 in appendix 1.



- 4.5 From January 2017 – March 2017, 32% of early leaver notifications were received within the specified timescales of within 30 days of the month end of the date of the member leaving. An average timescale of 193 days (following the date the member left employment) was achieved across all employers. With the work underway to reduce outstanding data items, it is expected that a high volume of the cases not achieving KPI will be due to employer's actioning outstanding missing leaver notifications.
- 4.6 To enable the efficient processing of member retirement benefits there are specified timescales of 3 weeks before and no later than 1 week after the date of leaving. From January 2017 – March 2017, 68% of retirement notifications were received either in advance of or within the specified timescale of 3 weeks before and no later than 1 week after the date of leaving.



- 4.7 From the information analysed by the Fund's data team, it would appear that the largest area of work and where further engagement is needed with employers is in relation to leaver notifications. This is being highlighted with Employers at the Mid-Year Review and ongoing engagement is planned with the larger employers, including District Councils to remedy this.
- 4.8 The Fund are engaging with employers in regards to their performance against these standards, to highlight areas for improvement, to understand the issues they experience and where further support can be provided. This engagement has been initiated in the first instance with the district councils, and a dashboard detailing their performance has been developed for each of these key areas.
- 4.9 To support employers with submission of leaver data to the Fund, a review has been undertaken of the structure and layout of the form and a guidance document produced. This document is designed to support employers with their understanding the requirements to reduce the number of queries raised.
- 4.10 The Fund is due to present to employers at its Mid-Year Review and will discuss both Fund and Employer performance in this area feeding back on lesson learned in the new monthly returns process and the progress of implementation prior to all employers going live by September 2017.

5.0 Transition to Monthly Data and Contribution Submissions with employers

- 5.1 After the successful pilot January – March 2017, employers were able to provide feedback on the process, which has enabled the Fund to enhance the process and implement functionality to further support employers and the Fund. An employer user guide, navigation video and FAQ's document are key elements of the support documentation that has been produced and are available on the Fund's website.
- 5.2 The transition dates for employers to submit their monthly file spans from April 2017 – September 2017, with the below highlighted go-live dates along with the number of employers who are due to commence at each date:
- April – 473 (147 confirmed, 326 default)
 - May – 2
 - June – 20
 - July – 35
 - August – 0
 - September – 75
- 5.3 Since the go-live date of April, the Fund has received over 170 files (by mid June) from employers. The employers are permitted to submit one data file containing new joiners, member changes, member/employer contributions, which will produce a financial remittance advice and identify leavers by the 19th of each month. The Fund will contact those employers who have not submitted their files and provide support if necessary.
- 5.4 The Fund needs to complete the Annual Returns process before it can commence the Monthly Data Submissions procedure. The Fund is regularly communicating with employers, on a day to day basis and through the Employer Brief and Employer Peer Group, to keep them up to date with this process.

6.0 Financial implications

- 6.1 The late receipt of membership data and/or data errors can increase the administration cost of the Fund. Scheme regulations enable the Fund to recover additional costs incurred as a result of poor employer performance. As detailed above the Fund has issued charges to recover costs for the late submission of annual return files. The Fund are also looking at recharging for additional costs incurred for additional work required for the resolution of large volumes of outstanding data.

7.0 Legal implications

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

7.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

8.0 Equalities implications

8.1 There are no implications contained within this report

9.0 Environmental implications

9.1 There are no implications contained within this report

10.0 Human resources implications

10.1 There are no implications contained within this report

11.0 Corporate landlord implications

11.1 There are no implications contained within this report

12.0 Schedule of background papers

12.1 Pension Administration Strategy 2017
www.wmpfonline.com/corporateinformation

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

12.3 The Pensions Regulator's code of Practice
<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

12.4 The Scheme Advisory Board's statutory guidance.
<http://www.lgpsboard.org/index.php/about-the-board/board-guidance>

12.5 General Data Protection Regulations
<https://ico.org.uk/for-organisations/data-protection-reform/overview-of-the-gdpr/>

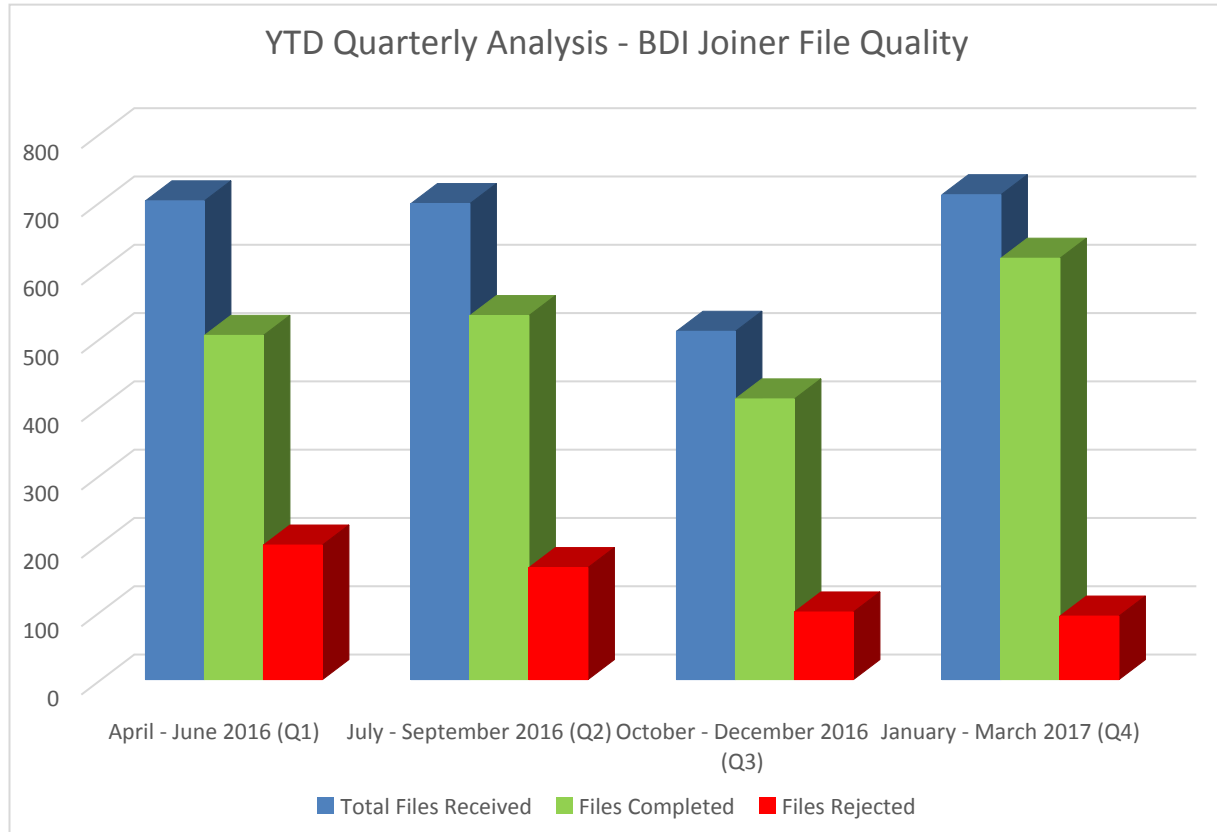
13.0 Schedule of appendices

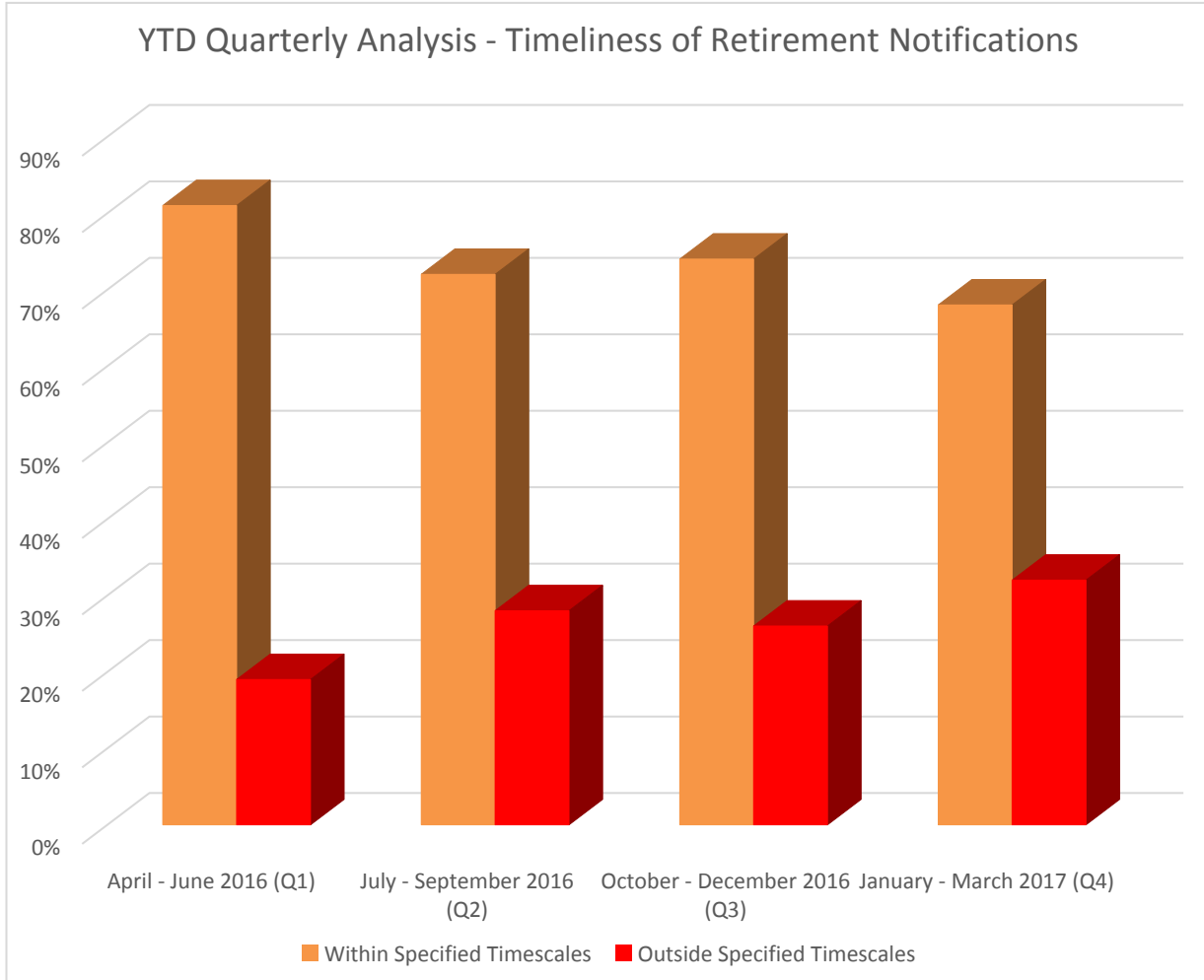
13.1 Appendix 1 – Quarterly analysis (YTD) of employer performance against key standards in the PAS

