

CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 22 January 2019
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Time 2.00 pm **Public Meeting?** YES **Type of meeting** Pensions

Venue Committee Room 3 - 3rd Floor - Civic Centre

Membership

Employer Representatives

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

Member Representatives

Sharon Campion (Unison)
Steve Carter (GMB)
Michael Foxall (Unite)
Cllr Hazel Malcolm
Paul Sayers (UCATT)
Adrian Turner (Unison)

Quorum for this meeting is seven

Information for the Public

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

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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	Apologies for absence
2	Declarations of interests
3	Minutes of the previous meeting - 25 September 2018 (Pages 3 - 10) [For approval]
4	Service Development Report (Pages 11 - 32) [To receive an update on the Fund's delivery of the Service Plan, associated service development programmes and emerging themes that the Fund will need to prepare for and navigate to ensure it remains effective in the delivery of a high-quality service to our members and employers]
5	Governance Update September to December 2018 (Pages 33 - 58) [To receive an update on the work of the Fund in delivering a well governed scheme through the management of effective internal controls and a performance monitoring framework]
6	Data Improvement Strategy Monitoring Report (Pages 59 - 62) [To receive an update on the work of the Fund to deliver its Data Improvement Strategy]
7	Pensions Administration Report- 1 June - 30 November 2018 (Pages 63 - 74) [To receive an update on the work undertaken by the pensions administration service during the period 1 June to the end of November 2018 for both the Main Fund and the West Midlands Integrated Transport Authority Fund]
8	Customer Engagement Update (Pages 75 - 100) [To receive an update of the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy]
9	Preparations for 2019 Actuarial Valuation (Pages 101 - 112) [To receive an overview of the 2019 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates]
10	West Midlands Integrated Transport Authority Fund (Pages 113 - 116) [To receive an update on the West Midlands Integrated Transport Authority Fund]
11	LGPS Central Investment Pool Update (Pages 117 - 122) [To receive an update on the LGPS Central investment pool]

Agenda Item No: 3

CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Board

Minutes - 25 September 2018

Attendance

Members of the Pensions Board

Employer representatives

Jan Britton
Jaqueline Carman
Paul Johnson
Joe McCormick

Employee representatives

Sharon Campion
Steve Carter
Councillor Hazel Malcolm
Adrian Turner

Employees

Rachel Brothwood	Director of Pensions - West Midlands Pension Fund
Jill Davys	Assistant Director - Investments and Finance - West Midlands Pension Fund
Dereck Francis	Democratic Services Officer - City of Wolverhampton Council
Rachel Howe	Head of Governance and Corporate Services - West Midlands Pension Fund
Amy Regler	Head of Operations - West Midlands Pension Fund
Holly Slater	Governance Officer - West Midlands Pension Fund

Part 1 – items open to the press and public

Item No. *Title*

1 **Election of Chair**

Resolved:

That Sharon Campion be elected Chair of the Board for the remainder of the 2018/2019 municipal year.

2 **Election of Vice-Chair**

Resolved:

That Joe McCormick be elected Vice-Chair of the Board for the remainder of the 2018/2019 municipal year.

3

Apologies for absence

Apologies for absence were received on behalf of Councillor Phil Page and Mike Sutton.

The Board was also informed that Lee Nash had resigned from the Board. Officers were currently going through the process of seeking the nomination of a replacement representative from the Trade Union, Unite. Rachel Brothwood, Director of Pensions proposed that once the nomination was received, rather than wait until the next meeting of the Board in January 2019, the Chair and Vice-Chair of the Board would be asked to approve the nomination via email.

4

Declarations of interests

No declarations of interests were made.

5

Minutes of previous meetings

Resolved:

1. That the minutes of the meeting held on 23 January 2018 be approved as a correct record.
2. That the minutes of the meeting held on 3 July 2018 be noted.

6

Matters Arising

With reference to minute 9 of the meeting on 3 July 2018 (Policy Review Update 2018), particularly the discussion around membership of the Board, and attendance at meetings and training sessions, Rachel Brothwood, Director of Pensions reported that the Fund had written to one member, Paul Sayers. A response was awaited.

Adrian Turner asked whether the Board could be provided with a list of Board Member attendance at meetings and training sessions over the last 12 months. The Director of Pensions confirmed that the Fund maintained that information and it would be included in the papers for future meetings to the Board.

7

Annual Governance Report 2018

Rachel Howe, Head of Governance and Corporate Services presented the report on the work undertaken by the Fund in relation to its governance throughout the 2017/2018 year and preparation for 2018/2019 year.

Referring to the Board's proposed terms of reference, particularly the paragraph on membership, discussion was had on the membership of the Board in relation to elected Councillors. In answer to a question, Rachel Brothwood, Director of Pensions confirmed that membership of other Local Pensions Boards across the LGPS had elected Councillors from the Administering Authority and that the regulations governing the membership of Local Pension Boards permit, with appointment as employer or member representative, elected councillors to take up seats on the Board.

Steve Carter asked whether the Fund had contacted organisations outside of local authorities to gauge their interest in becoming members of the Board and whether there were external organisations represented on the Board. The Director of Pensions advised that the Fund had not opened up the membership of the Board to the wider employee side as member representatives were appointed via the Trade Unions. It had however, sought and secured representatives from the employer side outside the local authority. Jacqueline Carman (university representative) and Joe McCormick (academy representative), both present, were two examples of employer representatives who had responded to the open invitation.

The Chair asked for clarification on, if the Board's terms of reference previously included elected councillors could the Board now review that position. The Director of Pensions reported that officers had considered discussion at previous meetings and put forward draft terms of reference for review and approval. Changes had been made to the terms of reference relating to frequency of meetings, the quorum, nominations to the Board. The changes would contribute to the effective functioning of the Board going forward.

At the end of the discussion and with no other views being expressed, the Chair suggested that the Board note the comments raised in relation to membership and requested officers write out again with the findings of their review of elected councillors on pensions boards and the position elsewhere in the country. Councillor Hazel Malcolm asked that the expectations of elected councillors on the Board also be clarified in the note.

Referring to the proposed increase in the frequency of Board meetings from two to four times per year as set out in the draft terms of reference, the Director of Pensions reported that the next meeting of the Board was set for 22 January 2019. A further meeting would be scheduled on the date to be confirmed in April 2019. Thereafter four quarterly meetings would be scheduled during a year. The meetings would be scheduled to follow meetings of the Pensions Committee.

Resolved:

1. That the Terms of Reference for the 2018/19 year be approved.
2. That the Fund's risk register and the mitigations in place to manage risk at the Fund be noted.
3. That the proposed training throughout the year with reference to the knowledge and skills framework be noted
4. That the progress of the Fund in delivering benefit statements to members be noted.
5. That the feedback analysis from the Fund's Customer Engagement Strategy be noted.

8

Policy Review Update 2018

Rachel Howe, Head of Governance and Corporate Services presented the report on an overview of the Fund's statutory duty and good practice policies. The Pension Committee adopted the policies for the year 2018/2019.

Rachel Brothwood, Director of Pensions informed the Board that the Pension Fund had noted an increase in activity for responsible investment information responses. The Fund was regularly contacted for information relating to its investment decisions. The Fund dealt with these requests on a daily basis. The Director invited Board members to reach out to the Fund if contacted by the public or organisations in this way. The Fund's officers who could assist them with their response or direct them and the inquirers to the Fund's various policies in response to the enquiry.

Resolved:

1. That the Board promote the Fund's Customer Engagement Strategy amongst their representative groups.
2. The actions taken by the Fund to review the Policies in line with the Annual Review Plan be noted.
3. The Fund's updated Customer Engagement Strategy and Responsible Investment Framework be noted.

9

Data Quality and Employer Performance

Rachel Howe, Head of Governance and Corporate Services presented the update report on the work of the Fund in the area of data quality and to provide assurance on the action the Fund was taking with employers to improve scheme record keeping and enable issue of benefit information to members.

The Board discussed the performance on the production of 2018 Annual Benefit Statements and the rolling benefit statement project that had been implemented by the Fund to maximise the delivery of the 2018 annual benefit statement. The Board noted that the Fund had self-reported to The Pensions Regulator on the issuance of its active member benefit statements by 31 August 2017 and would be self-reporting for the late issue of the 2018 statement. The Board asked a number of questions on how the situation arose and the plans to address performance. In response to questions the Board was informed that the transition to the monthly submission process was a 2-year programme which required a number of system changes both at the Fund and with employers. The Fund acknowledged that time was needed to embed the changes to the system and the Fund was working with the software provider to further develop the process.

Over 600 employers had now converted to the new process, with the Fund managing a combination of annual and monthly returns to enable delivery of benefit statements in the first year.

Regarding employer performance against data quality, the Chair also asked why so many scheme employers were not informing the Fund when their employees were considering retiring. The Head of Governance and Corporate Services reported that it was a question of timeliness of the notification to ensure that the Fund was able to provide scheme members with the information they need at the time they need it rather than a failure to notify the Fund. In response to Adrian Turner the Head of Governance confirmed that employer performance would be discussed at the Annual General Meeting in November 2018.

Resolved:

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

10

Annual Report and Accounts 2017/2018

Jill Davys, Assistant Director, Investments and Finance presented the report on the preparation, approval and audit of the Statement of Accounts and the Annual Report for the year ending 31 March 2018 and the latter's publication on the Fund's website. The Annual Report was being finalised and would be uploaded to the website once external audit completed their review. There had been an earlier closedown timetable for the audit of the statement of accounts. The deadline had been achieved but it had been a challenging period for the Fund with a complete change of the Finance Team, implementation of new processes and systems and the transition of employees and assets to LGPS Central during the closedown period. The West Midlands Integrated Transport Authority Fund statement of accounts had also been produced and received a satisfactory audit.

Jacqueline Carman asked whether the setup costs for LGPS Central were captured within the statement of accounts. The Assistant Director reported that it was contained within the Investment Management costs. A separate report on LGPS Central was included on the agenda which detailed the setup costs for the Company.

Resolved:

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

11

LGPS Central Update

Jill Davys, Assistant Director, Investments and Finance presented an update on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State. In doing so she informed the Board that the, Chief Executive of LGPS Central Ltd, Andrew Warwick-Thompson, would be stepping down. The Company's Board would seek a replacement and it was anticipated that the Chief Executive would remain in post for roughly six months until they could recruit a replacement.

Councillor Hazel Malcolm commented that six months was a short time to recruit a suitable replacement and she asked about the risks from the loss of a senior figure at the company. Rachel Brothwood, Director of Pensions reported that the recruitment of a replacement would be the responsibility of the Board of LGPS Central Ltd, but Fund officers continue to work closely with the Investment Directors and executive team and the team continue to grow. The search for a replacement is expected to start shortly and will be focused on taking LGPS Central Ltd forward in the next phase of its development.

The Chair referred to the estimated setup costs for LGPS Central and asked whether the figure was likely to rise. The Assistant Director - Investments and Finance reported that the estimate of £50 million in the initial business case included transition costs for the movement of assets from one investment vehicle to another. It would therefore vary, dependent upon how and to when assets moved.

Resolved:

That the update on LGPS Central progress be noted

12

Regulatory Update 2018

Rachel Howe, Head of Governance and Corporate Services gave a brief update to the report presented to the meeting on 3 July 2018 regarding regulatory updates and guidance from national bodies and on the steps taken by the Fund to ensure its compliance. LGPS Central had signed up to the cost transparency mark. On the National Scheme Advisory Board (SAB) review of issues around academisation of local authority schools, a report from PWC on options for academies would be presented to two working groups established by the SAB.

Resolved:

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

13

Internal Audit Plan 2018/2019

The Board received the report presented to the meeting on 3 July 2018 on an outline of the work programme for internal audit work during 2018/2019 and on the outcome of work on the programme from the previous year. There was no further update to the report.

Resolved:

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

14

Pensions Administration Strategy 2018

Simon Taylor, Head of Pensions presented a brief update to the report considered at the meeting on 3 July 2018 on revisions made to the Pension Administration Strategy (PAS) and the publication of an associated Employer Engagement Roadmap, as approved by Pensions Committee on 20 June 2018. The update in the strategy relating to changes to the charging and re-charging structure was being introduced in a targeted manner and was to deal with poor performance and timeliness and accuracy of data. The charges would be kept under review. He also reported that there would be an annual review of the Pensions Administration Strategy.

Resolved:

That the revised draft Pension Administration Strategy be noted.

15

Pensions Administration Report

The Board received the update report presented to the meeting on 3 July 2018 on the work undertaken by the pensions administration service during the period 1 January to 31 May 2018 for both the Main Fund and the West Midlands Integrated Transport Authority Fund. Simon Taylor, Head of Pensions said that there was no further update to report.

Resolved:

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

16

Customer Engagement Update

Simon Taylor, Head of Pensions presented an update to the report considered at the meeting on 3 July 2018 relating to the Fund's customer engagement activity to date, in line with its Customer Engagement Strategy. He gave a flavour of the feedback from the employer survey, a detailed report on which would be submitted to the next meeting of the Board. He reported that the number of members registered to manage their pension benefits online had increased from 56,920 to circa 66,000; and that the Annual General Meeting (AGM) would be held on 13 November 2018 at the Molineux Stadium.

Rachel Brothwood, Director of Pensions confirmed that the invites for the AGM had gone out to all members. Data quality, feedback from the employer survey and areas for further development would be discussed. She hoped that as many of the Board could join her at the meeting.

Resolved:

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

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CITY OF WOLVERHAMPTON COUNCIL	<h1>Pensions Board</h1> <p>22 January 2019</p>
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Report title	Service Development Report		
Originating service	Pension Services		
Accountable employee(s)	Rachel Howe Tel Email	Head of Governance and Corporate Services 01902 552091 Rachel.Howe@wolverhampton.gov.uk	
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk	

Recommendations for noting:

The Pensions Board is asked to note:

1. The Fund's delivery of its Service Plan 2018 – 2023 priorities
2. The recent GDPR audit review and the work of the Fund in delivering the changes to Data Protection Law
3. The recent awards and accreditations at the Fund
4. Update on the Workforce Development Strategy
5. Update on the Fund's Digital Transformation Programme
6. Forthcoming challenges and opportunities.