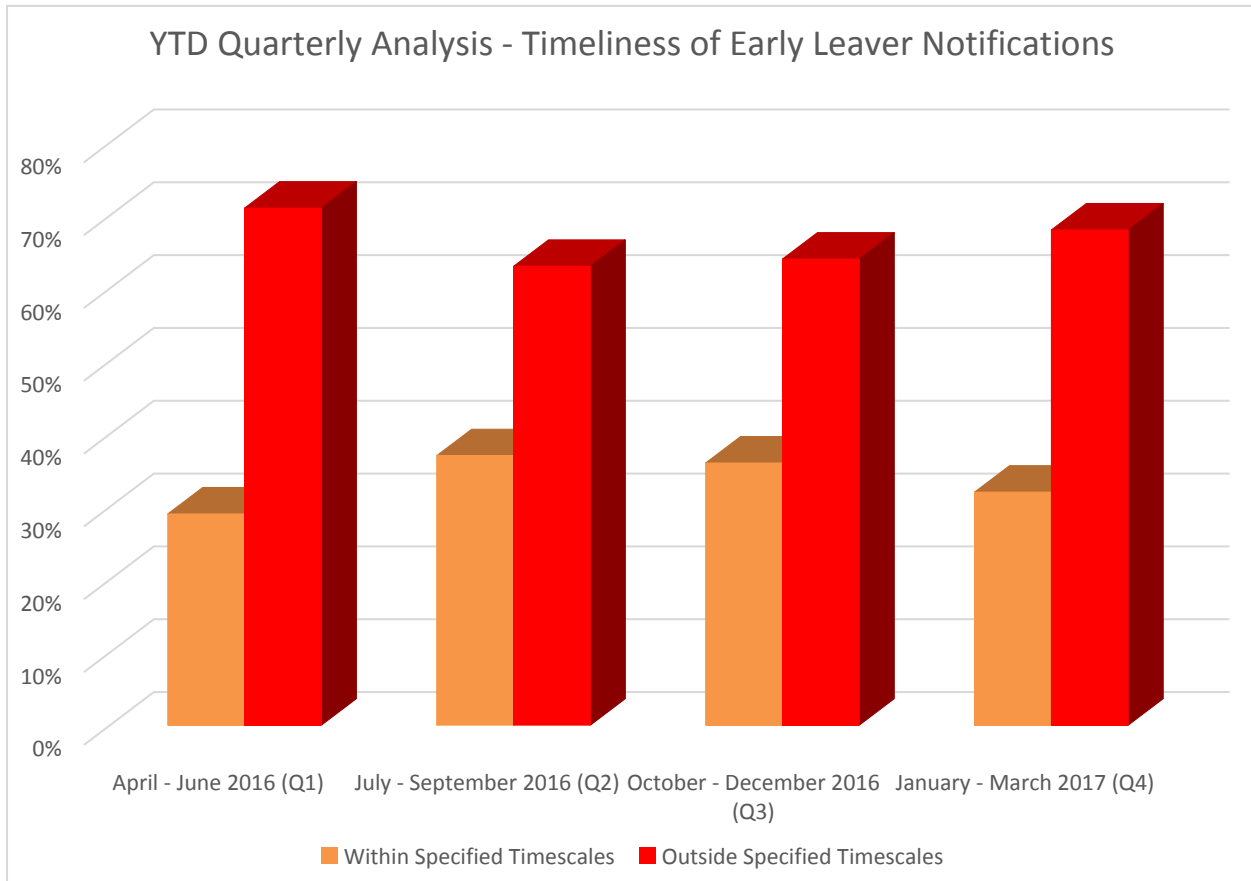
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Appendix 1

Quarterly analysis (YTD) of employer performance against key standards in the PAS







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Pensions Board

05 July 2017

Report title	General Data Protection Regulations (GDPR) update	
Originating service	Pensions	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
		01902 551715
		Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The work of the Fund to prepare for the changes under GDPR.

1.0 Purpose

- 1.1 To provide the Board with an update on the work of the Fund in preparing for the changes under GDPR.

2.0 Background

- 2.1 The General Data Protection Regulation was adopted on 27 April 2016. It comes into force after a two year transition period. Unlike previous EU Data Protection legislation it does not require formal adoption by the UK and will become law on 25 May 2018.
- 2.2 Pension Board were presented with a report in January 2017 on the new principles and the work required by the Fund to ensure its compliance.

3.0 Work to date – Internal

- 3.1 In line with the project plan, the Fund identified its “Data Angels” from across the service areas of the Fund and held bespoke training from an external provider in March to develop their knowledge and review the project plan.
- 3.2 Feedback from the trainer was very positive in the steps the Fund were proposing to take and work has now begun implementing the actions identified.
- 3.3 Training has been delivered by the Data Angels to all staff across the Fund on the changes to data protection rules, highlighting change coming to data handling process and procedure.
- 3.4 The Fund has also established a working group with officers from the Local Government Communications Group (a group of representatives from across 25 pension funds) to collaborate on the policies and information to be issued to members under GDPR. This will help ensure a standardised approach from across the LGPS with the aim of developing a consistent message to members about the way funds manage their data. The next meeting of the group is to be held on 13 July.

4.0 Work to date – external

- 4.1 The Fund is also keen to develop the knowledge of its employer and following the presentation to the AGM in November 2016, a further update will be provided at the Fund’s Mid-Year Review on 5 July. The Fund also included in its June edition of the Employer Briefing Note a link to the ICO guidance with the line “GDPR – are you ready?”
- 4.2 In line with the project plan the Fund has identified its third party providers and those Fund data is shared with and will now start writing to them to establish their readiness for the change.

5.0 Work to be undertaken

- 5.1 Following last year's survey of public pension schemes, the Pensions Regulator have published their 2017 report on the governance and administration of schemes.

Within that report, the TPR has stated that they expect all schemes to undertake an annual data review and put improvement plans in place to ensure the data they hold is accurate and up to date. We expect TPR to publish further guidance on this during 2017. The TPR have also enforced the point that they will consider enforcement actions where scheme managers fail to demonstrate that they are taking appropriate steps to improve their records, including having a robust improvement plan in place.

- 5.2 The Fund is taking an active step to ensuring the quality of data we hold for our active membership through the move to monthly returns. Once fully operational, this will improve significantly the data we hold for our active membership by ensuring membership changes are identified early and employer and Fund databases remain more in sync. For our pensioner group, as we have regular contact with these members through their pension payments and annual P60 mailing, the Fund has reasonable assurance that the data we hold is accurate and up to date and has an estimated return post of less than 1%. Where any concerns arise, contact is made with the member and if necessary, payments are put on hold pending confirmation of the data we hold.
- 5.3 One area of the Fund which does not have active engagement in terms of managing accurate data is in relation to our deferred members. These members generally lose contact with the Fund following a change in employment, have opted out of the scheme, and range in status from those due to retire in the next 3 years, to those due to retire in 10+ years.
- 5.4 Currently, the Fund undertakes tracing services to locate members who have reached payment age, with a search that provides a level of assurance as to the accuracy of data we hold.
- 5.5 Investigations are currently ongoing to determine whether this is the most cost effective management of our deferred data with assessment against the requirement by the TPR to have a plan in place for data management, together with the requirement under GDPR to have accurate and up to date data.
- 5.6 One principle under GDPR requires data controllers to ensure it holds accurate and up to date information, and one solution to the data cleanse is for the Fund to run a bulk trace on members. It is proposed that this is broken down to those due to retire within the next 3 years and is an exercise to be repeated every three years. Prior to tracing, those registered for self-service web portal will be contacted and encouraged to check and update details reducing tracing costs.

The Fund will then run a follow up report on those due to retire within 3 years and those who have registered with the hope it will reduce the 6,500 number we currently have.

6.0 Financial implications

6.1 Failure by the Fund to ensure compliance with GDPR may result in a fine up to €20,000,000 or 4% of turnover

7.0 Legal implications

7.1 Failure by the Fund to ensure it holds accurate and up to date data could result in formal action and fines issued by both the Pensions Regulator and the Information Commissioner.

8.0 Equalities implications

8.1 There are no implications

9.0 Environmental implications

9.1 There are no implications

10.0 Human resources implications

10.1 There are no implications

11.0 Corporate landlord implications

11.1 There are no implications

12.0 Schedule of background papers

12.1 Information Commissioner's Guidance on GDPR
<https://ico.org.uk/for-organisations/data-protection-reform/>

12.2 Report to the Pensions Board 24 January 2017
<https://wolverhamptonintranet.moderngov.co.uk/documents/s35527/Preparing%20for%20the%20General%20Data%20Protection%20Regulations%20GDPR.pdf>

Pensions Board

5 July 2017

Report title	Annual Governance Report 2017	
Originating service	Pensions	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 The Local Pension Board's role is to assist in the effective governance of the scheme in its adherence to legislation and best practice.
- 2.2 This year has seen a number of challenges faced by the Fund as it prepares to deliver the Investment Pooling, together with greater oversight and governance from the Pensions Regulator.
- 2.3 2016 was also a valuation year for the Fund as it engaged and consulted with employers in setting the risk-based funding strategy for the next 3 years.

3.0 Investments

- 3.1 It has been a good year for the Fund's investments achieving a return net of costs of 22.6%, exceeding its benchmark by 0.8% per annum over the year and ahead of the fund target of 0.5% per annum over 3 years. Fund value over the year increased by £2.6 billion to £14.3 billion.
- 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. The Fund's investment team, managing over 40% of the Fund's assets in-house, have worked to reduce investment cost and encourage transparency in external managers' reporting. This together with streamlining portfolios, has seen a reduction in costs, on a like-for-like basis of around £58 million per year between 2012/2013 and 2016/2017 reducing cost per member and taking the overall Fund cost down 0.46% pa.

4.0 Value for Money

- 4.1 The Fund is 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 £17.72 per member to £17.64

5.0 Working with Fund Members

- 5.1 The Board will recall from its December 2016 meeting the Fund's aims to develop its customer engagement strategy. This latest quarter (to 31 March 2017), the Fund has hosted and delivered 49 member events which saw 819 members attend. The Fund's Customer Services team handled 18,383 calls, and a total of 52 complaints were received.

6.0 Working with Employers

- 6.1 Alongside and in addition to the engagement the Fund undertook with employers during the 2016 valuation, the focus of the Fund for employer engagement has been the quality of data provided in the Annual Returns which has seen a significant improvement in the information being provided.
- 6.2 The experience employers shared with the Fund through the Customer Journey Mapping workshops held last year has led to the development of an enhanced user functionality for our employers. This transparent 'listen and learn' approach has paved the way for continuous improvement with employers feeling confident that their opinions are valued and that their thoughts matter. Further engagement is ongoing as over 600 employers transition to monthly returns this year, with all employers expected to be on board by September 2017.
- 6.3 Since 2015, the Fund has seen a significant improvement in the annual data returns received from employers. In 2015 only 50% of data files were returned to the Fund by the deadline, this increased to 90% in 2016 and increased again to 97% for 2017.
- 6.4 Over the course of 2016/17, the Fund has handled 5,356 calls from across its employer base, with a handling percentage of 95%.

7.0 Governance

- 7.1 This year the Fund achieved Gold status in the Investors in People accreditation, moving forward from the Silver accreditation it achieved 2 years ago.
- 7.2 In addition the Fund has been shortlisted in each category of award it has entered and we are awaiting the outcome of the latest rounds of awards including those presented by Professional Pensions, and from LAPF Investments.
- 7.3 This year the Fund's Trustees and Pension Board achieved over 1,100 training hours with attendance at 85%.