1.0 Purpose

- 1.1 To provide the Pensions Board with an update on the Fund's delivery of the Service Plan, associated service development programmes and emerging themes that the Fund will need to prepare for and navigate to ensure it remains effective in the delivery of a high-quality service to our members and employers.

2.0 Background

- 2.1 The Fund's Service Plan 2018 – 2023 outlined the focus of the Fund's service delivery noting the opportunity for change together with the potential challenges forthcoming from the industry over the short to medium term.
- 2.2 Earlier this year, the Pensions Regulator launched its clearer, quicker, tougher campaign to drive up standards in the pensions sector, by setting out its expectations for a well-managed UK pension scheme. The Fund's Service Development Programme is focussed on achieving this standard while continuing to engage at a national level, helping to shape the future of the LGPS.

3.0 Service Plan 2018 – 2023

- 3.1 The Fund's Service Plan 2018 – 2023 set out the following objectives:

- **Partnering for Success**

Following the successful launch of LGPS Central Ltd in April 2018, the Fund has continued to work with the Company and our Pool partners to ensure the ongoing development of investment products which seek to meet the investment strategies of all, delivering on the Government's criteria of efficiency in investment management.

Through investment pooling, the Fund has forged good working relationships with our Partner Funds which has seen emerging partnerships across other service areas, including benefit administration. This partnering has led to the sharing of knowledge through service development initiatives such as monthly submissions as well as the opportunity to save cost through joint procurement programmes.

- **Responsible Investor, Employer and Community Partner**

In line with the Fund's Responsible Investment Framework, this year the Fund voted on over 34,262 company resolutions invoking its right as shareholder to engage from within and force change in the companies in which we invest.

In addition, this year has seen the largest number of our employees achieve a relevant qualification, undertaken in their own time, while continuing to deliver a high-quality service for our members and employers. As well as achieving qualifications, the Fund's officers have raised over £1059.21 so far this year for good causes both nationally and locally.

- **Investing to Increase Capacity**

In 2017, the Fund re-launched its member web portal with a new design, feel and user interface. It is one of the long-term objectives of the Fund to increase self-service for members and this year there has been a real drive to encourage members' use of the portal. Already the Fund has surpassed its target for member registrations with more users than ever accessing their account online.

As reported in the Fund's Annual Report and Accounts, this year, the Fund has continued to deliver several training sessions to our Trustees and Pension Board Members, with over 824.5 hours training achieved by our governing bodies to-date. This is a key focus for the Fund in ensuring our decision-making bodies are fully equipped with the knowledge and skill to lead our Fund.

- **Drive Efficiencies and Cost Savings**

Through the ongoing development of our services, the Fund takes a long-term approach to creating efficiency in its working practices. The initiatives developed by the Fund this year and the investment made in our services have been undertaken with the long-term goal of efficient and cost-effective service delivery. Year-on-year savings have been delivered in investment and administration, balanced against the requirement to deliver investment returns, meet increasing demand from employers and members and implement demonstrable strong governance. Investment in Fund service delivery includes the development of our self-service member platform and developing the LGPS Central Ltd asset pool to deliver the investment products, services and capability to meet Fund requirements.

- **Engaging to Improve Outcomes**

This year, the Fund has participated in a number of national and industry wide groups to ensure it is at the forefront of change in the LGPS.

- 3.2 A copy of the Fund's Corporate Priorities for 2018 – 2023 and the progress made throughout this year is attached at Appendix A.

4.0 GDPR Audit review

- 4.1 The EU General Data Protection Regulation (GDPR) came into effect on 25 May 2018 and replaced the previous version from 1995. Prior to it coming into effect, the UK Government enacted the Data Protection Act 2018 which sought to implement the EU legislation into UK law. Both pieces of legislation should be read in conjunction with one another and will be referred to jointly as "Data Protection Laws" throughout this report.
- 4.2 The Data Protection Laws were designed to harmonise data privacy laws and empower individuals in the management of their data by public and private sector organisations. The Data Protection Laws impose a greater duty on organisations to be open and transparent with individuals about how they use their data with greater opportunity to restrict and refuse that use being given to the individual.

- 4.3 In preparation for the changes, the Fund worked with a number of other LGPS Funds across the country to formalise our approach in the application of Data Protection Laws to our working practices. Working with the LGA, the Funds devised a number of template documents for circulation across the LGPS Funds, including the production of a Memorandum of Understanding which defined the Joint Data Controller relationship with our employers.

4.4 Internal Audit Review

- 4.4.1 Prior to the implementation of the Law in May 2018, Internal Audit at the City of Wolverhampton Council undertook an assessment of the Fund's preparation for the changes in November 2017, in line with the guidance from the Information Commissioner (ICO), using their 12 steps to GDPR as a basis for assessing our preparations. At that time, the Fund were deemed to be on course with our work with no significant issues highlighted.
- 4.4.2 Acknowledging that assessment was undertaken as part of our preparation, and with a number of steps still in progress at the time of the internal audit, a follow up assessment was requested in October 2018 to ensure that all steps required for compliance with the Law had been implemented.
- 4.4.3 Aside from some minor actions (where policies were still noted as draft, having been fully implemented) the internal audit review showed good compliance with Data Protection Laws noting the work the Fund had done to inform members of their rights and access to information under GDPR. A number of areas of good practice were highlighted as noted in the report attached at Appendix B.

4.5 External Audit Review

- 4.5.1 To further strengthen the Fund's compliance with Data Protection Laws, an external company were appointed to undertake a review of the Fund in line with wider national and industry organisations. The Fund had previously been assessed by an external company in 2015 and were found to be highly compliant and were keen to ensure this ongoing high standard under the new requirements.
- 4.5.2 The external audit found a number of areas of good practice and compliance with the requirements of the GDPR, with a number of areas to be updated to ensure complete compliance.
- 4.5.3 Overall the Fund scored a satisfactory rating noting it to be 82% compliant with the requirements of Data Protection Laws. Areas for improvement that were noted were policies had been drafted prior to 25 May and required updating to ensure it read as current not future tense. Work continues to develop some of the Fund's monitoring practices in relation to its Information Asset Register.
- 4.5.4 The Fund's Data Protection Officer will now undertake actions to ensure the areas for improvement are fully embedded.

5.0 Awards and Accreditations

- 5.1 This year, the Fund was awarded highly commended in a leading industry award ceremony for the transformation of its web portal from “clunky to funky”. In the shortlisting for the award, the Fund was in a category with a number of leading private sector funds and organisations, highlighting the Fund as a competitor in the private market for delivering services to customers. In recognition of the commitment of our Trustees and Pension Board Members to leading the way with good governance, the Fund was also shortlisted for the LAPFF investment award for Governance and has recently submitted 2 award submissions in respect of our member services that we are waiting to hear back from.
- 5.2 In addition, the Fund recently won an award for best commercial development in the Bath Property Awards for our property in Manvers Street. The judging panel noted the impact the development has had on the commercial outlook for the city.
- 5.3 As we move into the new year, the Fund will begin preparing for its reaccreditation of Investors in People which will now be assessed under the new standard for accreditation.

6.0 Workforce Development Strategy

- 6.1 In meeting its objectives of investing to increase capacity and being a responsible employer, this year the Fund launched its graduate and trainee recruitment programme with the aim of developing our future workforce and ensuring the succession of skills from our officers.
- 6.2 At its launch the Fund received 58 applications from graduates and trainees wanting to secure a future career with the Fund, 4 assessment days were held with 27 candidates having been shortlisted. Spaces on the Fund’s programme were highly competitive leading to 14 interviews with graduates being placed across all 4 service areas of the Fund, together with 5 trainees.
- 6.3 As well as developing our graduate and trainee programme, the Fund continues to invest in its officers to meet its succession plan and mitigate key man risk. This year there have been 18 internal promotions across all service areas of the Fund, highlighting the importance and success of the Fund’s people development programme.

7.0 Digital Transformation Programme

- 7.1 There is an increasing demand for greater access to pension information and guidance and there is a change in the ways in which customers expect to be able to access information and receive communications. The Fund has seen an increasing demand from its customers (employers and members) to interact and engage on a more digital platform. In response to this, in 2018 the Fund launched its digital

transformation programme which seeks to deliver on the expectations of our ‘digital customers’.

- 7.2 A key area of this programme is the enhancement of the Fund’s online portals. Over the summer the programme set out its key priority projects which include, development of a new employer portal, web tray processing with employers, increased automation and bulk processing, in particular leavers and online retirement quotations for deferred members and increased online submission of information by members.
- 7.3 These key projects have now moved into the scoping phase and the Fund is engaging with its software supplier to plan and specify the required developments.

8.0 Forthcoming challenges and opportunities

- 8.1 As the Fund starts preparing its Service Plan 2019 – 2024, a number of challenges and opportunities present themselves.
 - Outcomes from the Scheme Advisory Board (SAB) targeted group employer reviews - tier 3 employer review and academy review
As noted in the Corporate Priorities appendix, the Fund continues to engage at national level to ensure it is helping to shape discussions for the LGPS.
 - Data governance and standardisation
The Fund continues to develop its data improvement strategy in line with meeting government and the Regulator’s agenda on data quality in the LGPS. More funds are expected to transition to monthly returns as standard in the future.
 - Funding and actuarial valuation 2019
Noting the high turnover in employers since the 2016 actuarial valuation, uncertainty on future market conditions and ongoing pressures on employer finances (not least in some cases due in part to increasing pension costs in other Public Sector Pension Schemes).
 - Future benefit changes
Modest changes to the LGPS are expected following the first formal cost review by HMT/SAB. Unknown as this stage, changes are expected to be implemented from April 2019
 - Separation project
Discussions are ongoing at a national level regarding the future structure of the LGPS and how to ensure potential conflicts of interest are managed and standards are maintained whilst retaining accountability at a local level.
 - Ongoing focus on responsible investment/climate change
Fund officers continue to work with LGPS Central Ltd on investment stewardship and the development of investment products that meet the Fund’s responsible investment framework noting this area of subject to be high on the public agenda. Additional investment beliefs which will form the basis of the Fund’s Climate Risk policy were discussed with Pensions Committee in December.

- Investment Pooling

The Fund has transitioned over £5bn of assets into the new sub funds developed and launched by LGPS Central Ltd and has a number of advisory mandates in place covering legacy assets and those attained prior to or outside of the pool. Officers are actively involved in new product developments to enable further transfer of assets, aligned to investment strategy and asset allocation requirements, and attainment of pool-wide targets for cost savings.

9.0 Financial implications

- 9.1 The Fund's Service Development budget was approved by Committee for the 18/19 year and is presented back at each meeting to monitor progress. The actions contained within this report have all fallen within budget.

10.0 Legal implications

- 10.1 There are no implications

11.0 Equalities implications

- 11.1 The Fund complies with the Equalities Act having undertaken Equality Impact Assessments of all its policies and working practices where required.

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 Service Plan 2018 – 2023

<http://www.wmpfonline.com/CHttpHandler.ashx?id=12474&p=0>

16.1 Schedule of Appendices

- 16.1 Appendix A: Corporate Priorities Update 2018-2023

- 16.2 Appendix B: Internal Audit GDPR report.

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Appendix A

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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Investing to increase capacity	We will invest in our services to ensure that they deliver for our members and employers both in terms of available resources (Fund officers) and through reviewing how we provide our services to ensure they meet the changing demands of our customers through our digital transformation programme	2018-2020	Head of Operations	<p>As the production of benefit statements progresses, the Funds Digitalisation Programme has been re-initiated, and a programme structure is now in place and scoping of the five key priorities is underway. E.g. Employer Hub. The Fund will be an early adopter of the new functionality working in partnership with Civica and two other Funds in specifying and developing the functionality.</p> <p>Amendments to the regulations in May, in particular allowing deferred members who left prior to 1 April 2014 access to their deferred benefit from age 55, has caused an increase in requests for deferred retirement quotes which has impacted the Funds normal processing timescales across both deferred and active member retirements.</p>
	We will invest in our employers providing training and resource to educate and support them in their understanding of the Fund and the LGPS.	Every year	Head of Pensions	The fund continues to engage with its employers, most recently at the AGM offering opportunities to become involved in shaping our services in line with the digital transformation programme. The employer coaching programme is being developed to target specific areas of the employer base and increase accessibility through further development of guides and move to develop training available online.
	We will invest in our workforce to ensure they are trained and developed in their specialised area able to respond to and support our customers and employers with their queries.	Every year	People and Corporate Services Manager	The Fund's graduate and trainee programme continues to develop with the successful appointment of candidates across all 4 service areas of the Fund.

Appendix A

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
	We will invest in our Trustees and Pension Board Members to ensure they are able to meet their statutory duty on knowledge and understanding to equip them with the ability to fulfil their fiduciary responsibility and to challenge decisions where necessary to protect our members' benefits.	Every year	Head of Governance	The Fund continues to develop its training programme, ensuring it is responsive to regulatory change offering opportunities to network with their counterparts at national events like PLSA and LAPFF. Additional induction training sessions have been arranged for Committee and Local Pension Board members joining mid-year and a Joint training day for all was held in November 2018.
	We will invest in our resources and technology to deliver our investment strategy seeking superior risk-adjusted returns, securing the future benefits for our members.	Every year	Assistant Director – Investments and Finance	The Fund continues to build and develop the finance and investment team following the transfer of employees to LGPS Central Ltd in April 2018. A programme of product development is agreed for the pool and continues to be reviewed as Fund priorities and asset allocation decisions evolve. The Fund expects to transfer assets to the lower cost Global Active Equity Multi-manager fund launched by Central at the end of 2018.
Partnering for Success	We will work with our employers and members to help shape and develop our processes to ensure they deliver to their expectations.	2018 – 2023	Head of Pensions	Through the Customer Engagement Strategy and Employer Engagement Roadmap, the Fund invites feedback and review from our employers for any changes in process and system developments. The Fund's employer peer group acts as a sounding board for proposed business development ensuring that all considerations which may impact employers are taken on board. During the latest quarter the employer survey and pensioner open morning have provided valuable feedback on service development.