8.0 Social Responsibility

- 8.1 Throughout 2016/17 the Fund undertook a number of events to raise money for various local and national charities, and raised £2,982.50, over £900 increase from the year before.
- 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 implications

10.0 Legal implications

10.1 There are no implications

11.0 Equalities implications

11.1 There are no implications

12.0 Environmental implications

12.1 There are no implications

13.0 Human resources implications

13.1 There are no implications

14.0 Corporate landlord implications

14.1 There are no implications

15.0 Schedule of background papers

15.1 None

16.0 Appendices

16.1 Appendix 1 - charity breakdown 2016.

Fund Raising 2016				
Month	Charity	Amount collected	Running total	Date paid in
January	Compton Hospice (Dress Down Day)	£70.15	£70.15	
February	Compton Hospice (Dress Down Day)	£66.10	£136.25	Compton Hospice Paid in 31/03/2016; Sport Relief Paid in 10/05/2016
	Compton Hospice (Bake Off & Cake Sale)	£146.18	£282.43	
March	Compton Hospice (Dress Down Day)	£61.85	£344.28	
	Compton Hospice (Samosa Sale)	£23.55	£367.83	
	Sport Relief (Charity Walk/Run)	£330.61	£698.44	
	Compton Hospice (Easter Raffle)	£145.00	£843.44	
April	Macmillan (Dress Down Day)	£60.50	£903.94	Macmillan paid in 24/01/2017
	Macmillan (Samosa Sale)	£24.70	£928.64	
May	Macmillan (Dress Down Day)	£72.03	£1,000.67	
	Macmillan (Coffee and cake morning)	£134.84	£1,135.51	
June	Macmillan (Dress Down Day)	£69.00	£1,204.51	
	Macmillan (Coffee Sachets)	£153.33	£1,357.84	
July	Sands (Dress Down Day)	£61.45	£1,419.29	Sands paid in 24/01/2017
	Sands (Samosa Sale)	£23.98	£1,443.27	
August	Sands (Dress Down Day)	£63.15	£1,506.42	
	Sands (Football)	£20.00	£1,526.42	
September	Sands (Dress Down Day)	£78.57	£1,604.99	
	Sands (Quiz Night)	£452.90	£2,057.89	
October	Promise Dreams (Dress Down Day)	£82.22	£2,140.11	Promise Dreams Paid in 03/05/17 Comic Relief Paid in 03/05/17
	Promise Dreams (Halloween bake sale)	£106.04	£2,246.15	
November	Promise Dreams (Dress Down Day)	£67.42	£2,313.57	
	Promise Dreams (Samosa sale)	£15.75	£2,329.32	
December	Promise Dreams (Dress Down Day)	£73.10	£2,402.42	
	Promise Dreams (Raffle)	£374.95	£2,777.37	
	Promise Dreams (Christmas Quiz)	£37.65	£2,815.02	
	Birmingham Childrens Hospital (Christmas Jumper Day)	£77.48	£2,892.50	
		£2,892.50		

Fund Raising 2016

Month	Charity	Pension Admin (7th Floor)	Pension Admin (5th Floor)
January	Compton Hospice (Dress Down Day)	£42.50	£7.00
February	Compton Hospice (Dress Down Day)	£38.00	£4.00
	Compton Hospice (Samosa Sale)		
	Compton Hospice (Cake Sale)		
March	Compton Hospice (Dress Down Day)	£32.65	£5.00
	Compton Hospice		
	Sport Relief		
April	Macmillan	£23.50	£13.00
May	Macmillan		
June	Macmillan		
July	Promise Dreams		
August	Promise Dreams		
September	Promise Dreams		
October	Sands		
November	Sands		
December	Sands		

- Breakdown

Finance	Governance	Investments	Amount collected
£9.50	£5.00	£6.15	£70.15
£10.00	£6.10	£8.00	£66.10
			£0.00
			£0.00
£9.00	£7.00	£9.00	£62.65
			£0.00
			£0.00
£7.00	£7.00	£6.00	£56.50
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00
			£0.00
			£255.40

Notes		25	
1	13	13	
0.5	13	6.5	
0.2	12	2.4	
0.1	13	1.3	
0.05	5	0.25	
0.02	3	0.06	
0.01	4	0.04	
		48.55	23.55

Pensions Board

5 July 2017

Report title	Regulatory Update 2017	
Originating service	Pensions	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

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

1.0 Purpose

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

2.0 Background

- 2.1 The Scheme Advisory Board was created under the Public Service Pensions Act 2013. The purpose of the Board is to be both reactive and proactive, seeking to encourage best practice, increase transparency and coordinate technical and standards issues.
- 2.2 The Pensions Regulator took over responsibility for public service pensions schemes under the same Act and has responsibility for regulatory oversight of LGPS Funds ensuring their compliance with legislation and statutory guidance. The TPR has issued a code of practice detailing the standards they expect from a well governed scheme.

3.0 Scheme Advisory Board Annual Report

- 3.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) every year produces its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.
- 3.2 The SAB produces its report based on published annual report and accounts of all LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the average position from the 2016 reports, and is a useful point of reference for a variety of stakeholders.
- 3.3 Key LGPS highlights for the year to 31 March 2016 as noted by the SAB include:
- The total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and the number of LGPS employers increased by 2,635 (22%) to 14,435.
 - Assets held by LGPS Funds totalled £217billion (a change of 0.0%). These assets were invested in pooled investment vehicles (43.6%), public equities (34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (1.0%).
 - The Local Authority net return on investment over 2015/2016 was 0.1%. This was reflective of the difficult market conditions during the year and set against the FTSE All Share Total Return of -3.9%.
 - The scheme maintained a positive cash flow position overall. Scheme income was lower than total scheme outgoings by £279m; this was excluding investment income.
 - The funds all received unqualified external financial audit certificates from the Scheme's external statutory auditors.
 - Over 1.5m pensioners were paid over the year. Fewer than 91 formal complaints about scheme benefit administration were determined and less than 15% were upheld by the Pensions Ombudsman. Overall the LGPS has had relatively few upheld complaints.

3.4 In comparison, WMPF's (Main Fund) highlights for 2016 show

- The total membership grew from 277,558 to 287,874 (3.5%)
- Employers increased from 473 to 536 (11.7%)
- The Fund's total asset value increased from £11.5 billion to £11.6 billion . As at 31 March 2016 these assets were allocated in the following manner
 - Quoted equities: 49%
 - Private equity: 11%
 - Fixed interest/cash: 23%
 - Alternative investments: 17%
- The Fund's net return on investment totalled 7%
- The Fund maintained a positive cash flow position in 2015/16 (receiving more in contributions than it spent on pension benefits), with net income for the year totalling £4.8 million (excluding transfers to/from the Fund and investment income).
- With the number of pensioners being paid totalling 85,558 (WMPF)
- Throughout 2015/16 the fund received 330 complaints (0.11% of total membership).

3.5 This shows an overall similar and positive position of WMPF compared to the national average and showcases the Fund as being a top performer in the LPGS, meeting its objective in the 2017/2022 service plan.

4.0 Scheme Advisory Board Key Performance Indicators

4.1 In 2015 the Fund took part in a pilot scheme by the Scheme Advisory Board to produce a set of KPI's for LGPS funds, requesting to provide evidence and comments to support our scoring.

4.2 The KPI document has been circulated for update in line with 2016/17 targets. This was required to be submitted to the Scheme Advisory Board by 31 May 2017. SAB have stated that the responses will be analysed throughout July 2017 and feedback will be provided to the funds. Once feedback has been presented to Funds the SAB team will be working with GAD (Government Actuaries Department) and DCLG (Department for Communities and Local Government) to provide support and assist Funds accordingly.

4.3 Outcomes from the 2017 KPI's.

a) The fund has more than 3 risks identified as "high" on its risk register. Through the Fund's proactive approach to risk management, existing and emerging risks are captured and routinely reviewed through the risk register which outlines the assessment and controls in place for each identified risk, as noted in the compliance report.

b) Benchmarking historic investment returns. Independent benchmarking consultants CEM Benchmarking adjust the costs of global pension funds to reflect asset allocation and their data shows that on a like for like basis, WMPF costs are almost 20% cheaper than the average fund. A number of Funds are

continuing to sign up to this benchmarking platform to expand the global comparison. Due to the closure of the WM50 LGPS Benchmarking platform the Fund does not currently benchmark its performance against its peers, however work is underway by the industry to replace this and with the introduction of pooling, we expect the Fund to improve its scoring in this area over the course of the year.

c) Scheme Membership Data

The Fund has in place a data management program, incorporating greater employer liaison and dedicated section of the pension administration team, to address issues early ensure the cleanliness and accuracy of its data.

d) Pension queries, pension payments, annual benefit statements and Quality Assurance

The Fund does not hold a certification or crystal mark for plain English publications, however it has held for a number of years the accreditation for Customer Excellence Service which includes a review of the information we present to our Customers.

e) Complaints upheld by the Ombudsman

In the last 3 years the Fund has had 4 Internal Dispute Resolution complaints partially upheld by the Ombudsman 2, Stage one Fund decision and 2 Stage 2 employer decision.

4.4 Cost Transparency

The move toward investment fee transparency and consistency is seen by the SAB as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.

4.5 WMPF is recognised within the industry as a "front runner" in promoting transparency in the reporting of investment management costs, voluntarily embracing and disclosing deeper layers of costs and working with CIPFA and the National LGPS Scheme Advisory Board to develop a code of transparency for asset managers.

4.6 On a like for like basis, compared to 2012/13 the total investment costs for WMPF are (over 2016/17) £58 million per year lower. This has been achieved through re-shaping the portfolio to focus on value added and without compromising risk and return opportunities.

4.7 Academisation

As part of its workplan for 2016/17 the SAB set about investigating the issues around Academisation of local authority schools and what it would mean for the LGPS and their host authorities. As part of this work, the SAB commissioned PWC to produce a report on the options for Academies.

4.8 The report was published on 31 May and its publication will enable the SAB to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PWC. The Board will continue to gather relevant evidence and then develop specific proposals for change before submitting its recommendations to Ministers for their consideration.

5.0 Updates from the Pensions Regulator

5.1 TPR Key Risks

The Pensions Regulator has published their risk landscape for the 2017-2020 as part of their Corporate Plan. The plan details 5 areas of risk and what focus the TPR will have during the upcoming months and years.

Disorderly scheme failures

As part of the Pension Schemes Bill, there will be reforms in the market to help underpin the consumer confidence of multi-employer pension schemes. This will potentially encompass a more concentrated look into how Fund's administer a high number of employers and ensure the impact of failing employers does not fall onto other participating employers' interests.

WMPF has an employer covenant monitoring program in place to assess the strength and potential weakness of our employers, and where necessary, guarantees are obtained to protect the wider employer group.

Poor data integrity and security

The TPR will be focusing on the quality of record keeping by both public and private sector funds for the foreseeable future. This is due to the increase in data security incidents reported in the market and the rise in reliance on electronic working and data transfers.

The Fund has in place a data improvement plan which seeks to address issues of data quality both in terms of those received from employers and historical data held by the Fund. The Fund also has in place a work programme for the implementation of the General Data Protection Regulation (GDPR) Project due May 2018.

Economic and market outlook

The regulator will be paying particular focus to the economic and market outlook of funds due to the ever changing financial environment, for example, the upcoming Brexit deals and changing political conditions in the UK and overseas which all can have a potential impact on the markets and our economies.

The Fund in discussion with its advisors has in place an appropriate investment strategy with regular reporting and training delivered to Trustees on key issues which might affect the investments of the Fund.

Poor standards of stewardship

The TPR have been focusing on the governance and administration of pension funds closely since the inception of the Code of Practice and will continue their research and reviews until a high standard is achieved across the board. The TPR will not only be reviewing the governance and administration arrangements but also the employer and member expectations of providing our services.

The Fund is constantly reviewing and assessing its adherence to governance and administration requirements under the TPR Code of Practice and has in place a compliance monitoring program aligned specifically to the Code of Practice.

Sub-scale schemes

The TPR will be paying close attention to both sub-scale DB and DC scheme in the small and medium enterprise markets due to risks surround poor performance and outcomes. This does not pose any issues or direct impact on the Fund and its administration.

5.2 TPR guidance on Defined Benefit (DB) schemes

In March 2017, the TPR issued new guidance on the legal duty of Trustees of Defined Benefit Schemes aimed at providing practical information and example approaches to decisions which may arise when investing scheme assets.

The guidance requires Trustees to

- Have a basic understanding of the legal principles around pension scheme investment
- Work with investment advisors to obtain relevant investment advice
- Collaborate with scheme employers when writing the Investment Strategy Statement (ISS)

Recently the Fund undertook to translate our Statement of Investment Principles to the new Investment Strategy Statement (ISS) and undertook consultation with relevant stakeholders, including the Trade Unions through the committee representatives. While the production of the ISS is outside the remit of our stakeholders' role it is helpful for them to understand the process undertaken.

The guidance also included guidance on certain responsible investment issues, including (a) the integration of financially material ESG (environmental, social and governance) investment factors and (b) stewardship (including voting and engagement). Signalling the importance of climate change as an investment risk, TPR used climate change as its example both for investment beliefs and for how LGPS might consider financially material ESG factors. The Fund reviewed its Responsible Investment (RI) policies following publication of the guidance and reported to committee that its existing RI approach is already compliant. On climate change specifically, the Fund's existing approach goes beyond the regulatory minimum on climate change risk and together with partner groups such as Institutional Investors Group on Climate Change, the Transition Pathway Initiative, LAPFF and the PRI, the Fund may point to a number of successful examples of influencing positive change.

6.0 Financial implications

6.1 Failure by the Fund to adhere to statutory guidance and oversight may subject the Fund to potential fines and sanctions imposed by the SAB and tPR.

7.0 Legal implications

7.1 The Fund is required to ensure its compliance with statutory guidance and codes of practice. Failure to adequately ensure compliance may subject the Fund to formal action from either the SAB or tPR.