Appendix A

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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	We will work with our employers and members to develop their understanding of the LGPS.	Every year	Head of Pensions	This year the Fund has seen a 68% increase in the engagement activity compared to 2017/18 with bespoke sessions delivered to employer specific groups including further education colleges and academies. The Fund has completed its annual roadshow events across the West Midlands, reaching out to members to discuss their annual benefit statements.
	We will partner with other LGPS Funds and national organisations to help shape and develop national policy and legislation.	Every year	Senior Managers	Through the relationships created with investment pooling the Fund has developed its collaborative working approach to wider elements of the Fund's work, including the creation of an LGPS Central strategic admin group. The group will share best practice and is expected to promote working efficiencies for example through joint procurement of services. Officers continue to represent the Fund on a number of national groups including cross pool working groups and the Scheme Advisory Board administration and cost management sub-committee and working groups.
	We will work with our Partner Funds in LGPS Central to ensure the delivery of our investment strategy and to ensure that LGPS Central is high performing and efficient.	Every year	Assistant Director – Investments and Finance	The Fund continues to work with LGPS Central and partner funds to develop a product pipeline that meet the requirements of the Fund's investment strategy. The Fund's Investment Advisory Panel are supporting in the development and mapping of Fund strategy across to products being developed by the pool.
	We will work with our members to help them plan for future retirement income.	Every year	Head of Pensions	Following the re-launch of the Fund's Pensions Portal, the Fund has exceeded its target for new registrations enabling more members to readily access information to help them plan for retirement. Member roadshow events and new video shorts are helping more members to sign up to the portal.

Appendix A

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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Drive Efficiencies and Cost Savings	We will ensure our services are delivered efficiently for our members and employers	Every year	Senior Managers	The Fund continues to monitor its performance on a cost per member basis. The Fund continues to support the LGPS National Frameworks, most recently with the re-let of the legal services framework, to enable efficient access to services. The Digital Transformation Programme is focused on developing tools to enable further operational efficiencies for the Fund and our employers.
	We will continue drive cost efficiencies whilst delivering a high level of services.	Every year	Senior Managers	The Fund continues to review its working practices including day to day processes and the development of more automated systems and joined up processes, reducing processing time which will help the Fund develop internal controls and target resources more efficiently.
	We will continue to review and manage investment costs seeking return and low-cost implementation through the development of LGPS Central.	Every year	Assistant Director – Investments and Finance	Work continues to support cost discovery and consistent reporting. The Fund fed into the new cost disclosure template being developed by CIPFA for the annual report, to capture fund and investment pool costs going forward, alongside investment returns.
	We will work with our employers to apply appropriate contribution rates as part of our valuation.	2018 – 2020	Head of Pensions	Working towards the 2019 valuation will be a key focus area for the Fund in the forthcoming months with a dedicated project team. Early engagement with employers began in September 2018 and will continue throughout the valuation process, as the Fund engages with key employer groups on potential changes to contribution rates.
	We will continue to target our investment returns to assist in the management of Fund deficits.	Every year	Senior Managers	The Fund's Investment Advisory Panel continue to assist in the monitoring of investment performance ensuring appropriate strategy is developed to deliver the returns needed to meet the Fund's funding target.

Appendix A

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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Engage nationally to improve outcomes for our customers	We will work with national groups (TPR, LGA, SAB, PLSA) to respond to consultation to on national policy/legislation.	Every year	Head of Governance	This quarter the Fund has engaged with national bodies on both statutory considerations and emerging best practice while continuing to help shape LGPS policy. The Fund has engaged on matters relating to responsible investment, asset pooling, tier 3 employers, academies, GDPR and data cleansing.
	We will work with both public sector and private sector pension funds to develop our understanding and delivery new initiatives for our members and employers	Every year	Head of Operations	Through engagement with membership organisations and partners, the Fund is able to be proactive in assessing potential service developments which are relevant and advantageous to our members and employers. For example, the Fund is working in partnership with Civica and two other pension Funds on the development of Employer Hub. The Fund is an active member of the PLSA, contributing to industry-wide collaboration and research.
	We will work with our trade unions to shape and deliver our understanding and delivery new initiatives for our members and employers.	Every year	Head of Pensions	Through the engagement of our Pension Board and Committee representatives the Fund is able to engage with Trade Unions on matters most pertinent to our membership. This quarter we have supported with induction and training for changing Trade Union representatives and continue to partner with representatives to supply information to scheme members.
To be a responsible asset owner, employer and local community partner	We will maintain a responsible investment framework and be robust in challenging the companies and managers that we invest in to adhere to best principles of responsible investment believing that this will delivery long-term superior	Every year	Assistant Director – Investment and Finance	The Fund continues to review and evolve its Responsible Investment Framework and has worked with LGPS Central to establish voting principles for the pool. Engagement continues based on the Fund's holdings and themes for the year, Climate Change, Cyber Security and Diversity.

Appendix A

Corporate Priorities Update 2018 – 2023

Core Objectives	How we will deliver our objectives	Our timetable for delivery them	Owner	Measuring our success August 2018
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Page 24	investment returns for our stakeholders.			
	We will continue to partner with others to protect and enhance the value of our investments.	Every year	Assistant Director – Investment and Finance	<p>The Fund has developed an active Responsible Investment Framework, driven by investment beliefs and applied through an engagement and stewardship programme.</p> <p>The Fund partners with a number of UK and Global organisations (including LAPFF, PRI, IIGCC) to increase the reach of engagement activity.</p> <p>The Fund is advancing the integration of ESG-risks into its investment due diligence processes (both where investment is made by the Fund and through LGPS Central).</p>
	We will continue to take a proactive approach to voting globally.	Every year	Assistant Director – Investment and Finance	<p>The Fund has a bespoke UK voting policy and works with a proxy voting provider through LGPS Central and its custodian to ensure all shares are voted. Voting activity is reported via the Fund website and reported to Pensions Committee each quarter.</p>
	We will acknowledge and value the contribution that our employees make to the effective and efficient running of the organisation.	Every year	Head of governance	<p>Alongside the launch of its graduate and trainee programme the Fund continues to develop its workforce strategy developing officers of the future through its training and development program. This year the Fund has had 18 internal promotions highlighting the success of our employee development program.</p>
	We will be an organisation that respects the local community and proactively engages and contributes to it.	Every year	People and Corporate Services Manager	<p>So far this year the Fund has raised £1059.21 for charities both locally and nationally.</p> <p>Working with local universities and colleges the Fund rolled out its graduate and trainee programme with successful recruiting to all posts advertised.</p>

Final Internal Audit Report:

GDPR Review

2018/2019



1. Executive summary

Introduction

Following the introduction of the General Data Protection Regulation (GDPR) in May 2018 an audit is proposed as part of the approved internal audit plan for 2018/19. This review aims to provide assurance that the controls and procedures implemented have been fully embedded within the Fund and are operating effectively.

Scope and objectives of audit work

Our audit will be conducted in conformance with the Public Sector Internal Audit Standards and will consider the following objectives, and the potential risks to the achievement of those objectives:

- Provide excellent customer service

The review will be based on the Information Commissioner's Office (ICO) guide to undertaking information audits which covers the key areas of information governance.

Scope	Potential risks
<p>The audit will include a review of the following:</p> <ul style="list-style-type: none"> • Governance arrangements for GDPR • Records management • Subject Access Requests • Training and awareness • Data sharing, including third party member information requests. • Information risk management • Direct marketing 	<ul style="list-style-type: none"> • Regulatory action for failure to comply with legislative requirements • Financial penalties • Loss of sensitive information • Reputational damage through adverse reports
Limitations to the scope of our audit	
A high-level review of operational controls and sample testing of areas included in the scope.	

Overall conclusion

Taking account of the issues identified in this report, in our opinion the controls operating within the system, provide only **satisfactory assurance** as part of the process to mitigate risks to an acceptable level.

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.

Key issues identified

We have identified no significant issues. However, we have raised five issues classified as green which are further detailed in section two of this report.

Examples of good practice identified

During our work we identified the following examples of good practice in the management of risk, as achieved through the effective design and application of controls:

Robust information governance arrangements including:

- An updated 2018 Data Protection policy (final document to be published on the Fund's website);
- An updated governance section available to members on the Fund's website;
- Established reporting lines for information governance issues;
- Formalised roles for information governance including an appointed Data Protection and Governance Officer;
- Fund membership of the Council's Information Governance Board;
- Formalised risk registers are maintained which includes reference to GDPR.

Record management controls are in place including:

- An updated 2018 Record Management policy;
- Defined record management roles and responsibilities;
- Information asset registers recording Fund data;
- An updated privacy notice has been published on the Fund's website setting out the Funds retention policy.

Subject Access Requests:

- Established procedures for managing and monitoring SARs within mandatory timescales are in place which is included in the privacy notice published in the fund's website.

Training and awareness:

- The Fund provides new and existing staff with information governance training;
- Central training records are maintained and monitored.

Data sharing, including third party member information requests:

- Data sharing arrangements are governed as part of data sharing agreements;

Information risk management:

- Established procedures for managing, investigating, reporting and monitoring breach incidents are in place in line with Council procedures which the Fund has adopted;
- Reporting of breaches are taken to the Council's Information Governance Board, the Fund's Senior Management Team and Pensions Committee;
- Informed information governance decision making takes place through monitoring data captured on an incident log and risk register maintained;
- No data breach incidents have occurred since GDPR came into effect which required reporting to the ICO.

Security of personal data:

- The security of the Fund's IT systems are provided by the Council's ICT department or in the case of UPM by the system provider Civica as part of built in safeguards;
- Security of personal data is covered as part of training delivered to Fund staff;
- Physical security measures are in place at the fund to safeguard personal data;
- Suppliers IT Security is covered in data sharing agreements with the Fund.

Acknowledgement

A number of employees gave their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

2. Issues arising

Priority rating for issues identified:

Red	Amber	Green
Action is imperative to ensure that the objectives for the area under review are met	Action is required to avoid exposure to significant risks in achieving objectives	Action is advised to enhance risk control or operational efficiency
No	Issue arising	Agreed action including responsibility and target date
2.1	<p>The Data Protection policy 2018 published on the Funds website which had been updated for GDPR, is stated in the version history section of the document to be a first draft. However, it is acknowledged the policy was approved by the Pensions Committee and reported to the Pensions Board prior to being published on the WMPF public website.</p> <p>Implication: The Fund's Data Protection requirements may not be clearly demonstrated in the absence of a final published 2018 Data Protection policy.</p>	<p>The draft Data Protection policy 2018 has been published as a final policy on the website.</p> <p>Responsibility: Holly Slater, Governance Officer</p> <p>Target date: Implemented</p>
2.2	<p>The Records Management policy 2018 published on the Funds website is stated to be a draft document. However, the Head of Governance & Corporate Services confirmed that the policy was up to date and was based on Council policy.</p> <p>Implication: The Fund's record management requirements may not be clearly demonstrated in the absence of a final Records Management policy.</p>	<p>The Records Management policy 2018 has been published as a final document.</p> <p>Responsibility: Holly Slater, Governance Officer</p> <p>Target date: Implemented</p>

<p>2.3 At the time of audit, the Funds system provider Civica had not signed a data sharing agreement as the provider was disputing whether they were a data controller or data processor, with ongoing discussions taking place. However, the Head of Governance & Corporate Services had advised that as part of the tender for provision of the Funds system, an assurance statement covering data security had been provided by Civica.</p> <p>Implication: Assurances about the Fund's data are not provided by Civica as part of a data sharing agreement.</p>	<p>In the event of Civica not signing a data sharing agreement, legal advice will be sought on the contractual obligations of Civica in complying with GDPR legislative requirements.</p> <p>Responsibility: Rachel Howe, Head of Governance & Corporate Services</p> <p>Target date: As soon as possible</p>
<p>2.4 GDPR training was found to be included in the staff induction together with GDPR training provided to Fund staff in readiness for the implementation of GDPR.</p> <p>At the time of audit, arrangements for future refresher training were being considered including making completion of the Council's GDPR e learning course mandatory, which approximately one third of Fund employees had completed.</p> <p>Implication: A risk of staff not undertaking refresher training resulting in potential breaches.</p>	<p>Mandatory GDPR and refresher GDPR training will be undertaken annually.</p> <p>Responsibility: Holly Slater, Governance Officer</p> <p>Target date: 31 May 2019</p>
<p>2.5 A review of the application to join the pension scheme form on the Funds website identified that the Data Protection Statement requires updating relating to the Data Protection Act reference, e mail address for data access requests and data sharing arrangements under the National Fraud Initiative.</p> <p>Implication: The Funds Data Protection statement to members joining the Fund does not accurately report the Funds position.</p>	<p>The application to join the pension scheme form published on the Funds website will be updated.</p> <p>Responsibility: Holly Slater, Governance Officer</p> <p>Target date: Implemented</p>

Limitations inherent to the internal auditor's work

This report has been prepared solely for West Midlands Pension Fund in accordance with the terms and conditions set out in the terms of reference. Internal audit does not accept or assume any liability of duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without prior consent. Internal audit has undertaken this review subject to the limitations outlined below.