8.0 Equalities implications

8.1 There are no implications

9.0 Environmental implications

9.1 There are no implications

10.0 Human resources implications

10.1 There are no implications

11.0 Corporate landlord implications

11.1 There are no implications

12.0 Schedule of background papers

12.1 Scheme Advisory Board workplan and updates
<http://www.lgpsboard.org/index.php/structure-reform>

12.2 tPR guidance and updates
<http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx>

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Pensions Board

5 July 2017

Report title	Annual Report and Accounts 2016/17	
Originating service	Pension Services	
Accountable employee(s)	David Kane	Head of Finance
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Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendations noting:

The Board is recommended to note:

1. The draft accounts have been prepared and certified by the Section 151 Officers as required by regulations;
2. The draft annual report and accounts for West Midlands Pension Fund were approved by Pensions Committee on 21 June 2017, and will now be subject to audit by the Fund's external auditors, Grant Thornton, with the final version, including their audit opinion, to be reported to the Committee in September;
3. The audit of the accounts for the West Midlands Integrated Transport Authority (ITA) Pension Fund is nearing completion, and the auditors anticipate issuing an unqualified opinion.

1.0 Purpose

- 1.1 The purpose of this report is to update the Board on the preparation, approval and audit of the draft annual report for the year ending 31 March 2017.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce an annual report and statement of accounts. These must be subject to external audit, and published no later than 30 September (accounts) and 1 December (annual report).
- 2.2 In preparing their annual report and accounts, funds must have regard to proper practice, and to any guidance which has the effective standing of 'statutory guidance'. These are:
- for the statement of accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17' (CIPFA) ('the Code');
 - for the annual report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).
- 2.3 As well as being published in the Fund's own annual report, its accounts must be included in the statement of accounts of the Administering Authority (in this case, the City of Wolverhampton Council or West Midlands Combined Authority). It is important to note that the transactions and balances of the funds are completely separate and not combined with those of the Administering Authority.
- 2.4 The draft accounts are required to be certified by the Section 151 Officer on or before 30 June following the year-end. This certification was given by the City of Wolverhampton Council's Chief Accountant on 26 May 2017, and by the Combined Authority's Interim Finance Director on 26 May 2017.
- 2.5 The Pensions Committee will receive a further report in September, which will present the final version of the annual report and accounts for publication, and the findings of the external auditor's work, including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited statement of accounts rests with its Audit Committee; this does not apply to the other parts of the annual report, which will be presented to Pensions Committee for approval.

3.0 Accounts Closure and Preparation of the Annual Report

- 3.1 Despite challenging deadlines and a number of conflicting pressures, the Fund has succeeded in preparing its draft annual report and accounts well ahead of the statutory deadline. This is due to careful planning, resource management and close monitoring.
- 3.2 A combined annual report has been prepared which contains the reports and accounts for both West Midlands Pension Fund and the ITA Pension Fund in the same document.

3.3 With effect from 2017/18, the accounts closure timetable will be brought forward significantly, with certification of draft accounts required by the end of May, and the audited accounts to be published by the end of July. The Fund is well-positioned to make the transition to these timescales, having achieved the end of May deadline for the last three years.

4.0 Draft Annual Report 2016/17

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

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

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

- Reducing the cost of administration, oversight and governance per member from £17.72 to £17.64;
- Achieving a return on investments (main fund) of 22.6%, compared to a benchmark of 21.8%;
- Streamlining portfolio management arrangements, resulting in savings on investment management fees;
- Working with the Fund's investment pooling partners to develop LGPS Central;
- Playing a key role, both through the Local Authority Pension Fund Forum (LAPFF), and the United Nations Principles for Responsible Investment (PRI), in advancing the responsible investment agenda;
- Achieving awards for our work in investments and governance.
- Continuing to develop the Fund's electronic business model, including a rise in the number of members registered with the web portal to over 46,000 at 31 March 2017.

5.0 Draft Statement of Accounts 2016/17

- 5.1 The purpose of the statement of accounts is to report the Fund's financial performance for the year, and its balances and reserves at the year-end. There are two primary statements: the Fund Account, which is concerned with transactions during the year, and the Net Assets Statement, which reports balances at the year-end. These are supplemented by a series of notes to the accounts, which expand on items in the primary statements, or provide further information about the Fund.
- 5.2 During 2016/17, the main Fund grew in value by £2.6 billion. The reasons for this were:

	Increase/ (Decrease) in Fund £m
Net contributions receivable/pensions payable	13.2
Investment income receivable	205.8
Net gains in the value of investment assets	2,496.8
Sub Total Net Increases	2,715.8
Net transfer of members out of the Fund	(11.1)
Management expenses charged to the Fund	(71.0)
Sub Total Net Decreases	(82.1)
Total Increase in the Fund	2,633.7

- 5.3 It is worth noting that the balance of contributions and benefits continued to be positive in 2016/17 – the £13.2 million shown in the table above – although this margin equates to only 2.5% of total benefits. The figure for contributions receivable also includes £31.9 million of early retirement contributions from employers, reflecting the additional contributions received as a result of employer staffing decisions during the year. It is likely that this margin will decrease and reverse in future years as the number of pensioners continues to rise more quickly than the number of active members.
- 5.4 Net assets of the main Fund at 31st March 2017 stood at £14.3 billion, up from £11.7 billion at 31st March 2016. This comprised investment assets of £14.3 billion, and working balances of £41.7 million.
- 5.5 The Fund has taken the option under the CIPFA code to disclose the present value of all fund employer pension liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £22.2 billion at 31st March 2017. This is an increase on the 31st March 2016 figure of £16.8 billion, primarily due to a decrease in the discount rate used in calculating the liabilities (driven by falling corporate bond yields during the year), along with other changes in actuarial assumptions.

5.6 The ITA Fund increased in value by £42.0 million. The reasons for this were:

	Increase/ (Decrease) in Fund £m
Investment Income	18.3
Net gains in the value of investment assets	41.3
Sub Total Net Increases	59.6
Net transfer of members out of the Fund	(0.1)
Net contributions receivable/pensions payable	(16.6)
Management expenses charged to the Fund	(0.9)
Sub Total Net Decreases	(17.6)
Total Increase in the Fund	42.0

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

5.8 Net assets of the ITA Fund at 31st March 2017 stood at £502.8 million, up from £460.9 million at 31st March 2016. This comprised investment assets of £502.2 million, and working balances of £0.6 million.

6.0 Financial implications

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

7.0 Legal implications

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

8.0 Equalities implications

8.1 This report has no equalities implications.

9.0 Environmental implications

9.1 This report has no environmental implications.

10.0 Human resources implications

10.1 The report has no human resources implications.

11.0 Corporate landlord implications

11.1 This report has no corporate landlord implications.

Pensions Board

5 July 2017

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

Recommendations for noting:

The Board is asked to note:

1. The customer engagement activity for the period
2. The results and proposed actions arising from the annual employer survey
3. The service developments, in particular the breach report submitted to the Pensions Regulator and the associated action to date.

1.0 Purpose

- 1.1 To provide the Board with an update on the work of the Fund on customer engagement, and associated service delivery.

2.0 Background

- 2.1 The role of the Local Pensions Board is to ensure the good governance of the Scheme which includes the way it communicates and engages with its member and employers.
- 2.2 The engagement with employers forms part of the over-arching customer engagement strategy, however due to its nature, it is often specific and bespoke in nature, in some cases revolving around certain events e.g. actuarial valuation.

3.0 Member Services

- 3.1 The member services team provides a service of engaging with members, facilitated largely via employers, through a series of presentations, roadshows and one to ones on request.

3.2 Presentations

Fund officers have continued to deliver presentations upon request from employers. The team provide support on a variety of pension topics that are requested by an employer for their employees, examples of which are as follows:

- Planning, developing and enhancing our service.
- Supporting those members who are at risk of redundancy or maybe facing reductions in pay.
- Providing support and guidance to members at local authority depot sites using the Pension Roadshow Bus.
- Planning and delivering joint Fund and Prudential events.
- Providing an overview of the scheme and communicating the benefits the scheme offers.

Over the course of 2016/17 a total of 216 Fund presentations were delivered to 2,819 attendees, these presentations were held at a variety different employers, including the district councils, universities, schools/academies and other admitted bodies.

The feedback from these presentations was 51.0% of the members rated them as excellent, 36.75% as very good and 12% as good and 0.25% as satisfactory.

The Fund works in partnership with Prudential to deliver a joint presentation covering how the Scheme works and tax efficient methods of saving towards the future. During this period 93 of these presentations were delivered across 9 employers, 1,538 members attended.

3.3 Roadshows

Over the course of 2016/17, the Fund delivered 28 Roadshow events at our local authority sites, Universities and Further Education Colleges. The roadshows were attended by a total of 1,397 members.

3.4 Additional Support

Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, additional support was delivered to 779 members on an individual basis.

4.0 Customer Services

4.1 An overview of our front-line customer contact activity is shown in Appendix 1. This outlines the variety and volume of support provided by the Fund to address members' pension queries. An indication of the statistics for the previous year is included within the charts as a comparative measure. Over the course of 2016/17 the Fund handled over 64,000 calls from members via the customer service helpline.

4.2 We continue to provide a high response rate at first point of contact for telephone calls and pension fund enquiry emails. The Fund met the Key Performance Indicator (KPI) of 85% or above for call response rate, achieving an average of 90.27% during the period 1 January to 31 March 2017.

4.3 The majority of pension fund enquiries received (97.7%) are responded to within 10 days by the Customer Services team. Those emails which aren't resolved immediately start a new process on the UPM administrative system or are added to an existing operational/payroll process as they require completion by the Operational or Payroll teams. These include requests for transfer values to be calculated, retirement forms etc.

4.4 During the period 1 January to 31 March 2017, the team received an increase in the number of enquiries received. The increase was largely due to the number of member queries following the announcement of employer redundancy programmes taking place. We are continuing to see a trend of increasing customer enquiries including a preference for electronic communications among members.

5.0 Employer engagement

5.1 Actuarial valuation

The Fund issued preliminary valuation results to employers in November 2016 and has subsequently engaged in dialogue with employers to discuss their contribution outcomes, employer categorisation and funding strategy (including actuarial assumptions) as a whole. Over the period to 31 January 2017:

- 179 employer representatives attended group consultation meetings
- Over 100 responses have been received through the consultation enquiry submission process (via on-line survey)
- Fund officers have met with almost 100 different employers and held/attended group meetings with different categories of employer and met with other representative groups

Overall, the Fund officers estimate the consultation exercise has engaged employers covering over 98% of the total liability. The Main Fund draft FSS was circulated to all employers and posted on the Fund website in December 2016.

A number of separate meetings were held with the two employers participating in the WMITA Fund throughout the year.

5.2 Monthly data submissions

The Fund has been increasing engagement with employers, as we begin the process of moving to monthly return submissions. Throughout last year the Fund gathered initial feedback from employers and tailored its approach, issuing the file layout to all employers in July. Employer workshops were held throughout September and November and were attended by 130 employer organisations. The Fund also worked with payroll providers to share best practice.

As part of the engagement with employers the Fund offered an initial roll out of monthly returns in April 2017 with the whole process due to go live in September 2017. As at 13 June 2017, 154 employers have sent their monthly returns and further feedback on this will be presented to employers at the Mid-Year Review.

- 5.3 Over the last quarter, the Employer Services team hosted 4 employer coaching sessions, 1 of which was a bespoke session for an individual employer.

5.4 Industry Publications

- 5.4.1 As well as a series of routine Fund publications and events, the Fund has also been approached on a number of occasions to write bespoke pieces for industry specific publications. Most recently, the Chief Investment Officer, Jason Fletcher, was interviewed for a piece with Professional Pensions discussing the LGPS costs framework and the work the Fund has undertaken to help reduce costs in this area. Jason also presented at this year's PLSA Local Authority conference on this subject. This year the Fund is able to report on a like for like basis, a year on year reduction of investment costs of £58 million over the last 3 years.

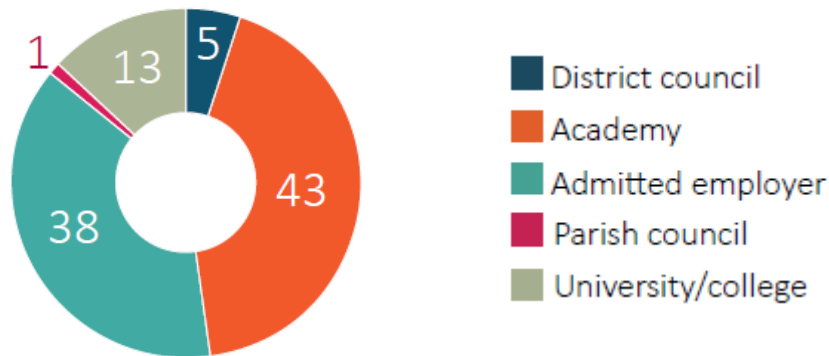
6.0 Employer Survey

- 6.1 The Fund undertakes to carry out an employer survey each year coinciding with the employer Annual General Meeting and Mid-Year Review where the results and associated actions will be covered with attendees before distribution to the wider employer base via the employer briefing note.

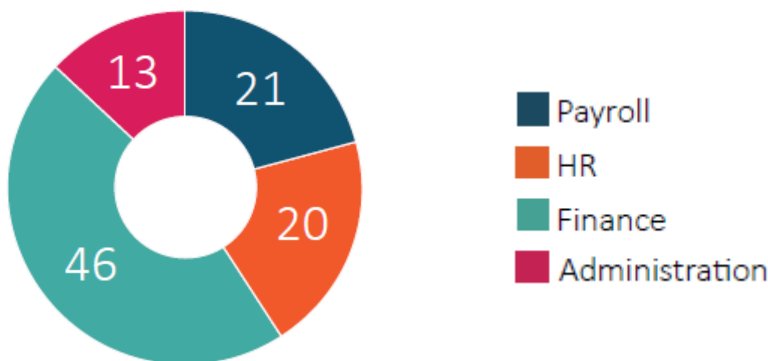
6.2 The latest survey closed on 31 January 2017 with the Fund receiving 61 responses, 75% of which rated the service as above average or exceeding expectations.

6.3 The following charts show the breakdown of the employer and department types that completed the survey and the service area that they are representing within their organisation:

Respondents by employer type (%)



Respondents by department type (%)



6.4 The top three Fund service areas identified as above average or exceeding expectations were:

1. Communications (face to face – AGM, Mid-Year Review, monthly returns workshops, customer journey mapping): 72% of respondents rated as above average/exceeding expectations
2. Member Support Services (Presentations, one to ones, roadshows, associated literature): 71% of respondents rated as above average/exceeding expectations
3. Financial (Collation and provision of financial information in relation to employers – Actuarial Valuation, covenant assessment, financial statements, collection of contributions): 68% of respondents rated as above average/exceeding expectations.

- 6.5 The three lowest performing Fund service areas, with the highest percentage of below average or poor levels of satisfaction were:
1. Electronic Services (web portal, bulk data import): 24% of respondents rated as below average/poor
 2. Administration (Processing of member benefits – joiners, leavers, retirements, pension payroll): 13% of respondents rated as below average/poor
 3. Financial (Collation and provision of financial information in relation to employers – Actuarial Valuation, covenant assessment, financial statements, collection of contributions): 10% of respondents rated as below average/poor
- 6.6 As many of the service areas outlined in the survey encompass a wide range of activity, this could explain why financial services appeared in both the top three and the lowest three performing areas. The Fund is reviewing the content for the next employer survey and will, where necessary, adopt questions to achieve more granularity.
- 6.7 Following the employer survey results, the Fund will report back to employers at the Mid-Year Review on 5th July and provide further detail in the next edition of the employer briefing note. One of the key outcomes to emerge from the survey will be the action the Fund takes in light of the results and free text comments. As part of the associated action, the Fund will endeavour to explore and where possible implement the following, set out in the respective function areas:
- 6.7.1 Administration
- Communicate workload progress more regularly
 - Use of UPM Web Portal to refer queries to employer ‘worktrays’
- 6.7.2 Financial
- Review of accounting standards process – costs and timelines
 - Funding update each year to assist monitoring between valuations
- 6.7.3 Training/support
- Rolling 12 month plan of engagement
 - Induction and bespoke employer coaching sessions
 - Use of training videos/webinars/guidance notes
 - Up to date “Fund roles and responsibilities”/relevant structure chart
 - Link to employer performance/Pensions Administration Strategy
- 6.7.4 Communication
- Review/improvement of website
 - AGM/MYR more focussed – ‘break-out’ sessions for specialised topics
 - Use of Employer Peer Group/coaching sessions – engage on relevant topics

6.7.5 Electronic Services

- Immediate steps to improve stability
- Review of Web Portal, to include new member Web
- Reflect on employer feedback when upgrading Web Portal functionality
- Explore better methods for working in bulk
- Publish improvement plan once available – able to track progress.

7.0 Work over the next 12 months

- 7.1 This year the Fund is launching its new Member Web Portal and will be demonstrating the platform to our employers at the Mid-Year Review. Having received feedback on the current version of Web Portal the fund are keen to develop the functionality and increase the number of self-service processes members are able to undertake. In addition the new Web Portal will link directly to the Fund's UPM software system enabling members' details and requests to be completed as a straight through process, thereby reducing timescales for these processes to be completed.
- 7.2 The aim is for the new member Web Portal to be live for the issuance of the Active Benefit Statements in August.

8.0 Service deliverables in line with Pensions Administration Strategy

- 8.1 In line with the Fund's engagement with employers on data quality, the Fund monitors employers in terms of the timeliness of the submission of their annual return data and accompanying final statement, which details the earnings and contributions paid in the scheme year for all active members. It is a regulatory requirement for employers to provide this information to the Fund to enable the calculation of CARE benefits.
- 8.2 Despite a series of attempts to reach a handful of employers whose 2016 annual return and/or final statement remains outstanding, three employers have been reported to the Pensions Regulator (tPR). This includes, Integral (two admissions), Catering Academy and Charles Cuddy Walker (now known as North Walsall Academy).
- 8.3 The breach report submitted on 22 March 2017 confirmed the regulatory breach in accordance with Regulation 80(3) of the LGPS Regulations. As a result of the failure to obtain the required data on time, a subsequent breach has occurred under Regulation 89(2) whereby annual benefit statements must be issued to members no later than five months after the end of the Scheme year to which it relates.
- 8.4 The Fund has maintained dialogue with tPR over these regulatory breaches resulting in further correspondence from tPR on 22 May 2017 requesting further information which was provided by the Fund on 23 June 2017. In summary, the information requested/provided was as follows:
- Details of the active members affected by the late or non submission of annual returns data.
 - Details of the reasons given by employers for the late or non submission.

- Details of the Fund's efforts to resolve these issues, to include the level and detail of engagement to date and the officers with each organisation it has been raised with or escalated to.
- Details of the responses received from the relevant employers to the engagement.
- Whether the Fund has considered and utilised its powers under the LGPS Regulations in respect of employers who do not fulfil their legal duties to the Fund, and if so, the relevant details.

8.5 In total, 31 active members were affected across the three employers.

8.6 In some cases, the Fund has been unable to establish contact with the relevant employers, despite numerous chasers, to ascertain the reasons for late or non-submission. In the cases, where the Fund has made contact, the primary reasons appear to be a lack of understanding or confusion over the legislative/Fund requirements or payroll provider issues.

8.7 The Fund has used its powers under the LGPS Regulations to levy charges against the respective employers under Regulation 70, and in line with the Pensions Administration Strategy (as per Regulation 59). These charges were used as a "back-stop" mechanism having initially endeavoured to encourage improved performance and a resolution to the issues.

8.8 As part of the process of working closely with tPR, the Fund identified improvements which can be applied for the 2017/18 process. For example, earlier and higher escalation within the organisation where no response or progress is made and further engagement on performance management initiatives.

8.9 The Fund will continue to work closely with tPR and in particular awaits their response to the information provided on 23 June 2017.

9.0 Financial implications

9.1 There are financial implications within this report inasmuch as use of the Fund's powers under the LGPS Regulations could result in fines being levied against participating employers for poor performance.

9.2 In addition, tPR has powers to issue improvement notices and fines (to both Funds and employers) as it deems applicable.

10.0. Legal implications

10.1 The Fund are required under the Local Government Pension Scheme Regulations to publish an annual Communications Policy. In addition, the Fund is required to publish certain disclosure documents to our members on matters which may affect their pension benefits.

11.0 Equalities implications

11.1 The Fund's policy for communication has been written in consideration of the Equalities Act with no individual group affected. The Fund's proposed change in communication with pensioner members has been considered in line with the Equalities Act and while it targets a specific group of individuals, these are no more advantaged compared to the Fund's other membership group.

12.0 Environmental implications

12.1 The report contains no direct environmental implications.

13.0 Human resources implications

13.1 The report contains no direct human resources implications.

14.0 Corporate landlord implications

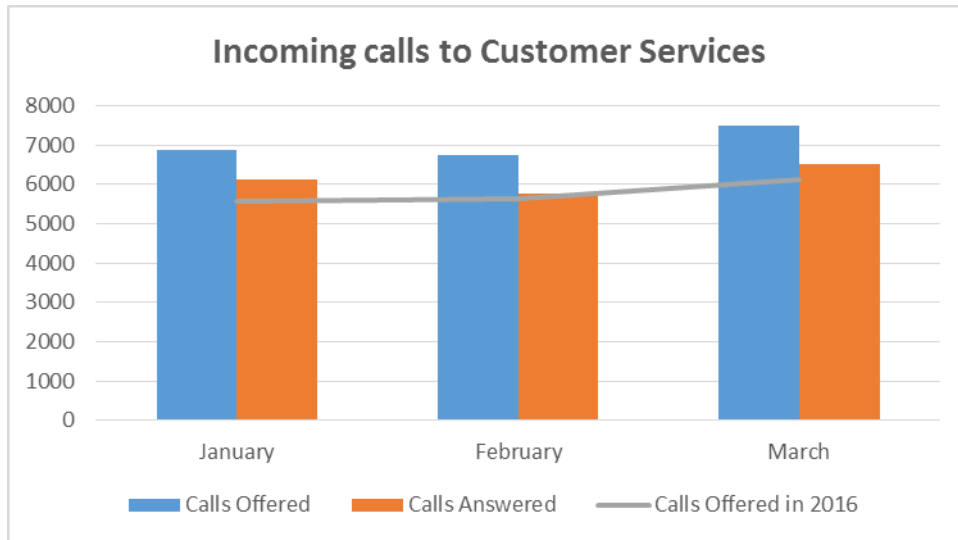
14.1 The report contains no direct corporate landlord implications.