Internal control

- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Report distribution: Rachel Brothwood, Director of Pensions
Rachel Howe, Head of Governance & Corporate Services
Holly Slater, Governance Officer

Date: 22 October 2018

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CITY OF WOLVERHAMPTON COUNCIL	<h1>Pensions Board</h1> <p>22 January 2019</p>
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Report title	Governance Update September to December 2018		
Originating service	Pension Services		
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services	
	Tel	01902 552091	
	Email	Rachel.Howe@wolverhampton.gov.uk	
Report to be/has been considered by	Rachel Brothwood	Director of Pensions	
	Tel	01902 551715	
	Email	Rachel.Brothwood@wolverhampton.gov.uk	

Recommendations for approval

The Pensions Board is recommended to:

1. Approve the WMPF Local Pensions Board Workplan for 2019/20.
2. Convene an Appointments Panel to receive nominations for the year 2019/20.
3. Confirm the seats for nomination.

Recommendations for noting:

The Pensions Board is asked to note:

1. The Fund's ongoing review of the policy on Termination for Employers and Funding Strategy Statement following the recent change in legislation.
2. The Fund's risk register and the mitigations in place to manage risk at the Fund.
3. The Fund's Key Performance Indicators.
4. The monitoring of and actions taken to manage potential and actual breaches of the law.
5. The initial outcomes of the AON governance and administration review.
6. The total number of training hours of Pension Board members- year to date.
7. The completion of the Pension Regulator scheme return.
8. The progress in delivering benefit statements to members.

1.0 Purpose

- 1.1 To provide the Board with an update on the work of the Fund in delivering a well governed scheme through the management of effective internal controls and a performance monitoring framework.

2.0 Nominations to the Local Pensions Board

- 2.1 The Board are asked to instigate the nomination process. In line with the terms of reference for the Local Pension Board, it is permissible for those who stand down to be re-nominated by their representative group.
- 2.2 Elected Councillors of the Administering Authority are nominated each year by Full Council.
- 2.3 This year, the Fund has received a notice of resignation from Mike Sutton, Employer Representative that will take effect at the close of the current democratic year. This is due to his change in role with his employer which means he is no longer able to sit on the Pension Board. In addition, the Fund has been engaging with one-member representative who has not met the attendance requirements of the Board in line with its Terms of Reference. To date, no correspondence has been received from the member representative, and, in consultation with the Chair it is proposed that their seat be offered as vacant for appointment by the trade union.
- 2.4 Due to the above vacancies, it is not necessary to invoke the formal appointments process in seeking annual rotation of members to be appointed.
- 2.5 Pensions Board are recommended to seek one employer nomination to fulfil the vacant seat previously held by Mike Sutton, and one member nomination from the Unite trade union. In line with the Board's Appointments Process, the Board are requested to form an Appointments Panel consisting of the Chair, Vice Chair, one member and one employer representative. Applications will be sought from each of the representative groups with the Appointments Panel to be held in March, prior to the next Pension Board Meeting in April.

3.0 Pensions Board Workplan

- 3.1 Attached at Appendix A (1) and A (2) is the proposed workplan for the Pensions Board for 2019/20. It has been designed in consideration of both national and Fund level initiatives and challenges which have been identified throughout the year and which, the Fund believes, will be key areas of focus for the 2019/20 year. Pension Board are requested to review and confirm the workplan for 2019/20.

4.0 Fund policy in relation to “exit credits”

- 4.1 Following the release of LGPS Amendment Regulations early this year, which introduced “Exit Credits” governing the return of surplus to employers, officers have been reviewing the Funding Strategy Statement and Termination Policy for Employers. To inform this a review of employer funding surplus has been undertaken, together with expected contract-end dates to identify the scale and timing of potential payments out of the Fund. The Fund has taken actuarial and legal advice in relation to policy change and practical operation of the new regulations, which is not straightforward. Amendments have potentially wider ranging implications, including for example, considerations in relation to employer admission and contractual agreements with the letting authority. Proposals for change continue to be developed and will be subject to employer consultation. Revised policies will be presented to Committee for review and approval at the March meeting.

5.0 Compliance Manual

- 5.1 Following the creation of LGPS Central Ltd and the transferring of internally managed assets to the Company, the Fund has undertaken a review of its internal compliance manual which previously had been heavily focussed on operating in an FCA regulated environment.
- 5.2 The new compliance manual, while acknowledging the financial environment in which the Fund operates, now incorporates guidance from the Pensions Regulator and serves as a manual on both financial and administrative obligations in complying with industry standard and expectation.

6.0 Risk Register

- 6.1 The Fund’s risk register has been compiled to represent all known and perceived risks. Each quarter the Fund’s compliance team in conjunction with Senior Managers review the top risks which are drawn from detailed risk registers separately maintained for each department of the Fund. The risk register is an active document which is regularly monitored to ensure it reflects the most recent activity of the Fund. The reporting period for risks is the most current quarter (July to September) as it is looked upon as both a reactive and proactive document to ensure risks are reviewed and mitigated, as appropriate, as soon as is reasonably practical.
- 6.2 This quarter risks and controls have been reviewed by Senior Managers in relation to the following key areas:
- Pooling of investments within the LGPS Central Ltd pool
 - Market volatility driven by ongoing economic and political risks
 - Progress in delivering the Data Improvement Strategy
 - Handling increased volumes of processes and contact from scheme members
 - Delivery of system change and improvement

- 6.3 Recruitment to specialist roles and close management of a number of critical projects remain a focus within the controls being implemented. Looking ahead, the Fund will be navigating a number of asset transitions and will need to prepare for benefit changes expected from April 2019, following the outcome of the Scheme Cost Cap review.
- 6.4 Further to the review, the top risks are attached at Appendix B which provides assurance to the Board of the controls in place to protect the Fund and ensure payment of members' benefits.
- 6.5 In further developing its Risk Management Framework, the Fund has recently implemented its Fraud Risk Policy in line with the controls noted on the Risk Register to mitigate potential fraud and protect our scheme members. This is outlined in the Fund's Internal Controls Framework, noting the interaction of our policies in the management and administration of the Fund.

7.0 Key Performance Indicators

- 7.1 The Fund's service delivery has been impacted by the recent regulatory change, with a significant increase in requests for deferred retirement quotes. This quarter the Fund has seen a fall in performance for delivery of retirement quotes to deferred members, as the higher volume is processed, with some improvement in the processing of active retirement quotes. Data cleansing work and monthly return processing will help increase the speed at which quotations can be processed going forward. Improvements have been made in the processing of benefits for payment, which are now back within KPI.
- 7.2 The rolling production for benefit statements continues to have an impact on the Fund's aim to maximise accurate statements with the figure continuing to increase above the level issued in 2017.
- 7.3 In delivering its objectives to provide more on demand service for members, the Fund has surpassed its target KPI for Pensions Portal registrations. This is in large due to the work of the Fund's pension services team who have been engaging with customers about the benefits of the online service.
- 7.4 A copy of the Fund's key performance indicators are attached at Appendix C.

8.0 AON Review and Data Improvement Plan

- 8.1 As part of its ongoing Governance Assurance Framework, the Fund recently appointed AON Hewitt to conduct an independent review of our governance and administration processes, ensuring the Fund is meeting, and is able to meet, its ongoing statutory duty as well as being able to prepare for future challenges through its proactive assessment of forthcoming challenges and service development. The initial report from AON notes the good work of the Fund in its administration of pension benefits, commenting that the Fund is forward thinking in its aims and objectives relating to administration. The administration system is robust with automated workflow, providing a transparent audit trail. In addition, it was highlighted that team members appeared confident in their roles with excellent knowledge of processes and pension benefits.

- 8.2 In relation to Governance, AON noted the comprehensive set of policies and strategies in place, noting the range of policies exceeds those expected for an LGPS Fund, highlighting this an area of good governance and complementary to the strategic direction of the Fund, set by the Pensions Committee.
- 8.3 In addition to considering the administration and governance of the Fund, AON were also tasked with reviewing the Fund's Data Improvement Strategy. The Strategy aims to equip the Fund with the full knowledge of its data quality and requirements for delivering services to members, including meeting our statutory duty to provide annual benefit statements.
- 8.4 In conducting its review, AON found the Data Improvement Strategy to be well documented which included the key considerations for good data management in an LGPS Fund. The report particularly noted the "*excellent approach to managing and improving data provided by employers on a regular basis*" through the monthly feedback sheets and end of year data improvement plans provided to employers in an effort to maximise annual benefit statement production.
- 8.5 While noting the good work of the Fund, the report noted some areas for improvement both in relation to the presentation of the Strategy, to make areas of improvement more visible in terms of actions identified and when they are completed as well as including administration work that has been outsourced and the management of data improvement as part of that outsourced work. The Strategy is reviewed on a quarterly basis and will continue to evolve to reflect the outcomes of the review.

9.0 Pension Board Training Hours

- 9.1 So far this year the Fund is reporting Pension Board training hours as 155, an average of 12.9 hours per Pension Board Member.
- 9.2 The Fund continually reviews its Trustee and Pension Board training programme to ensure members receive up to date training on issues relevant to the LGPS. The most recent joint training session on 5 November 2018 considered the governance bodies respective roles and how they complement each other in the governance of the Fund. An update on the work of the National Scheme Advisory Board was provided together with an outline of the challenges currently facing the Fund's investment and funding management. Attendees also received an update on member engagement on Additional Voluntary Contributions and options for additional pension savings.

10.0 TPR Scheme Return - Statutory returns and benchmarking

- 10.1 Every year the Pensions Regulator (tPR) requires every pension fund in both the public and private sector, to complete a scheme return. TPR use the data gathered to help maintain a register of schemes and to identify schemes where there's a risk or potential risk to members' benefits. The information is also used to calculate annual levy charges. In compliance with the requirements, the Fund submitted the scheme return in line with the deadline date. Non-compliance has resulted in a fine being issued to one LGPS Fund.

- 10.2 In addition, the Fund has completed the Regulator's annual governance and administration survey together with the CIPFA benchmarking survey which highlighted the Fund as being below average on its cost per member when compared to the average LGPS Fund.
- 10.3 In addition, the Fund has recently submitted data for updating its investment performance and cost comparison as part of the Global CEM Benchmarking exercise. The results of this exercise will be discussed with the Pensions Committee at the next meeting in March.

11.0 Benefit Statements 2018

- 11.1 The Fund continues to deliver its rolling benefit statement programme for both active and deferred members of the Pension Fund. To date the Fund has achieved 78% of ABS and continues to engage with employers on data improvement plans as well as working with our system provider to enhance the performance and functionality of our UPM system.
- 11.2 Engagement with the tPR continues following our self-reporting on ABS production in September 2018.

12.0 Internal Controls Framework

- 12.1 The Fund has developed an overarching Internal Controls Framework, which seeks to bring together all the statutory and best practice policies of the Fund to outline how they collectively support the governance of the Fund.

13.0 Regulatory Update

- 13.1 Scheme Advisory Board
At its October meeting, concerns were raised by the Scheme Advisory Board about the attention being given to individual administering authorities by the Pensions Regulator and the approach taken, in particular, in relation to record keeping and issuance of annual benefit statements. The Board agreed that the Chair of the Scheme Advisory Board should write to the Pensions Regulator setting out the Board's concerns.
- 13.2 Changes to legislation
The Board will be aware of the recent changes brought about by the LGPS (amendment) 2018 Regulations and the "unintended" restrictive wording of the regulations which provided members aged 55 to access their deferred benefits. In recognition of the unintended wording, MHCLG launched a consultation to correct the legislation which will provide members *from* the age of 55 to access their deferred benefits. This change will take effect from 10 January and the Fund is currently in the process of considering how best to inform members of this change.

13.3 Statutory guidance on asset pooling

Updated guidance to support further progress for asset pooling within the LGPS was issued for consultation at the beginning of January 2019. This will replace the current guidance dated November 2015, following the 12-week consultation.

14.0 Financial implications

- 14.1** Poor management of the Fund can result in financial loss and additional cost. Effective monitoring of the management arrangements is required to ensure the Fund is well placed to ensure the delivery of benefits to members.
- 14.2** Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator.

15.0 Legal implications

- 15.1** The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 7(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016*.
- 15.2** The Pensions Committee, as the body charged with governance of the administering authority's pensions operations take the responsibility for ensuring that there is effective risk management over those operations.
- 15.3** Failure by the Fund to comply with statutory requirements of effective governance and administration could result in further action by the Pensions Regulator, including legal notices and enforcement powers.

16.0 Equalities implications

- 16.1** All Fund policies are drafted in consideration of equality impact assessments with no individual category of persons affected by their implementation.

17.0 Environmental implications

- 17.1** There are no implications

18.0 Human resources implications

- 18.1** There are no implications

19.0 Corporate landlord implications

- 19.1** There are no implications

20.0 Schedule of Background Papers

- 20.1. Fraud Risk Policy
- 20.2 Internal Controls Framework
- 20.3 Compliance Manual
- 20.4 AON Hewitt report on the Fund's Data Improvement Strategy.
- 20.4 Scheme Advisory Board October Meeting Actions
<http://www.lgpsboard.org/index.php/board-publications>

21.0 Schedule of Appendices

- 21.1 Appendix A (1) and (2): Pension Board Workplan 2019/20
- 21.2 Appendix B: Risk register top risks
- 21.2 Appendix C: Key Performance Indicators

Pension Board Work Programme 2019/20

The West Midlands Pension Fund Local Pension Board is responsible for assisting the Fund with the good governance and administration of the scheme by ensuring its compliance with the legislation meeting the requirements of the Pensions Regulator and its adherence to statutory guidance.