15.0 Schedule of appendices

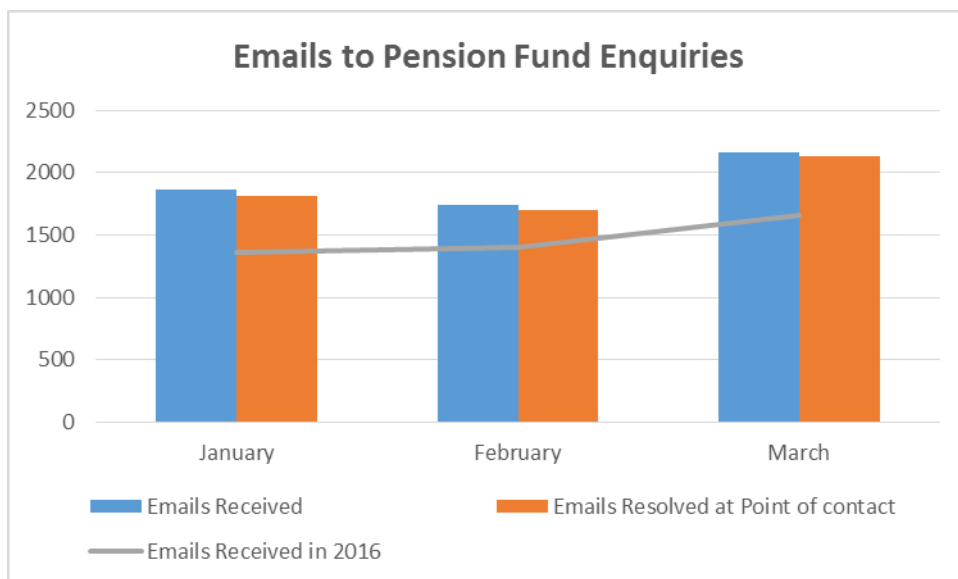
15.1 Appendix 1 - Customer Service Statistics, 1 January to 31 March 2017

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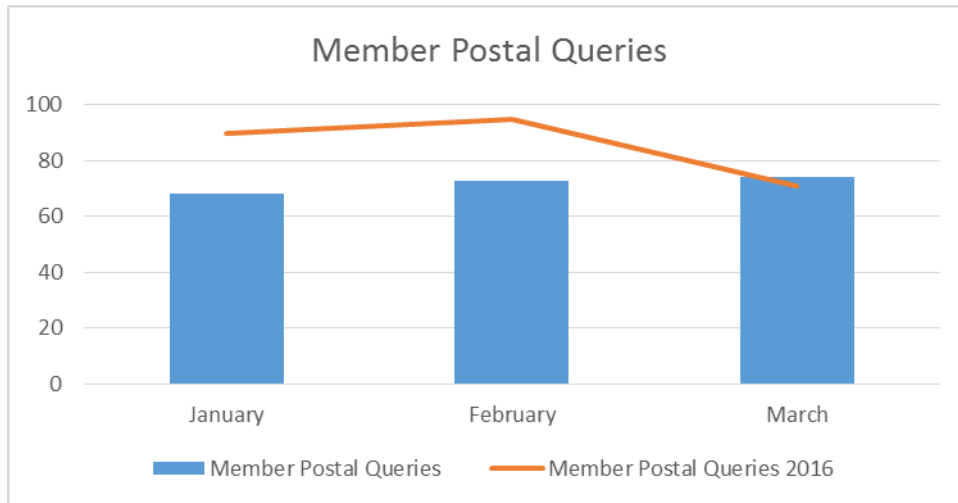
Customer Service Statistics 1 January 2017 - 31 March 2017



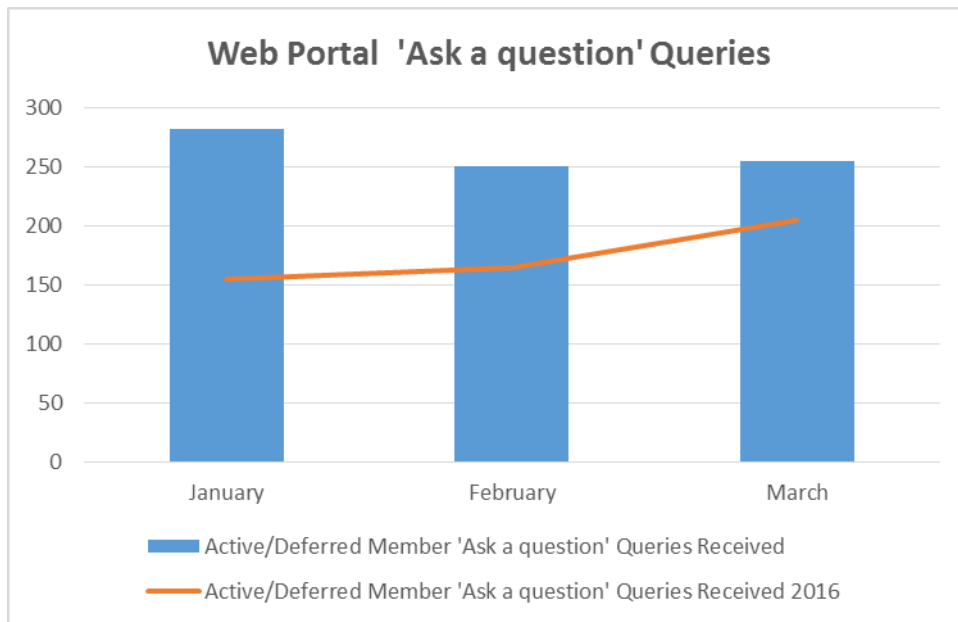
	January	February	March
Calls Offered	6885	6728	7476
Calls Answered	6109	5755	6519
Calls Offered over same period in 2016	5579	5641	6125
Answer Rate (target 85%)	91.80%	91.80%	87.20%



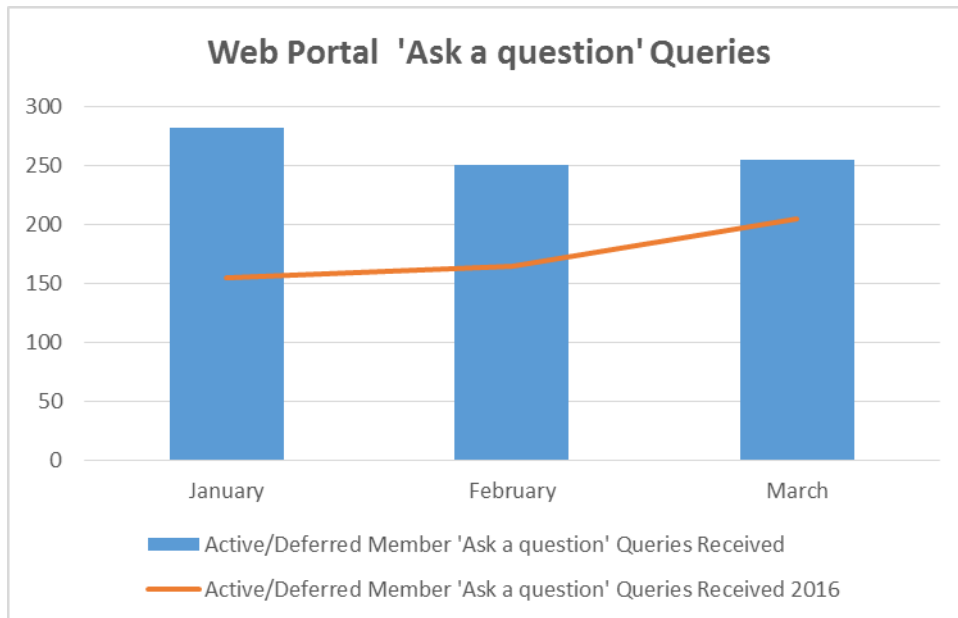
	January	February	March
Emails Received	1864	1746	2161
Emails Resolved at Point of contact	1810	1700	2134
Emails Received over same period in 2016	1359	1402	1660
% of emails resolved at point of contact	97.10%	97.36%	98.70%



	Member Postal Queries	Member Postal Queries 2016
January	68	90
February	73	95
March	74	71



	Active/Deferred Member 'Ask a question' Queries Received	Active/Deferred Member 'Ask a question' Queries Received 2016
January	282	154
February	250	164
March	254	205



	January	February	March
Visitors to Reception 2017	177	179	160
Visitors to Reception 2016	213	282	214

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Pensions Board

5 July 2017

Report title	Policies Review 2017	
Originating service	Pensions	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

Recommendations for noting:

The Board is asked to note:

1. The annual review of Fund key policies underpinning the Fund strategy and governance arrangements together with the programme of review scheduled for the year.
2. Review the customer engagement plan, the communications and customer feedback policies and governance compliance statement, in line with the programme.

1.0 Purpose

- 1.1 To provide an overview of the Fund's statutory and good practice policies for the year 2017/2018.

2.0 Background

- 2.1 Each year Committee are asked to review and agree the Fund's operational policies. Some of these policies are required by statute. Others are adopted for operational purposes and to provide our members with information.
- 2.2 In conducting the annual review of the Fund's policies, the Fund needs to consider whether the current versions are still relevant to its work, whether any new requirements have been imposed by legislation together with considering whether the Fund is conducting its business in the most efficient way securing the best outcomes for our members.

3.0 Annual Review

- 3.1 The Local Pensions Board includes on its workplan a review of Fund policies ensuring all are updated, adopted by the Fund within deadline and are fit for purpose which assists its good governance.
- 3.2 Throughout 2016/2017 there were a number of legislative changes and updates which required the Fund to review its policies outside of the normal review timetable. All of these policies have been presented to Committee for approval. Attached at Appendix 1 is an overview of the Fund policies and their timetable for review.

4.0 West Midlands Integrated Transport Authority

- 4.1 Following the delegation in January 2015 from the Integrated Transport Authority (ITA) to WMPF Pension Committee to undertake decisions with regards the management and administration of the ITA Pension Fund, Committee must also approve those policies and strategies drafted on behalf of ITA.
- 4.2 Where possible the policies cover both Funds to ensure a consistent approach. Individual fund policies are required in some areas such as the Funding Strategy Statement and Investment Strategy Statement, reflecting the separate arrangements and differences

5.0 Financial implications

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

6.0 Legal implications

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

7.0 Equalities implications

7.1 The Fund's policies are drafted in accordance with the Equalities duties and Data Protection Privacy Assessment.

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 None

12.0 List of appendices

Appendix 1 - Policy review overview

Appendix 2 – Customer Engagement plan 2017

Appendix 3 – Communications Policy Statement 2017

Appendix 4 – Governance Compliance statement 2017

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Appendix 1 WMPF Annual Policy Review 2017/18

Area	Name of Policy	Statutory/Regulatory Best Practice	Responsible Officer	Frequency of review	Date last reviewed	Date to be reviewed
Governance						
	Administering Authority Policy Statement	Statutory	Director of Pensions	Annually	December 2016 (officer review)	September 2017 (officer review)
	Communications Policy*	Statutory	Head of Governance	Annually	December 2016	July 2017 (Pensions Board)
	Governance Compliance Statement*	Statutory	Head of Governance	Annually	March 2016	July 2017 Pensions Board
	Pension Board Member Conduct Review Policy	Statutory	Head of Governance	Annually	July 2016	January 2018 Pension Board
	Travel Policy	Best Practice	Head of Governance	Annually		July 2017 Officer

*denotes publication in annual report and accounts

Appendix 1 WMPF Annual Policy Review 2017/18

					June 2015 (officer review)	review in preparation for pooling
	Customer Feedback Policy	Best Practice	Head of Governance	Annually	June 2015	July 2017 Pension Board
	Freedom of Information and Data Protection	Statutory	Compliance and Risk Manager	Annually	June 2016	Currently being reviewed in line with GDPR changes for May 2018 (Pension Board monitoring workplan)
	Customer Engagement Strategy	Best Practice	Head of Governance	Annually	December 2016	Ongoing review
	Risk and Assurance Framework *	Statutory	Compliance and Risk Manager	Annually	March 2017	March 2018

*denotes publication in annual report and accounts

Appendix 1 WMPF Annual Policy Review 2017/18

	Trustee and Pension Board Training Policy	Statutory	Trustee Management Officer	Annually		June 2017
Administration						
	Pensions Administration Strategy	Statutory	Head of Client and Funding Management		March 2017 Committee	Ongoing review in line with employer performance and TPR guidance
	Employers risk management framework	Statutory	Head of Client and Funding Management	Annually	March 2017	March 2018.
Funding and Investment						
	Compliance with the Stewardship Code for Institutional Investors 2017*	Best Practice	Responsible Investment Officer	Annually	March 2017 Committee	Annually (or sooner in line with Pooling timetable)
	Funding Strategy Statement	statutory	Head of Client and funding Management	Triennial	March 2017 Committee	To be reviewed in line with next

*denotes publication in annual report and accounts

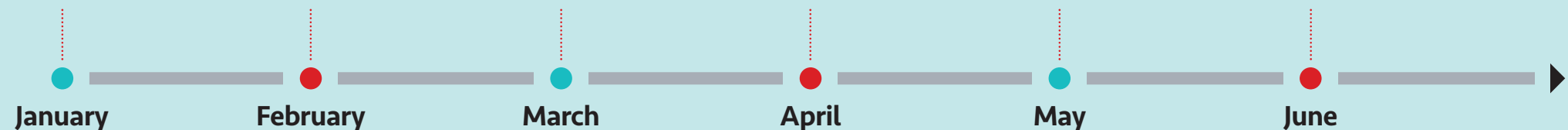
Appendix 1 WMPF Annual Policy Review 2017/18