Role	Area of work	Action	Date	Purpose of work Compliance Review/Best Practice or Event driven.
Good Governance				
	Policy review	To ensure the Fund meets its legislative and best practice duties of publishing statements and policies in line with the attached Pensions Board Policy Review Plan	In line with the attached Pensions Board Policy Review Plan	As noted on the Policy Review Plan.
	Fund Communication	To monitor fund performance on the availability and quality of information produced by the Fund in line with its communications strategy	January 2019 to receive an update on delivery against the Fund's customer engagement strategy	Compliance review – to ensure the Fund meets the TPR Code of Practice on communicating with members Best Practice – to ensure the Fund meets its objectives

Appendix A (1)

Role	Area of work	Action	Date	Purpose of work Compliance Review/Best Practice or Event driven.
	Customer Engagement	To monitor the effectiveness of the customer engagement strategy	Each meeting the board will be presented with KPI's to monitor the Fund's performance against its customer engagement strategy. September 2019 – review of feedback and development of engagement strategy	Best Practice – to ensure the Fund meets its objectives
	Digital Transformation Program	In response to customer demands for more immediate service delivery and to deliver efficiencies in the Fund's operations	April 2019 – overview of program and key focus areas September 2019 – progress report	Best Practice – to ensure the Fund is responsive to customer's changing needs
	Internal and external audit	To receive a report from the Fund's compliance team reviewing the actions from the previous year's audit plan ensuring their implementation/completion.	Annually (July 19) review of completed and planned audits.	Best Practice – to ensure independent recommendations are implemented.

Appendix A (1)

Role	Area of work	Action	Date	Purpose of work
				Compliance Review/Best Practice or Event driven.
	TPR compliance monitoring	To receive a report on the Fund's compliance monitoring program, in line with the TPR's expectations.	Annually in Sept 2019 as part of the TPR reporting schedule.	Compliance Review.
	Regulatory and legislative updates	To receive updates on potential changes to regulation and government policy which may affect the LGPS And the Fund. To ensure the Fund is well-positioned to manage those changes.	As required	Compliance review.
Fund administration				
	Data Quality	To monitor the delivery of the Fund's Data Improvement Strategy	January 2019 – to receive an update on the progress of monthly returns and the impact on Data quality at the Fund. July 2019 – Update on the delivery of the Data Improvement Strategy and the delivery for Annual Benefit Statements 2019	Best Practice – to assist the Fund in its management of member data and contributions. Compliance review

Appendix A (1)

Role	Area of work	Action	Date	Purpose of work Compliance Review/Best Practice or Event driven.
	Pension Administration Strategy	To monitor the performance of Fund employers in line with Strategy	To monitor the implementation of the strategy including its charging structure.	Best Practice
	Actuarial Valuation – Review of Process	To monitor the Fund's preparations for the 2019 Actuarial Valuation including the Fund's approach to managing engagement with employers	July 2019	Best practice/event driven – to assist in the building of relationships with the employer base.
Investment	Investment Strategy and Implementation	To receive updates on the Fund's work in this area, including the development of the LGPS Central pool – governance and asset transition.	Annual ISS policy review (April) January and September 2019	Compliance review – ensuring the Fund meets its legislative duty to achieve efficient investment returns and meets legislative requirement for investment pooling, adhering to relevant and up to date guidance.

Appendix A (1)

Role	Area of work	Action	Date	Purpose of work Compliance Review/Best Practice or Event driven.
Finance	Annual report and accounts	To consider the Fund's annual report as well as the Scheme Advisory Board report following publication	July 2019	Compliance review – ensuring the Fund meets its legislative duty in the production and publication of an annual report, adhering to relevant and up to date guidance.

West Midlands Pension Board Policy Review Plan 2019/2020

Name of Policy	Responsible Officer	Frequency of Review	Requirement	To be considered by Pension Board
Governance Compliance Statement*	Head of Governance and Corporate Services	Annually to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – statement of operational governance structure including delegations and meeting arrangements	April 2019
Pensions Administration Strategy*	Head of Pensions	Annually to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – outlining the service standards for the Fund and employers	July 2019 following publication
Funding Strategy Statement*	Head of Pensions	Monitored annually with a full review and update following each triennial valuation	Compliance – to ensure the Fund meets its duty to pay pensions when they fall due	July 2019 (annual review) July 2020 following completion of the valuation process 2019

Name of Policy	Responsible Officer	Frequency of Review	Requirement	To be considered by Pension Board
Investment Strategy Statement (ISS)	Assistant Director, Investments and Finance	Annually to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – investment strategy and implementation typically reviewed and updated alongside each triennial valuation and also in line with key market influences and world events	July 2019 (annual review) July 2020 following completion of the valuation process 2019
Responsible Investment Statement*	Assistant Director, Investments and Finance	Annually to confirm relevant and up to date and ensure the legislative duty has been complied with	Best Practice – outlines Fund beliefs and approach to integration with investment strategy. Supplements the ISS	April 2019
Compliance with the Stewardship Code for Institutional Investors	Assistant Director, Investments and Finance	Annually	Best Practice – the Fund's supports and seeks to apply principles in investment activities.	April 2019

Appendix A (1)

Name of Policy	Responsible Officer	Frequency of Review	Requirement	To be considered by Pension Board
Risk and Assurance Framework*	Assistant Director, Investments and Finance	Annually (June)	<p>Best Practice – to ensure the Fund's approach to investment is managed in consideration of risk</p> <p>To ensure the Fund has in place an appropriate risk register ensuring the Fund mitigates against potential impacts</p>	July 2019
Customer Engagement Strategy	Head of Pensions	Annually	Best Practice – broadens the communication policy to review effective engagement	September 2019

Name of Policy	Responsible Officer	Frequency of Review	Requirement	To be considered by Pension Board
Communications Policy*	Head of Pensions	Annually to confirm relevant and up to date and ensure the legislative duty has been complied with	Compliance – legal duty to publish a communications policy outlining how we communicate and with who	April 2019
Customer Feedback Policy	Head of Governance and Corporate Services	Annually	Event driven	Sept 2019 to ensure the Fund is actively managing the feedback received and that new ideas and lessons learned are being implemented.
Administering Authority Policy Statement*	Head of Operations	Annually to confirm legislative duty has been complied with	Compliance – published policy on the exercise of discretionary administration functions	April 2019

Appendix A (1)

Name of Policy	Responsible Officer	Frequency of Review	Requirement	To be considered by Pension Board
Pension Board Member Conduct Review Policy	Head of Governance and Corporate Services	Annually in line with statutory guidance from the Scheme Advisory Board	Compliance – to outline how the Fund will manage complaints against Board members. Required under the Public Service Pensions Act 2013	July 2019
Freedom of Information and Data Protection	Head of Governance and Corporate Services	Annual review of the information governance policies	Review adherence to regulatory requirement	Sept 2019
Policy on Termination Funding for Employers	Head of Pensions	Annually monitored to confirm legislative duty has been complied with	Best Practice – formally reviewed as part of each triennial valuation	July following formal review

The West Midlands Pension Fund Local Pension Board is responsible for assisting in the good governance and administration of the scheme. Part of their role is to ensure the Fund complies with statutory requirements on the publication of policies, as well as ensuring the Fund has in place appropriate practices for managing and administering the scheme. This policy review plan highlights the policies published by the Fund. The Local Pension Board will review the Fund's compliance to publishing these policies at each meeting on a rolling 12 month plan, considering a number of the policies at each of its meetings.

* These policies are published in the Fund's annual report and accounts.

WMPF Local Pensions Board Workplan 2019/2020					
Area of Focus		April	July	September	January
Governance and Regulation	Policy Review	x			
	Audit review		x		
	TPR Compliance			x	x
	Risk and Assurance Framework		x		
	Local Pensions Board Conduct and Terms of Reference	x			
Customer Engagement and Servicing	communications			x	
	engagement strategy			x	
	digital transformation	x		x	
Pension Benefits and Administration	Pension administration strategy - policy		x		
	Pension administration strategy - performance monitoring	x		x	
	data quality			x	x
Funding and Investment	Actuarial Valuation/Funding Strategy	x			
	Investment Strategy Statement - implementation and action		x		x
	Responsible Investment	x			
Finance					
	Annual Report and Accounts		x		

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Appendix B- West Midlands Pension Fund - TOP RISKS
Sep-18

Risk ID		Risk Description	Risk Rating	Movement from Last Qtr / Positions	Last Reviewed
POOLING / INVESTMENTS / FINANCE					
P1	Pooling	Failures in Systems and Controls - LGPS Central <ul style="list-style-type: none"> > Assurance that LGPSC is adhering to FCA standards, (COND, PRIN, SYSC) > Assurance of conflicts on interest policy (Personal Dealing) procedures are monitored > Assurance of compliance monitoring (Second Line of Defence) with outcomes > Assurance of breach reporting to relevant regulators and the fund 	15	↔	No Change Sep-18
P2	Pooling	Transition Risk - Fund incurs additional cost (of central pooling) resulting in loss of value or ongoing costs <ul style="list-style-type: none"> > Regular budget monitoring controls against business plan > Benchmarking costs with other LGPS funds transitioning to ensure not disproportionate > Robust Client Services Agreement and Contract Management of LGPSC 	20	↔	No Change Sep-18
P3	Pooling	Transition timeline slips causing additional cost/resource on the fund <ul style="list-style-type: none"> > Transition plan is monitored and regularly updated to pension committee > Robust Client Services Agreement and Contract Management of LGPSC 	20	↔	No Change Sep-18
P4	Pooling	Investments not reflecting Funds investment strategy putting investment returns at risk <ul style="list-style-type: none"> > Assurance of Investment managers mandate monitoring and adherence > Analysis of performance against Fund's objectives; Quarterly reporting; regular dialogue with LGPSC > Pension committee review and approve investment strategy > Investment working group of PAF effective in feeding requirements back to LGPSC 	16	↔	No Change Sep-18
P7	Pooling	Partner Funds unable to agree on strategy or investment requirements leading to a stalling in transition of assets to the pool and not delivering cost savings <ul style="list-style-type: none"> > Regular meetings and working groups to agree investment requirements and changes to strategy > Access to investment staff and external providers to help develop strategy > Agree high level principles on investment objectives 	15	↔	No Change Sep-18
P8	Pooling	Pool and Partner Funds unable to agree on key issues <ul style="list-style-type: none"> > 2 way communication - ongoing dialogue > Open and transparent reporting > Agreed key deliverables 	15	↔	No Change Sep-18
P9	Pooling	Cost savings fail to be delivered - higher regulatory and other costs, anticipated savings do not materialise <ul style="list-style-type: none"> > Oversight and scrutiny of budgets and cost savings > Benchmarking costs, Cost transparency reporting > Financial model projections assessed and reviewed on ongoing basis 	20	↔	No Change Sep-18
I2	Investments	Fund does not achieve investment returns in line with longer term strategic objectives to meet funding objectives <ul style="list-style-type: none"> > Diversified portfolio > Regular reviews of asset allocation/investment strategy > Monitoring of investment managers quarterly > Regular monitoring of market conditions 	16	↔	No Change Sep-18
I7	Investments	The funds SIAB currency exposure does not meet the stated funding objectives <ul style="list-style-type: none"> > LGPS and internal staff to review currency exposure of benchmark V the funding objectives, to present to Pensions Committee recommending an action to mitigate 	15	↔	No Change Sep-18
F6	Finance	Non payment of receipt of monies due to the fund <ul style="list-style-type: none"> > Monthly monitoring of ongoing (FSR) and deficit (PSD) contribution payments by Finance. Finance are working in conjunction with the Employer and Data Teams through monthly submissions with more analysis, reviews and feedback 	15	↔	No Change Sep-18
GOVERNANCE					
G2	Governance	The Fund is unable to meet its statutory requirements on Data Quality <ul style="list-style-type: none"> > The Fund has appointed a dedicated data quality team led by 2 data managers working on a data cleanse project with employers > The Fund tracks employer performance on data quality and engages with low performing employers on a proactive basis > The Fund has implemented a monthly returns program which seeks to reconcile the data held by the fund with that held by employers > Regular engagement with the TPR > The Fund has a compliance monitoring programme to align its practices with those expected in the TPR code of practice > The Fund has a data improvement working group consisting of representatives from across the Funds service areas to identify issues with data quality at various points of process across the Fund > Data improvement plans reported to PC/ LPB at each meeting and are monitored for improvement. Employer engagement actioned through LPB > PAS monitoring tool created and monitored monthly by SMT > The Fund has implemented a data improvement plan which includes the production of performance dashboards for the major employers. > Bespoke data improvement plans issued to employers for 2017/2018 errors > New template documents created for feeding back to employers on their errors for 2018/2019 > Weekly ABS meetings held with teams to monitor delivery of statements > Systems team have reviewed the TPR common and conditional data reports to ensure they are effective in their ongoing reporting 	16	↑	4 Sep-18
G9	Governance	Change in government policy/LGPS reforms <ul style="list-style-type: none"> > The Fund keeps abreast of developments, participating in consultation and calls for evidence, and collaborating with other funds 	16	↔	No Change Sep-18
G10	Governance	Failure to have adequate internal controls and monitoring of Fund performance <ul style="list-style-type: none"> > The Fund has a number of statutory and good practice policies which seek to deliver a well governed and administered scheme 	16	New Risk	Sep-18
OPERATIONS					
OP4	Operations	Failure to adhere to statutory regulatory requirements <ul style="list-style-type: none"> > Technical team in place to translate regulations and working group to review and discuss impacts of any changes > Robust testing process for any system changes > Work with other Pension Funds to develop understanding i.e. Civica Technical Group and SPOG > Project management for the delivery of key changes and Statutory requirements and regulations i.e. benefit statements > Monitoring of KPI's and performance against disclosure 	20	↑	4 Sep-18
PENSION SERVICES					
PA1	Pension Operations	Pension Administration Strategy (PAS) not complied with by employers <ul style="list-style-type: none"> > Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it > Employers adherence to the PAS is monitored > PAS regularly reviewed by committee > Reports produced for all employers highlighting issues with data files. Regularly meeting with districts to review progress and all other employers have been assigned a "data guru" who will be responsible and the main point of contact for any issues or queries 	16	↔	No Change Sep-18

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Appendix C- Key Performance Indicators

Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Previous Score	Date Last Reported	Improvement/Deterioration
REFUNDS								
M	Notify member of Refund within 15 days	90%	AR	● 77.0%	Apr 18 - Oct 18	● 80.2%	Apr 18 - Sep 18	⬇️ -3.2%
	Refund payments processed within 5 days	90%		● 97.8%	Apr 18 - Oct 18	● 97.7%	Apr 18 - Sep 18	⬆️ 0.1%
RETIREMENTS								
M	Retirement options to members within 15 days	90%	AR	● 55.3%	Apr 18 - Oct 18	● 50.6%	Apr 18 - Sep 18	⬆️ 4.7%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 99.1%		● 99.0%		⬆️ 0.1%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 87.9%		● 85.2%		⬆️ 2.7%
DEFERRED RETIREMENTS								
M	Retirement options to members within 30 days	90%	AR	● 75.2%	Apr 18 - Oct 18	● 91.4%	Apr 18 - Sep 18	⬇️ -16.2%
	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		● 97.0%		● 96.6%		⬆️ 0.4%
	New retirement benefits processed for payment following receipt of election within 5 days	90%		● 92.6%		● 90.6%		⬆️ 2.0%
TRANSFERS IN								
M	Transfer in quotations processed within 10 days of receiving all the required information	90%	AR	● 96.8%	Apr 18 - Oct 18	● 96.2%	Apr 18 - Sep 18	⬆️ 0.6%
	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		● 96.1%		● 96.3%		⬇️ -0.1%
TRANSFERS OUT								
M	Transfer out quotations processed within 20 days	90%	AR	● 97.2%	Apr 18 - Oct 18	● 97.6%	Apr 18 - Sep 18	⬇️ -0.3%
	Transfer out payments processed within 10 days	90%		● 92.9%		● 91.5%		⬆️ 1.4%
DEATHS								
M	Acknowledgement of a death within 5 days of receiving the notification.	90%	AR	● 98.0%	Apr 18 - Oct 18	● 98.0%	Apr 18 - Sep 18	➡️ 0.0%
	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		● 92.6%		● 92.1%		⬆️ 0.5%
	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%		● 100.0%		● 100.0%		➡️ 0.0%
EMPLOYER AND MEMBER SERVICE - CALLS								
M	85% of calls received to the customer helpline to be answered.	85%	ST	● 79.2%	Apr 18 - Oct 18	● 82.2%	Apr 18 - Sep 18	⬇️ -3.0%
M	85% of calls received to the employer helpline to be answered.	85%	ST	● 92.1%	Apr 18 - Oct 18	● 92.3%	Apr 18 - Sep 18	⬇️ -0.2%
CUSTOMER SATISFACTION/SURVEY								
M	Overall <u>member</u> satisfaction score for members to be 90%.	90%	ST	● 100.0%	Apr 18 - Oct 18	● 100.0%	Apr 18 - Sep 18	➡️ 0.0%
M	Overall <u>employer</u> satisfaction score for employers to be 90%.	90%	ST	● 99.0%	Apr 18 - Oct 18	● 99.0%	Apr 18 - Sep 18	➡️ 0.0%
6 M	Satisfaction rate from feedback of trustee training/pension board events to be 90%.	90%	RH	● 100.0%	April 18 - Sept 18	● 100.0%	Apr 17 - Mar 18	➡️ 0.0%
Q	Web Portal Registrations	Target 6500	ST	● 69847	Jul 18 - Sep 18	● 62555	Apr 18 - Jun 18	7%*

Appendix C- Key Performance Indicators

<u>Freq</u>	<u>Description</u>	<u>Target</u>	<u>Lead Officer</u>	<u>Actual (Score and RAG)</u>	<u>Reporting Period</u>	<u>Previous Score</u>	<u>Date Last Reported</u>	<u>Improvement/Deterioration</u>
INVESTMENT RETURNS/OVERALL FUND PERFORMANCE								
M	Main Fund - Returns to be 0.5% above the benchmark (3 Yr. Rolling)	+- 0.5%	JD	BENCHMARK 13.06%	Sep-18	BENCHMARK 12.53%	Aug-18	0.29%
				ACTUAL 12.48%		ACTUAL 11.66%		
				RELATIVE -0.58%		RELATIVE -0.87%		
M	ITA Fund - Returns to match the benchmark (3 Yr. Rolling)	+ 0	JD	BENCHMARK 9.96%	Sep-18	BENCHMARK 9.67%	Aug-18	0.10%
				ACTUAL 10.05%		ACTUAL 9.66%		
				RELATIVE 0.09%		RELATIVE -0.01%		
BENEFIT STATEMENTS								
A	ABS produced for 100% of active member records	100%	RH	● 68.0%	Nov-18	● 79.0%	Aug-17	● -11.0%
	DBS produced for 100% of deferred member records	100%		● 89.3%	Aug-18	● 85.2%	Aug-17	● 4.1%
CONTRIBUTIONS RECEIVED								
M	Main Fund - Employers to pay contributions	100%	JD	● 89.6%	Apr-18	● 98.4%	Mar-18	● -8.8%
	ITA Fund - Employers to pay contributions	100%		● 100.0%	Apr-18	● 100.0%	Mar-18	● 0.0%
EXTERNAL ACCREDITATION								
6 M	The Fund to be shortlisted for 75% of the awards in which it is entered	75%	RH	Applications 6	April 18 - Aug 18	Applications 13	Apr 17 - Mar 18	23.1%
				No. Pending 4		No. Pending 0		
				0		3		
				0		10		
				Percentage Shortlisted 100%		Percentage Shortlisted 77%		
SICKNESS ABSENCE								
M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	RH	● 7.2	Apr 18 - Oct 18	● 6.8	Apr 18 - Sep 18	● 0.4
COST PER MEMBER								
Q	Administration and governance cost per member to be reduced from budgeted figure of £23.20	£ 23.20	DS	● £22.27	Jun-18	● £21.17	Mar-18	● £1.10
TRAINING HOURS								
Q	Average CPD per Fund employee to be 22 hours or more.	22 Hours	RH	● 44.0	Sep 18 Quarter Jul 18 - Sep 18 (projected)	● 58.5	June 18 Quarter Apr 18 - June 18 (projected)	● -14.5
DATA QUALITY								
Q	Common data	99%>	RH	● 96.0%	Sep-18	N/A	Sep-17	
Q	Conditional data	95%>				N/A		
TRUSTEE TRAINING AND PENSIONS BOARD								
6M	Amount of training completed to trustees/board members during the year.	22 hours		● 16.5	April 18 - Sep 18	● 36.8	Apr 17 - Mar 18	
STAFF TURNOVER								
M	Staff turnover to be between 5-10% in a financial year	5% - 10%	All	● 7.5%	Apr 18 - Oct 18	● 7.0%	Apr 18 - Sep 18	● 0.0%
AVAILABILITY OF ONLINE SERVICES								

Appendix C- Key Performance Indicators

<u>Freq</u>	<u>Description</u>	<u>Target</u>	<u>Lead Officer</u>	<u>Actual (Score and RAG)</u>	<u>Reporting Period</u>	<u>Previous Score</u>	<u>Date Last Reported</u>	<u>Improvement/Deterioration</u>	
QUARTERLY ACCOUNTS									
M	Website and web portal to be available 95% of the time (based on working hours as monitored)	95%	AR	● 98.6%	Apr 18 - Oct 18	● 98.4%	Apr 18 - Sep 18	↑ 0.2%	
M	Number of occurrences web portal is unavailable	10 per month		● 1.0	Oct-18	● 5.0	Sep-18	↑ -4.0	
COMPLAINTS MONITORING									
IDRP									
A	All IDRP cases completed within 60 days	60 days	AR		Apr 18 - Mar 19	● 64.4 days	Apr 17 - Mar 18		
ANNUAL REPORTS									
M	All annual reports to be submitted by 31st March	31st March	ST	● 31st March	Mar-18	● 31st March	Mar-18	↑ 0.0%	
6 M	6 monthly reports to be submitted by 31st March	31st March		● 31st March	Mar-18	● 31st March	Mar-18	↑ 0.0%	
REGULATORY									
PERIODIC AUDITS									
DATA PROTECTION									
GENERAL									
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Pensions Board

22 January 2019

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

Recommendation for noting:

The Pensions Board is asked to note:

1. The work undertaken by the Fund to deliver its Data Improvement Strategy.

1.0 Purpose

- 1.1 To update the Board on the work of the Fund to deliver its Data Improvement Strategy.

2.0 Background

- 2.1 In May 2018, the Pensions Regulator (tPR) launched its Corporate Plan 2018 – 2021 and made data quality one of its main areas of focus for the forthcoming 3 years. In response, the Fund developed its Data Improvement Strategy, setting out its commitment to improve the quality of data held by the Fund, ensuring it is able to pay pension benefits when they fall due and to provide members with an Annual Benefit Statement to enable them to plan for their retirement.

3.0 Annual Benefit Statements 2018

- 3.1 This year, the Fund launched its monthly submissions programme which sought to improve the quality and timeliness of data provided by employers to the Fund. This programme was launched in April 2017 and by the end of the 2017/18 year, 97% of employers had on-boarded with the programme submitting monthly files of member and financial data.
- 3.2 While the monthly submissions programme aims to improve current member data (2018/19 onwards), the Fund acknowledged that its historic data (member data relating to previous years) needed to be an area of focus to ensure the delivery of accurate benefit statements and enhance processing efficiencies. To this end, the Fund has issued Data Improvement Plans to 30 of the Fund's largest employers noting the data queries outstanding for their members which may have prevented a benefit statement being produced.
- 3.3 In consideration of the work undertaken to launch the monthly submissions programme and the extended timeframe required to transition, the Fund launched a rolling production of benefit statements which saw the ongoing production of benefit statements beyond the 31 August 2018 deadline. This programme enabled the Fund and employers to continue cleansing data errors in order to maximise the number of statements produced. At its first run, the Fund issued 52% of benefit statements, the latest saw the figure increase to 78% with production continuing through early 2019.
- 3.4 Targeted data cleansing work has been undertaken following analysis of member records for which a statement could not be produced (NILABS members) with priority given to those members closest to retirement age.

4.0 Data Quality at a national level

- 4.1 Data Quality continues to be a national focus and this year the Scheme Advisory Board launched a national survey on the data held by Local Government Pension Funds with a view to creating a consistent approach to the data requested from employers and measured for reporting on conditional data records to the Pensions Regulator.

That work continues to be an objective for the Scheme Advisory Board and the Fund continues to feed into discussions on this topic.

5.0 Working with Employers

- 5.1 The Fund continues to engage with employers on data quality and is working with them on the data cleanse of this year's NILABS members. In line with the Pension Administration Strategy (PAS), the Fund is continuing to develop dashboard reporting for employers on their performance and delivery against the targets set out in the PAS. The Fund will present its template dashboards at the Employer Peer Group meeting in February which will include monitoring of Data Quality, timeliness of data and financial performance in the monitoring of contributions with the aim of developing these further through employer engagement as we move into the 2019/20 year.

6.0 Financial implications

- 6.1 Data Quality is a legislative requirement on Local Government Pension Funds and service development to support this work has been built into the Fund's budget for the 2018/19 year.

7.0 Legal implications

- 7.1 Data Quality is a legislative requirement for Local Government Pension Funds with the need to implement a Data Improvement Strategy set out in the tPR's Code of Practice. Failure to adhere to these requirements may result in enforcement action by the tPR which may include the issuance of a fine and/or improvement notice.

8.0 Equalities implications

- 8.1 The Fund's Data Improvement Strategy has been developed in line with the Equalities Impact Assessment criteria. No implications were identified.

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 West Midlands Pension Fund Data Improvement Strategy

13.0 Schedule of Appendices

13.1 None



Pensions Board

22 January 2019

Report Title	Pensions Administration Report from 1 June – 30 November 2018	
Originating service	Pension Services	
Accountable employee(s)	Amy Regler Tel Email	Head of Operations 01902 555976 Amy.Regler@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Board is asked to note:

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

1.0 Purpose

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

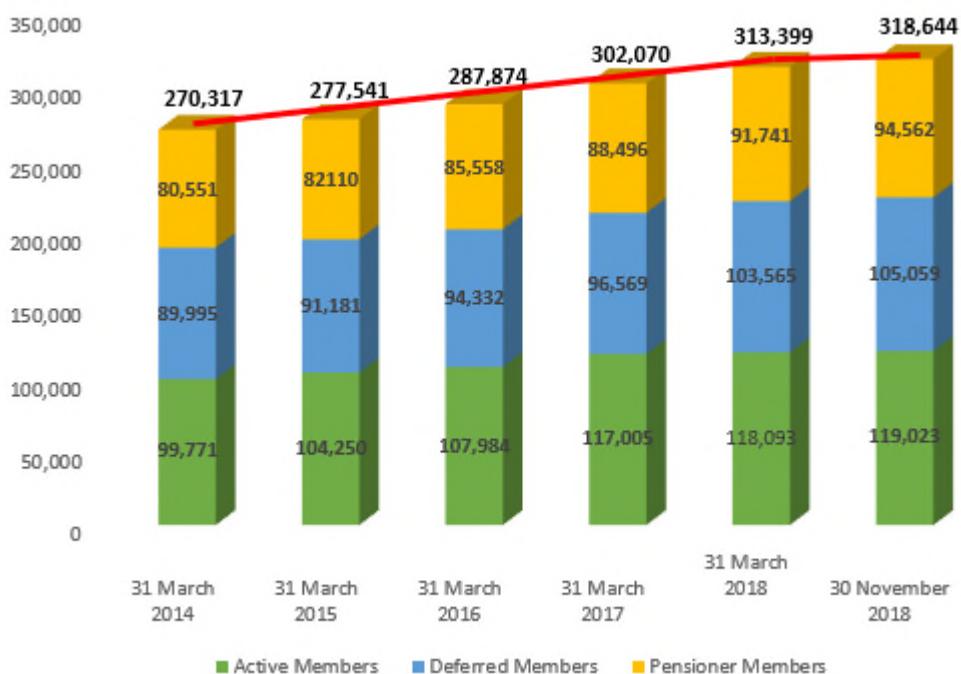
2.0 Background

- 2.1 The Fund provides a pension administration service to its stakeholders, which covers employer, customer and member services, benefit operations, payroll and systems/technical support. This report is designed to focus on the Operations service area and provide a summary of the work volumes and the performance of the Fund against key performance indicators.