	(WMPF & WMITA)					valuation 2019/2020
	Policy on Termination Funding for Employers	Statutory	Head of Client and funding Management	Triennially	2014	September 2017 Committee
	Responsible Investment Framework *	Statutory	Responsible Investment Officer	Now included in the Investment Strategy Statement	March 2017 Committee	March 2018
	Investment Strategy Statement (WMPF & WMITA) *	Statutory	Chief Investment Officer	Triennially with annual review	March 2017 Committee	March 2018
Finance						
	Statement of Accounting policies	Statutory	Head of Finance	Annually	September 2016	September 2017 (once annual report and accounts signed off)

*denotes publication in annual report and accounts

Customer Engagement Plan 2017

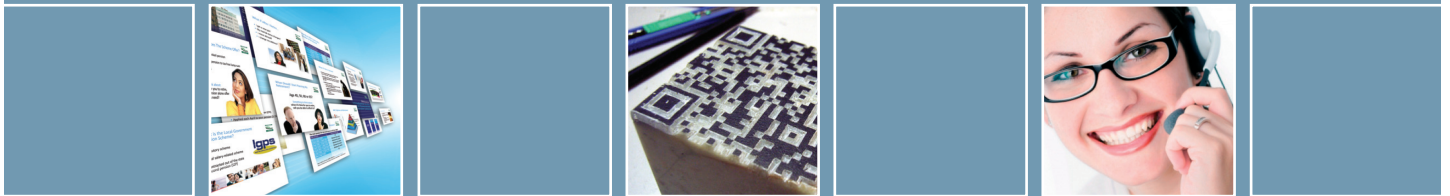
Employer	Employer Peer Group Employer coaching session Issue of annual return request packs	Employer coaching session Valuation results to be issued Employer Briefing Note Monthly submissions troubleshooting workshops	Employer Peer Group	Employer survey results, actions and improvements published Annual return due Employer Briefing Note 'Go live' monthly submissions	Employer Peer Group Issue accounting disclosure for employers with year ending 31 March	Mid-year review event Employer Briefing Note
Member (active)	Prize draw for web portal registrations Member satisfaction results published	AVC events	Main depot roadshow	Main depot roadshow Prize draw for web portal registrations Member satisfaction results published	Education site roadshow	Education site roadshow AVC summer events
Member (deferred)	Prize draw for web portal registrations Member satisfaction results published	AVC events	Main depot roadshow	Main depot roadshow Prize draw for web portal registrations Member satisfaction results published	Education site roadshow	Deferred benefit statements available on web portal Education site roadshow AVC summer events
Member (pensioner)	Prize draw for web portal registrations Member satisfaction results published	AVC events	Quarterly and annually paid pensioner payslips, newsletter and P60s issued Main depot roadshow events	Monthly paid pensioner newsletter and P60s issued Main depot roadshow Prize draw for web portal registrations Member satisfaction results published	Education site roadshow	Quarterly payslips issued Education site roadshow AVC summer events
Trustees	Media Roundup 24 January: Stakeholder meeting 24 January: Pensions Board meeting Satisfaction results published	Media Roundup	Media Roundup Pooling update 22 March: Pensions Committee	Media Roundup External investment training Satisfaction results published	Media Roundup	Media Roundup Pooling update Trustee and Pensions Board induction 21 June: Pensions Committee Mid-year review



Customer Engagement Plan 2017

Employer	Employer Peer Group Employer coaching session	Employer Briefing Note	Employer coaching session Issue accounting disclosure to employers with year end 31 July Final deadline for monthly submissions	Employer Briefing Note Issue accounting disclosure to employers with year end 31 August	Annual general meeting Employer Peer Group Employer coaching session Employer satisfaction survey circulated	Employer Briefing Note
Member (active)	Education site roadshow AVC summer events AVC statements sent to members by Prudential Prize draw for web portal registrations Member satisfaction results published	Annual benefit statements available on web portal Web portal workshops	Civic roadshow events	Civic roadshow events AVC autumn events Prize draw for web portal registrations Member satisfaction results published		
Member (Page 74)	Education site roadshow AVC summer events Prize draw for web portal registrations Member satisfaction results published	Web portal workshops	Civic roadshow events	Civic roadshow events AVC autumn events Prize draw for web portal registrations Member satisfaction results published		
Member (pensioner)	Education site roadshow AVC summer events Prize draw for web portal registrations Member satisfaction results published	Web portal workshops	Overseas pension confirmation distributed Civic roadshow events Quarterly payslips issued	Civic roadshow events AVC autumn events Prize draw for web portal registrations Member satisfaction results published		Quarterly payslips issued
Trustees	Media Roundup 4 July: Pensions Board July: Trustee training Training needs analysis Member satisfaction results published	Media Roundup	Media Roundup Pooling update 6 September: Pensions Committee	Media Roundup Satisfaction results published	Media Roundup 14 November: Trustee and Pensions Board training Annual general meeting	Media Roundup 6 December: Pensions Committee Pooling update





Communications Policy Statement 2017

July 2017

Communications Policy Statement 2017

Background

The West Midlands Pension Fund is one of the largest pension funds in the United Kingdom with over 302,000 members, in excess of 600 individual employers and over £14bn invested. To maintain a high level of customer service success, it is vital for the Fund to understand the needs of our customers as well as their views on the services and products that we provide. This will assist in maintaining the high level of industry reputation that the Fund holds. The Fund achieves this understanding by ensuring regular dialogue with our stakeholders is established and maintained as part of day-to-day business.

In April 2006, the Local Government Pension Scheme (LGPS) regulations were amended to state that each pension fund administering authority is required to prepare, publish and review regularly its communications policy statement.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

- 1) Communicating with scheme members;
- 2) Member self-service (the web portal);
- 3) Communicating with members' representatives;
- 4) Communicating with prospective members;
- 5) Communicating with employing authorities;
- 6) Customer engagement strategy.

1) Communicating With Scheme Members

Annual Benefit Statement

An annual benefit statement is made available online for all active and deferred members who are contributing to the Fund or have not received payment of their deferred benefits at the previous financial year. These statements are made available through the Fund's web portal self-service facility. Benefit statements can be issued in paper form on written request.

If there is an instance where a benefit statement cannot be made available, due to incomplete or inaccurate data, we will notify members of this by letter.

wmpfonline.com

The Fund maintains an extensive online resource at wmpfonline.com containing information about the scheme and the details about the current activities of the Fund. There are also links to other relevant partner organisations.

Scheme Literature

An extensive range of scheme literature is produced and updated by the Fund for all categories of member. Copies of scheme literature are made available at the Fund's website, wmpfonline.com.

Telephone Helpline: 0300 111 1665

A dedicated low-call rate telephone customer service telephone line is provided for scheme members and is publicised in all outgoing communications.

Pension Roadshows

The Fund stages information events in members' places of work. In addition to these roadshows at district council offices, additional events can be held on request, particularly when there may be organisational changes occurring which have pensions implications.

Pensioner Pay Advice Slip and Annual Newsletter

All Fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In the months of May through to March, we will only send a pay advice slip when there is a variance of £10 in their gross or net payment. For scheme pensioners that are paid quarterly and annually, the Fund will issue a pay advice every time a payment is made (June, September, December and March).

Scheme pensioners can also register to use the Fund's web portal application where pay advice information can be viewed electronically and printed at any time following the payment date.

Mailed with the April combined pay advice slip/P60 is an annual newsletter providing updates on the Fund and its performance.

2) Member Self-Service (the Web Portal)

An online portal gives members secure access to their LGPS records.

The facility provides members with the opportunity to update their personal details, ask questions about their benefits, view annual benefit statements and run pension estimate calculations. Members in receipt of pension are also able to view and change UK bank details via the portal.

3) Communicating With Members' Representatives

Materials available to members are also available on request to their representatives or through wmpfonline.com.

4) Communicating With Prospective Members

Scheme Booklet and Website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets. The website also provides information to help members make an informed decision about contributing to the LGPS and how to opt out of the scheme.

Corporate Induction Courses

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

Trade Unions

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

5) Communicating With Scheme Employers

e-Newsletter

An electronic newsletter, entitled *Employer's Briefing Note* is issued on a bi-monthly basis to all employers. This is used to communicate the activities of the Fund and inform of any regulatory changes which may impact on the employer's function or their members' pension benefits.

wmpfonline.com and Web Portal

The Fund maintains a dedicated area of its website for scheme employers containing news, learning materials and other electronic resources.

Each employer can request to join the Fund's web portal. This allows them secure access to the membership details of their current employees. The portal provides employers with the ability to make changes to member records including working hours and personal details. The web portal also provides the facility to calculate early retirement estimates and any associated early retirement costs.

Dedicated Telephone Helpline: 0300 111 6516

A dedicated low-call rate employer customer service line was introduced during in 2010. This allows the Fund to respond to employer generated telephone calls at peak times.

Annual General Meeting and Mid-Year Review for Employers

The Fund invites each employer to our annual general meeting each winter. This event is used to communicate strategic issues, performance, legislation changes and triennial valuation matters. In addition to this, the Fund also holds a similar employer event each summer where employers are kept up to date with important issues through presentations and roundtable discussions.

Employer Peer Group

A group consisting of a cross-section of Fund employers meet quarterly to provide feedback on the communication initiatives planned by the Fund for fellow employers.

6) Customer Engagement Strategy

In addition to this document, the West Midlands Pension Fund also publishes a Customer Engagement Strategy.

The document aims to detail:

- who are our customers?
- what is customer engagement to the Fund?
- when should customer engagement be considered?
- what types of engagement activities do we undertake?
- how do we use the outputs from customer engagement activities?
- how do we feed back to our customers results and actions from their engagement with us?

Our *Customer Engagement Strategy* is updated annually and is available from wmpfonline.com

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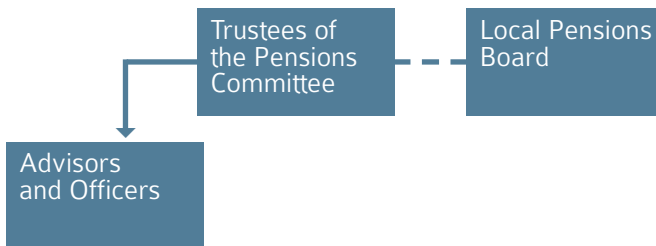
Governance Compliance Statement 2017

June 2017

Governance Compliance Statement 2017

Governance of the Fund

The Fund's governance arrangement has three elements:



Pensions Committee

The management, administration of benefits and strategic management of the assets is fundamentally the responsibility of the Pensions Committee established by the City of Wolverhampton Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions. The Committee administers the scheme in accordance with the regulations and best practice, and determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

The roles of the members and the Committee are as follows:

- 1 To discharge the functions of the administering authority for the application of the Local Government Pension Scheme regulations in the West Midlands.
- 2 To put in place and monitor the arrangements for the administration of contributions and payments of benefits as required by the regulations, and the proper management and investment of monies held for the purpose of paying benefits.
- 3 To determine and review the provision of resources made available for the discharge of the function of administering authority.
- 4 To set strategic asset allocation monitoring investment performance

The key duties in discharging this role are:

- 1) To be responsible for compliance with legislation and best practice.
- 2) To determine admission policy and agreements.
- 3) To monitor pension administration arrangements.
- 4) To determine investment strategy based on a medium-term benchmark.
- 5) To approve policy.
- 6) To appoint committee advisors.
- 7) To determine detailed management budgets.
- 8) To monitor the Fund's investment performance.
- 9) To monitor investment activity and the implementation investment strategy.
- 10) To monitor and review the Fund's investment of management awareness
- 11) To monitor and review detailed plans for individual asset classes.

The Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day operational functions through the Fund's staff delivering Fund services. The Committee and its elected members are advised and supported by the Managing Director, Director of Pensions and Senior Finance and Legal Officers from the City of Wolverhampton Council.

Trade Union Representations and Provision of Information to Interested Parties

The Fund invites relevant trade unions to send local representatives to sit as observers on the Pensions Committee by annual nomination.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties. This is achieved through the Fund's communication strategy.

Local Pensions Board

The Local Pensions Board assists the Pensions Committee with the good governance of the scheme ensuring the Fund's adherence to legislation, statutory codes of practice and guidance.