3.0 Scheme Activity

3.1 Membership movement – Main Fund

- 3.1.1 The total number of scheme member records at the end of November 2018 stands at 318,644, with an overall increase since 31 March 2018 of 5,245 members. The graph below illustrates the trend over the last five years. As more members elect to draw retirement benefits, the Fund is moving towards a more mature profile. In general, however, all membership types (active, pensioners and deferred) continue to rise.



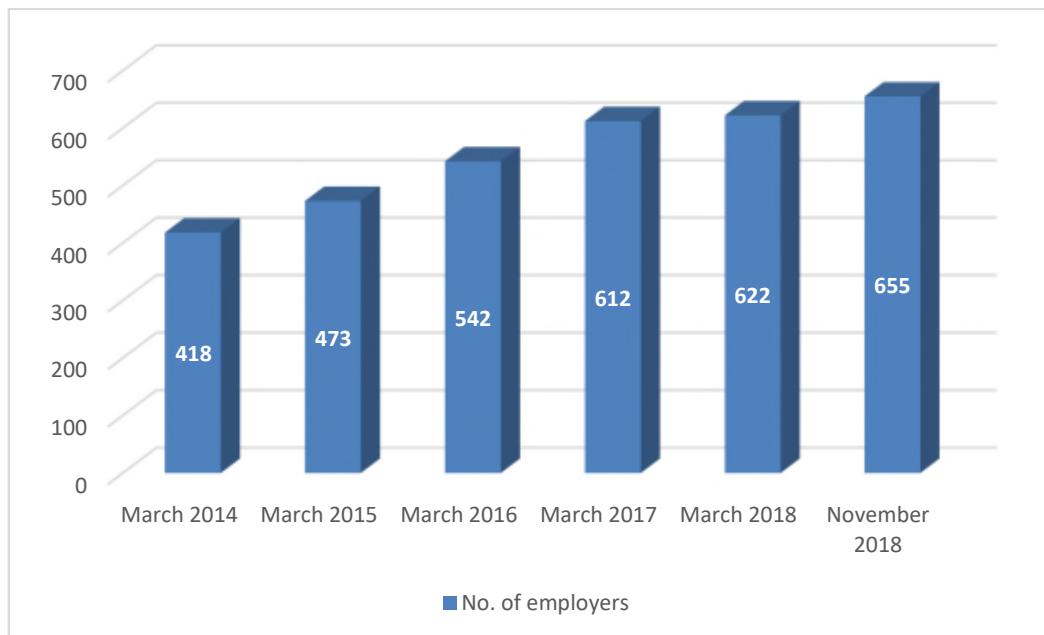
3.2 Membership movement – WMITA Fund

- 3.2.1 The number of scheme member records in the WMITA Fund in all three categories stood at 4,967 on 30 November 2018, 6% are active members, 14% are deferred and the largest group are pensioner members at 80% of the total membership. The Fund is closed to new joiners but active members continue to accrue benefits. Detailed below are current membership numbers showing movements between 31 May 2018 and 30 November 2018.

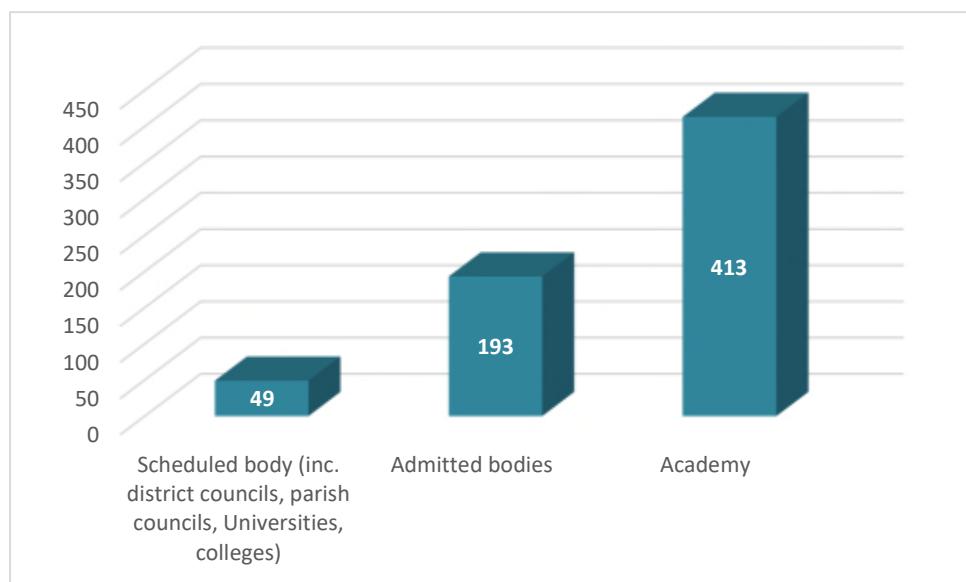
	Membership as at 31 May 2018			Net Movements during the period			Membership as at 30 November 2018		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	348	0	348	-24	0	-24	324	0	324
Deferred Members	699	13	712	-35	-2	-37	664	11	675
Pensioner Members	3816	119	3,935	37	-4	33	3853	115	3968
Total Members	4,863	132	4,995	-22	-6	-28	4841	126	4967

3.3 Employers

- 3.3.1 As well as the increase in the numbers of members within the Fund, the number of employers is also increasing and the current number of employers as at 30 November 2018 is 655, a net 5% increase from March 2018. The graph below shows the increase in employers between 2014 and 2018.



- 3.3.2 The graph overleaf shows the breakdown of the total number of employers as at 30 November 2018 by employer type.



3.3.3 The level of on-going employer transition work being processed at the end of the period is as follows: -

- 111 admission agreements
- 31 academies
- 40 employer terminations

3.4 Workflow statistics

3.4.1 The administration casework is managed through the UPM Pension Administration System, which records all processing activity on a members record.

3.4.2 During the period covered by this report, 97,312 administrative processes were commenced and 92,593 completed. On 30 November 2018 there were 42,151 items of work outstanding. This represents an increase of 5,576 items outstanding compared to 31 May 2018 (35,866). The 42,151 items of work outstanding includes casework which the Fund is unable to process as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. This accounts for 5,883 items. Within pensions administration, 36,575 processes are now either proceeding to the next stage of the process or through to final completion.

3.4.3 The number of active processes and the total number of processes outstanding continue to be high and this can be partly attributed to the Fund's increased focus on improving data quality and partly due to member demand. The areas of significant volume include early leavers (deferments and refunds) and transfers in and out of the scheme. This increase represents a combination of;

- Member led work, i.e. following disclosure mailings and change in regulations, which is expected to be a short term peak
- The targeting of certain processes to update member records, which is expected to support in the reduction of outstanding work in the longer term
- The work with employers to target historical data quality issues, which is likely to continue for a period but will support the long term position for the Fund.

- 3.4.4 The amendment to the scheme regulations in May 2018 (reported to the Board in July 2018), allowing deferred members to access their benefits at the age of 55 led to the Fund receiving approximately 1100 additional requests for retirement quotes. To support the increase in the demand for deferred member retirement quotations, the Fund is in the process of investigating development of functionality within My Pensions Portal to enable deferred members to access retirement quotations online.
- 3.4.5 Following the Budget on 29 October, it was announced that the SCAPE discount rate (underpinning a number of scheme benefit calculations including internal and external (CTEV) transfers) will change with effect from this date. The SCAPE discount rate has reduced from CPI +2.8% to CPI +2.4% and is used to determine the actuarial factors used across all public service pension schemes. The new factors were expected to be received within six weeks but their publication is still awaited. Until the new factors are received, the Fund is unable to process transfers/interfunds and quotations for divorce purposes, and these cases are being held temporarily (in line with guidance confirmed by MHCLG and the approach taken when the rate was last changed in 2017) and members are being advised of the transitional arrangements when they contact the Fund.
- 3.4.6 The Fund has been reviewing the volumes of incoming work and putting in place plans to address high volume areas. System development is being investigated as part of the Digital Transformation Programme, in a number of areas to provide longer term, cost-effective support for increasing volumes of benefit processing work.
- 3.4.5 A detailed analysis of the key processes across all operational functions e.g. calculating benefits for retirements, pensioner member data changes as well as the maintenance of updating membership details is shown in Appendix A.

3.5 Key Performance Indicators (KPIs)

- 3.5.1 The Fund uses a number of KPIs to measure performance when processing items such as Transfers In and Out, Retirements and Deferred Retirements etc. These are monitored on a monthly basis are set to support the Fund to report on and meet its statutory disclosure requirements.
- 3.5.2 The increase in volumes of work have impacted on the Fund's ability to meet the targets set by our key performance indicators during this reporting period. Areas impacted include notification of retirement benefits and deferred retirement quotes. Plans have been put in place to ensure improvement and achievement of these KPI's within the next few months. There are a number of KPI targets which continue to be achieved including the management of death cases, payment of retirements (active and deferred) and transfers. For more information on KPIs by process by month over 2018/19, please see Appendix B.

4.0 Pensions in payment

4.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to November 2018 was £494.7m, £16.6m of which (£8.2m for pensions increase and £8.4m for added year's

compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

4.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to November 2018 was £26.3m, of which no further recharges for added year's compensation will be made to employing authorities and other bodies as the member and beneficiary are deceased.

5.0 The Local Government Pension Scheme (Miscellaneous) Regulations 2018

- 5.1 Following the amendments to the LGPS regulations in May 2018, further amendments have been received and were laid on 18 December 2018 and come into force on 10 January 2019. These amendments include modifications for some of the unintended exclusions in previous amending regulations.
- 5.2 The latest amending regulations allow a deferred member who left prior to 31 March 1998 who is over 55 to claim payment of their deferred benefits and removing the requirement to have ceased to be employed in local government employment. This is effective from 17 April 2018.
- 5.3 The Regulations also amend the provisions to survivor benefits to survivors of civil partners or same sex marriages, these benefits will replicate those provided to widows. These provisions have been back dated to 5 December 2005 for civil partners and 13 March 2014 for same sex marriages. Guidance for Funds on implementation is expected from MHCLG in January.

6.0 Financial implications

- 6.1 The report contains financial information which should be noted.
- 6.2 Employees of organisations who become members of the Local Government Pension Scheme will contribute the percentage of their pensionable pay as specified in the Regulations.

7.0 Legal implications

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

8.0 Equalities implications

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

9.0 Environmental implications

- 9.1 The report contains no direct environmental implications.

10.0 Human resources implications

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

11.0 Corporate landlord implications

- 11.1 The report contains no direct corporate landlord implications.

12.0 Schedule of background papers

- 12.1 None.

13.0 Schedule of appendices

- 13.1 Appendix A: Detailed process analysis

- 13.2 Appendix B: Key performance indicators (KPIs)

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Pension Committee Statistical Report
Detailed Process Analysis

2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	April	May	June	July	August	September	October	November	YTD 2018/19		

Active & Deferred members

Process type																		
Joiners and Rejoiners	8,763	6,403	11,138	13,558	9,816	16,688	20,227	17755	2802	2829	2237	958	1119	2189	1091	1533	14758	
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	6,391	8,752	6,370	5386	367	316	388	349	715	294	561	547	3537	
Deferments	5,939	7,818	5,741	6,728	5,664	8,340	8,178	8629	378	491	2278	2409	2251	1875	1943	796	12421	
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	2,351	2,775	2,593	2676	157	190	224	246	248	181	249	163	1658	
Deferred Retirements	3,332	2,970	2,971	2,726	2,301	3,421	3,552	4429	432	355	423	744	548	421	177	389	3489	
Deaths of members	295	262	287	285	230	379	399	470	28	35	34	39	47	33	40	44	300	