Consisting of six member representatives and six employer representatives, two of which are City of Wolverhampton Council councillors, the Board ensures the good performance of the Fund through monitoring of the Scheme Advisory Board's benchmarking criteria and working with officers to ensure the highest standards are met.

Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its trustees and Pensions Board members to receive appropriate and timely advice. Against this background, its principal advisors are as follows:

- i) High level advice on general management from the Managing Director of the City of Wolverhampton Council.
- ii) Legal and general administrative advice and management from the Senior Legal Officer of the City of Wolverhampton Council who is also the monitoring officer for the Council.
- iii) Financial and technical advice from the Director of Pensions who is the lead senior support officer and has direct responsibility for the in-house management, as well as implementing the investment strategy through a team of professionally qualified staff and external managers.
- v) Senior pensions staff responsible for pensions benefits administration and communications.
- vi) The Council's Director of Finance is also the Section 151 Officer for the Fund (with the Head of Finance, as the Deputy Section 151 Officer for the Fund, having operational responsibility on a day-to-day basis). The Director of Finance is also the Fund's Compliance Officer as set out in its *Compliance Manual*.

- vii) A range of external specialist advisors are appointed, covering areas such as:

- Investment strategy, asset allocation and investment matters generally.
- Actuarial matters.
- Property management matters.
- Corporate governance and responsible investment issues.

Details of the Fund's advisers are published in the Fund's annual report and accounts.

Role of Council Members

The City of Wolverhampton Council is responsible for administering and discharging the functions as administering authority for the West Midlands Pension Fund. In addition to discharging the administration of benefits, recording of contributions, etc, the Council is also responsible for the investment of the employer and member contributions. Because the Fund covers the majority of local government employees in the West Midlands, as well as many admitted bodies, representatives from all seven district councils serve on the Committee. There is also active representation on behalf of the employees and pensioners from trade union representatives.

When considering the advice and determining investment policy, members are effectively acting as trustees and as such need to understand the special obligations placed upon them. These responsibilities are additional to those carried out as an elected member of a local authority. Members' duties as trustees are to manage the Fund in accordance with the regulations and to do so prudently and impartially on behalf of all the beneficiaries. This sometimes means that they may have to make decisions that in other political circumstances they may choose not to make. The overriding consideration for them as trustees, however, has to be for the benefit of the Fund and its contributors and beneficiaries. The advice of the Fund's advisors is very important in discharging this responsibility. Trustees can delegate some of their powers but not the responsibilities that go with them. They are not expected to be qualified to give investment advice or to initiate investment policy but must be aware of what is proposed by their advisors and be sure that it is relevant to the needs of the Fund and within their powers.

In practice, trustees typically discharge their duty by ensuring that they have a systematic and clear way of agreeing their investment policy with managers and advisors they employ. Testing adherence to policy on a regular basis is essential. These requirements will consist of meetings and regular written reports with professional advisors whose skills and judgments can be relied upon. So far as the Fund is concerned, the advice is provided mainly by Council officers and the advisers detailed in the annual report and accounts.

In addition to the setting of policy and investment parameters for the Fund, there should be a formal meeting each year at which the investment returns are reviewed. There might well be other formal meetings of trustees to which managers make a brief report, or supplement their written material. The following are extracts from leading court judgment's made about the role of trustees. These extracts stress the independent fiduciary duty required of a trustee and the requirement to put the needs of the beneficiaries first at all times. These comments apply to all trustees, including members, involved in pensions work.

The Duty of Trustees

The duty of the trustees is to exercise their powers in the best interests of the present and future beneficiaries of the trust. Holding the scales impartially between different classes of beneficiaries is paramount. They must, of course, obey the law but, subject to that, they must put the interests of their beneficiaries first.

When the purpose of the trust is to provide financial benefits for the beneficiaries, the best interests of the beneficiaries are normally their best financial interests. In the case of a power of investment, the power must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investment in question and the prospect of the yield of income and capital appreciation, both have to be considered in judging the return from the investment.

Standard Required of a Trustee

The standard required of a trustee in exercising their powers of investment is that they must take such care as an ordinary prudent man would take if he were minded to make an investment for the benefit of other people for whom he felt morally bound to provide.

That duty includes the duty to seek advice on matters which the trustees do not understand, such as the making of investments, and on receiving that advice to act with the same degree of prudence. This requirement is not discharged merely by showing that the trustee has acted in good faith and with sincerity. Honesty and sincerity are not the same as prudence and reasonableness. Accordingly, although a trustee who takes advice on investments is not bound to accept and act upon the advice, unless in addition to being sincere, he/she is acting as an ordinary prudent person would act.

Role of a Pensions Board member

"The scheme manager (Pensions Committee) for a scheme has a Pensions Board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The Pensions Board must also assist the scheme manager with such other matters as the scheme regulations may specify."

A member of the Pensions Board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a Pensions Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that

- appropriate for the purposes of enabling the individual to properly
- exercise the functions of a member of the Pensions Board

In appointing representatives to the Pensions Board, the Committee must be satisfied:

- that a person to be appointed as a member of the Pensions board does not have a conflict of interest and
- from time to time, that none of the members of the Pensions Board has a conflict of interest

Each member or proposed member of a Pensions Board must provide such information as is reasonably required for the purposes of reviewing actual or potential conflicts of Pensions Board members.

A conflict of interest may arise when Pensions Board members must fulfil their statutory role of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

Members and Officers' Knowledge and Skills

Member and officer knowledge and skills is recognised as important, and a range of measures are in place to equip members to undertake their role.

This is a major factor in the governance arrangements of the Fund in ensuring Committee and Pension Board members and officers have the relevant skills and knowledge. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective and meets the legislative requirements set out in the Public Service Pensions Act 2013.

Framework

Six areas of knowledge and skills have been identified as core technical requirements for those associated with LGPS pension funds:

- pensions legislation and governance context
- pension accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- actuarial methods, standards and practices

It is not the intention that Committee members should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.

Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties.

Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'.

The Fund has an approved trustee and Pension Board member training policy, and includes in its annual report and accounts details of the knowledge and skills development undertaken by its these members. The Fund also has in place effective training monitoring and is able to demonstrate

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

Representation of Other Interested Parties

The Fund is open to any organisation with a direct interest attending the regular committee meetings to observe proceedings, and the Fund will engage with employing bodies on significant issues affecting them so their views can be taken into account before a decision is made, eg, three-yearly actuarial valuations.

The Fund will provide information on its website and directly to employing bodies on issues in which they may have an interest.

The Pensions Board is seen as the main area of involvement of active, deferred and pensioner members. The Fund does engage directly with individual members providing relevant information, the content determined by the responses to the information provided and requested.

Origins of the Fund and Responsibilities

Following the 1974 reorganisation, all Council employees in the area (excluding teachers, police and fire officers) were members of the West Midlands Superannuation Fund with the former county council as administering authority. The 1986 reorganisation led to Wolverhampton Council becoming the administering authority for the Fund and local government employee pensions other than teachers, police and fire officers in the West Midlands. Responsibility for discharging the administering authority role is delegated to the Pensions Committee which has representatives from the district councils as the largest employers and four trade union representatives nominated from across the region.

The changes in responsibility for the delivery of Council services has seen a growing number of private sector firms and voluntary organisations becoming members of the Fund in respect of the workforce that delivers public services with the largest employer group being academies.

The LGPS regulations set out the responsibilities of the key parties which are summarised below. Further details are available on the Fund's website where operational and management arrangements are set out.

The administering authority (the City of Wolverhampton Council) through the Fund:

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.

- Prepares and maintains an FSS (Funding Strategy Statement) and an ISS (Investment Strategy Statement), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.

The administering authority discharges its responsibilities with the active involvement from the major employers, the district councils and trade union representatives combined with consultation with other interested parties.

The individual employers:

- Deduct contributions from employees' pay.
- Pay all contributions as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.

The Fund's actuary:

- Prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Sets employers' contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible.

Compliance and Best Practice

The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. There is also a requirement to declare their compliance in meeting the guidance given by Secretary of State.

The Fund aims to comply fully with the guidance given by the Secretary of State and relevant guides produced by CIPFA.

The West Midlands Integrated Transport Authority

In addition to the management and administration of pensions on behalf of the local authority employers within the West Midlands, the Fund also undertakes this role on behalf of the West Midlands Integrated Transport Authority (WMITA) by delegation under S101 of the Local Government Act 1972.

The governance arrangements set out in this policy apply to the Fund's management of the WMITA Fund also with the additional requirement to report back to WMITA once a year.

West Midlands Pension Fund
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Wolverhampton
WV1 1XP

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Pensions Board

5 July 2017

Report title	Internal Audit Report 2016 - 2017	
Originating service	Pensions	
Accountable employee(s)	Amanda McDonald Tel Email	Client Lead Auditor 01902 550411 Amanda.mcdonald@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation for noting:

The Board is asked to note:

1. The internal audit report for 2016-2017

1.0 Purpose

- 1.1 To provide Pension Board with the outcome of the work programme for internal audit for 2016-2017.

2.0 Background

- 2.1 The purpose of internal audit is to provide the Strategic Director, Section 151 Officer and Pensions Board with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. In order to provide this opinion, audit are required to review the risk management and governance processes.
- 2.2 At its meeting in March, Pensions Committee were presented with the Internal Audit work programme which outlined the focus of this work for the year 2016-17.

3.0 Progress, options, discussion, etc.

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

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 22 March 2017 - Internal Audit Plan 2017-2018.

11.0 Appendices

Appendix 1 – Audit report 2016-2017

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This report is PUBLIC [NOT PROTECTIVELY MARKED]



Internal Audit Annual Report 2016/17

This report is PUBLIC [NOT PROTECTIVELY MARKED]

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

This report is PUBLIC [NOT PROTECTIVELY MARKED]

1. Introduction

1.1 Our internal audit work for the period 2016 /17 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of West Midlands Pension Fund's (the Fund) governance, risk management and control processes.

In this way our annual report provides one element of the evidence that underpins the Fund's assurance framework, which supports the Annual Governance Statement. 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 compliance team
- Other pieces of consultancy or third party work designed to alert the Fund to areas of improvement.

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

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

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

Overall Assurance

1.3 As the providers of internal audit to the Fund, we are required to provide the Chief Executive, Directors and Section 151 Officer with an opinion on the adequacy and effectiveness of the governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Chief Executive, Directors 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 2016/17.
- 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.

This report is PUBLIC [NOT PROTECTIVELY MARKED]

2. Internal audit opinion

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

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

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

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

3. Compliance with the Public Sector Internal Audit Standards

Public Sector Internal
Audit Standards

Applying the IA 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.

4. Summary of work completed

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

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

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

This report is PUBLIC [NOT PROTECTIVELY MARKED]

The following internal audit reviews were completed during 2016/17:

Audit Reviews	Date	Recommendations					Level of Assurance
		Red	Amber	Green	Total	Number accepted	
Pensions Board Review	July 2016	-	-	5	5	5	Substantial
External Manager Reporting Arrangements	Sept 2016	-	-	3	3	3	Substantial
Safeguarding Arrangements	Oct 2016	-	1	4	5	5	Satisfactory
Debt Monitoring Arrangements	Nov 2016	-	2	5	7	7	Satisfactory
Agresso Operations: HR Module	Jan 2017	-	-	1	1	1	Substantial
Agresso Operations: General Ledger & Planner Module	Jan 2017	-	-	6	6	6	Satisfactory
Internal Dispute Resolution Procedures	Mar 2017	-	-	5	5	5	Satisfactory
Covenant Monitoring	Mar 2017	-	2	3	5	5	Satisfactory

Key Financial Systems Work

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

Follow up Reviews

A review of recommendations made as part of the 2015/16 internal audit programme confirmed that all actions have been appropriately implemented.

Consultancy / ad hoc work

- Internal audit has completed 25 financial appraisals on behalf of the Fund. These are undertaken when an organisation is seeking to obtain admitted body status and establishes whether an organisation will, or will not be able to meet its financial obligations to the Fund.
- In accordance with the Cabinet Office requirements, internal audit continues to be the Fund's key contact for the National Fraud Initiative. In addition, advice and support is provided throughout the year when requested.
- We have provided training on risk management and assisted with the development of a new treasury management policy.

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