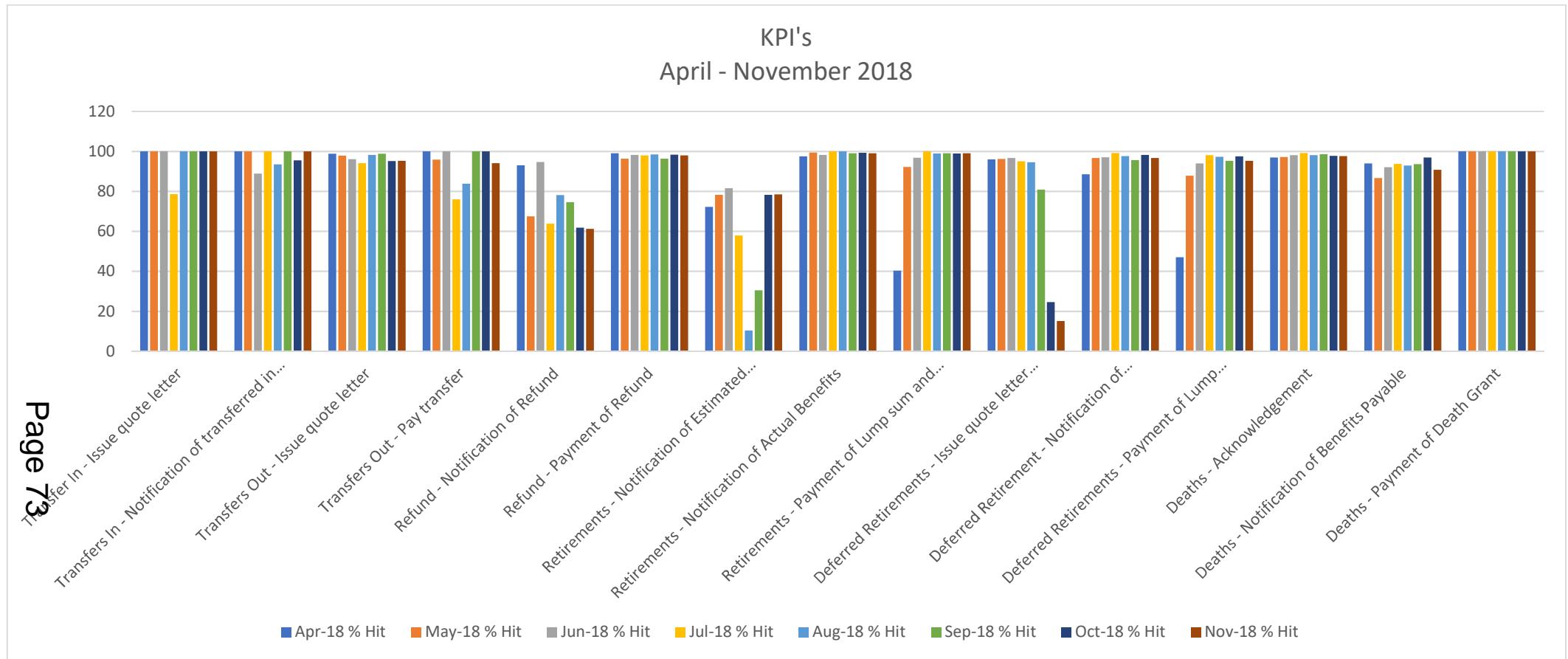
Pensioner members

Process type																		
Changes in circumstances:-																		
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	2,604	4,548	2,427	3105	291	252	219	220	257	200	202	218	1859	
Changes of Address	2,420	2,681	2,131	1,732	1,733	2,237	2,589	3004	283	309	212	212	236	162	212	215	1841	
Changes of Bank	2,927	2,531	2,783	3,420	3,281	1,573	2,272	2214	182	182	182	182	182	182	123	174	1389	
Deaths of pensioners	2,085	2,145	2,101	2,546	2,454	1,702	2,813	2919	253	216	213	209	238	196	237	225	1787	

Payroll									Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	Monthly	Monthly	Total
Actual number paid	792,724	837,189	870,804	895,018	913,864	888,954	915,275	945,196	80,931	81,174	85,203	77,696	77,845	85,854	78,436	78,767	645,906

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Appendix B



Key areas to note over the previous reporting period include the following:

- During this quarter, the following KPI's have seen improvement or continue to achieve KPI; Transfers In issue quote letter, Deferred Retirement - Notification of Actual Benefits, Retirements - Payment of Lump sum and creation of payroll record and; Transfers Out pay transfer.
- A number of KPI's continue to be achieved year to date, including; Transfers In notification of transferred membership, Transfers Out issue quote have maintained, Acknowledgement of deaths and notification of benefits and; Payment of Death Grant.
- Due to the amendment regulations in May and the significant increase in requests from members, the issue of deferred retirement quotes has dropped in performance. These are being managed alongside business as usual volumes. This increase in work volumes have also impacted the Funds ability to manage retirement quotes, this is expected to continue to improve over the next reporting period.

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 22 January 2019
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Report Title	Customer Engagement Update		
Originating service	Pension Services		
Accountable employee(s)	Simon Taylor Tel Email	Head of Pensions 01902 554276 Simon.taylor2@wolverhampton.gov.uk	
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk	

Recommendation for approval

The Board is asked to review and approve:

1. The draft 2019 employer survey.

Recommendation for noting:

The Board is asked to note:

1. The engagement activity and informed service development.

1.0 Purpose

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

2.0 Background

- 2.1 One of the Fund's key objectives is to engage to improve outcomes for our customers. In line with this objective, the Fund has published, and keeps under review, a Customer Engagement Strategy, to review satisfaction and help inform improvements to its pension services.

2.2 This report summarises engagement activity and the service development this is driving.

3.0 Member engagement

- 3.1 The Fund continues to undertake a wide range of proactive engagement with our customers and other stakeholders with the dedicated member services team assisting over 1,250 members a quarter with pension related information. This engagement includes presentations at a variety of participating employers, satellite support events aimed at "hard to reach" members and one-to-one support sessions.
- 3.2 The feedback from these presentations continues to be of a high standard with over 99% of members rating them as good to excellent, as summarised for the period January to October 2018 in appendix A.
- 3.3 During 2018 the Fund was invited to present on a variety of subjects including funding, administration and pensions portal promotion at the Birmingham Association of School Business Managers, the Solihull Business Managers Group and the Coventry Schools Business Managers. Earlier in the year, a similar presentation was also delivered to the Association of Wolverhampton School Business Managers in April 2018. These group forums afford the Fund a valuable opportunity to extend the reach of our member and employer engagement and also to focus upon issues which are topical to the Academy/School sector. Feedback from these groups has been very positive and we expect to receive requests to provide further pension support at schools and academies going forward.
- 3.4 Based on the success of previous sessions and several requests made at the Fund's 2018 Mid-Year Review meeting, the Member Services team have delivered a number of pension tax presentations to members across our local authorities. The objective is to enhance member awareness of potential tax charges on their pension savings, covering the lifetime allowance and annual allowance limits. Due to the positive feedback from these events, this support is offered to all of the Fund's employers and is advertised as part of our suite of member presentations. We are due to deliver an event at Walsall College in the first quarter of 2019 and potentially at Coventry University following an initial expression of interest.

4.0 “My Pensions” portal promotion

- 4.1 To contribute towards the drive to promote the new member pensions portal, the member services team has recently delivered pension portal drop-in sessions at local authorities and housing organisations, assisting members to register for pensions portal and take control of their benefits online. This service will continue to be offered to all employer's in order to promote uptake as much as possible. We also encourage employers to participate and to use the Fund's pension portal promotional pack, which includes electronic posters, adverts to be put on intranet sites, revised statutory notifications and portal guidance booklets.
- 4.2 The Fund has used a range of marketing techniques to advertise the portal and is actively monitoring the impact on take-up.
- 4.3 There are now over **72,000** members registered and accessing information about their benefits using the pension-portal facility. This is an increase of over 100% since the launch of the new platform late August 2017.

5.0 Employer Coaching

- 5.1 One of the Fund's objectives is to partner for success, of which a key element are our customers. The Fund's Pensions Administration Strategy (PAS) sets out the roles and responsibilities for both the Fund and our participating employers. To provide employers with the required support and guidance to help them meet these responsibilities, the Fund provides employer coaching sessions, with a planned schedule of events set out for each calendar year.
- 5.2 The most recent coaching session held in November 2018, was a bespoke delivery based around Academies. The focus was on the roles and responsibilities of Academies within the Fund. This session saw a good level of interest with 27 attendees registered. As a result, further bespoke sessions are being planned for 2019.
- 5.3 Investigations and developments continue to enable the introduction of videos / webinars to cascade these education sessions to a wider section of its employer base. It is anticipated that these will be rolled out in the first half of 2019.
- 5.4 Aligned to the Fund's aim to increase communication and reporting to individual employers on performance and data quality and serving as an extension of the employer coaching programme, a number of bespoke employer meetings are being arranged in the first quarter of 2019. These meetings will initially focus on the 11 largest employers (those with greater than 1,000 active members). In addition, a total of 37 employers received data improvement plans in October 2018 and progress against these plans will be reviewed. The aim of such meetings is to discuss data improvement plans tailored to each employer to ensure there is continual improvement in Fund records and information provided by employers, as well as processing timeliness and accuracy. This supports the wider workstream of data quality checks and review of common and conditional data records, in line with the expectations set by the Pensions Regulator. Work is ongoing by the Fund to develop revised employer dashboards embracing greater automation and

providing a better fit to employers' needs. Initial feedback has been sought from the Employer Peer Group to shape the content and presentation of these dashboards. In addition, the Fund is working on developing a financial statement to be shared with employers, which will provide them with an up to date position on items such as contributions received and outstanding invoices etc.

6.0 Employer Peer group

- 6.1 The Fund holds an Employer Peer Group every three months.
- 6.2 The employer peer group provides the Fund with valuable feedback and allows the Fund an opportunity to trial new initiatives, procedures and ideas, before implementation, to assist both member processing efficiencies and employer performance.
- 6.3 The most recent Employer Peer Group meeting was held on 30th November 2018.
- 6.4 A number of items were covered including:
 - Feedback on AGM topics and attendance, with the primary focus on maintaining and building engagement, (as per appendix B)
 - Views on the Employer Dashboard, content and presentation
 - The Fund's website
 - Web Portal accounts, both functionality and accessibility
 - The bi-annual Employer Survey.

- 6.5 Feedback received from the group is to be collated, with attendees asked to provide comments and thoughts by the end of the calendar year.

7.0 Employer & Member Surveys

7.1 Employer Survey 2019

- 7.1.1 A link to the Fund's bi-annual employer survey is due to be emailed to all participating employers in January 2019. It is proposed that the revised version of the survey contains many of the core questions around general customer satisfaction that featured in the previous iteration, along with topical questions around AGM and Mid-year Review topics/attendance, employer web portal, and the forthcoming actuarial valuation. A copy of the proposed survey is attached in appendix C for the Board to review and feedback.

7.2 Member Surveys

- 7.2.1 The rolling online member survey available through the Fund's website continues to provide ongoing feedback and early notice of any common member issues or concerns.

- 7.2.2 A revised version of online survey went live mid-September, with the aim of obtaining feedback on the customer's overall experience with the Fund, on their latest interaction with us (and the identification of that interaction), and on the range of communication channels the Fund offers. In addition to the website, the new survey facility is being advertised through the Customer Services e-mail facility and reception service.
- 7.2.3 The Fund is looking at ways to promote and increase the rate of the completion of the member survey.

8.0 Communications & Publications

- 8.1 The Fund continues to compile and provide a number of new and revised publications. The communications have been produced in line with the Fund's objective of engaging to improve outcomes for our customers through provision of key guidance, messaging and support.
- 8.2 During 2018, four videos were uploaded to the Funds website. These videos assist members to register for pensions portal, provide an overview of the LGPS, promote the 50:50 section and explain a member's annual benefits statement.

Since the launch of these videos on the Funds website in early September, the Pension Portal Video has received 714 views, overview of the LGPS has received 509 views, guidance on annual benefits statements has received 314 and the 50/50 promotion has received 160, totalling just under 1,700 hits. Further consideration is being given to the promotion of these videos to include via participating employers, member newsletters and member events.

The Fund is also working as part of a project group for LGA to design member videos nationally for all LGPS funds to use.

9.0 Support & communication on the horizon over the next quarter

- 9.1 The Fund continues to look at ways to increase customer engagement, working with the LGA comms group and partnering with others to look at efficient and joined-up LGPS communications.
- 9.2 The Fund will be piloting a retirement planning workshop on the 15 January which is designed to support members who are thinking of retiring in the near future. The workshop covers an overview of the LGPS, basic information in regards to state pension and benefits, and an overview of tax in retirement.

The pilot will be delivered locally using City of Wolverhampton Council employees and we have invited a union representative to provide feedback

- 9.3 With the commitment to increasing engagement with our pensioner members to capture their feedback on the transition from work to retirement, the 2018 Pensioner Engagement Forum was delivered on the 5 October 2018 which provided valuable feedback to shape

our service fit for the future. Based on this feedback, in order to assist members to register on pensions portal and understand how to navigate around, the Fund plans to pilot a “*Tea & Teach*” session where members can come into the Fund, join us for a tea or coffee and we can sign them up to pensions portal and give them all the guidance to use it. We will produce a plan by mid-February and arrange a suitable location to hold the event, we also hope to involve the union representative contact.

All feedback will be reported over the next quarter and to pensioner members next year under the “*You said, we did!*” section of the Pensioner Newsletter.

- 9.4 The LGA recently launched its Additional Voluntary Contribution member guide across all Funds. This guide was written and designed by the West Midlands Pension Fund and we have received several compliments including a request to convert it to Welsh to assist other Funds.
- 9.5 Presentations are offered to members at their employer locations, however we appreciate that is not always possible for members to attend due to work commitments. To endeavour to minimise this barrier, we are increasing our electronic communication methods and are putting steps in place to implement a webinar framework to complement our face-to-face presentations, the first pilot of which is expected to take place over the next quarter.

10.0 Financial implications

- 10.1 The report contains no direct financial implications

11.0 Legal implications

- 11.1 The report contains no direct legal implications.

12.0 Equalities implications

- 12.1 The report contains no direct equalities implications.

13.0 Environmental implications

- 13.1 The report contains no direct environmental implications.

14.0 Human resources implications

- 14.1 This report contains no direct human resources implications.

15.0 Corporate landlord implications

- 15.1 The report contains no direct corporate landlord implications.

16.0 Schedule of background papers

16.1 None.

17.0 Schedule of appendices

17.1 Appendix A: Member Services feedback

17.2 Appendix B: AGM Feedback

17.3 Appendix C: Draft employer survey 2019

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Appendix A: Member Services Team – Presentation Feedback January to October 2018

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99.9% of Members confirmed presenter could answer all queries

99.9% of Members confirmed that they would recommend the presentation to a colleague

758 – Members surveyed in January to October 2018

100% of Members were satisfied or more with the service provided by the Member Services Team

Members feedback on the following areas

Style of Presenter/approach



Structure, length and pace



Clarity of Delivery



Presentation slides/relevance



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EVENT FEEDBACK

Annual General Meeting
13 November 2018



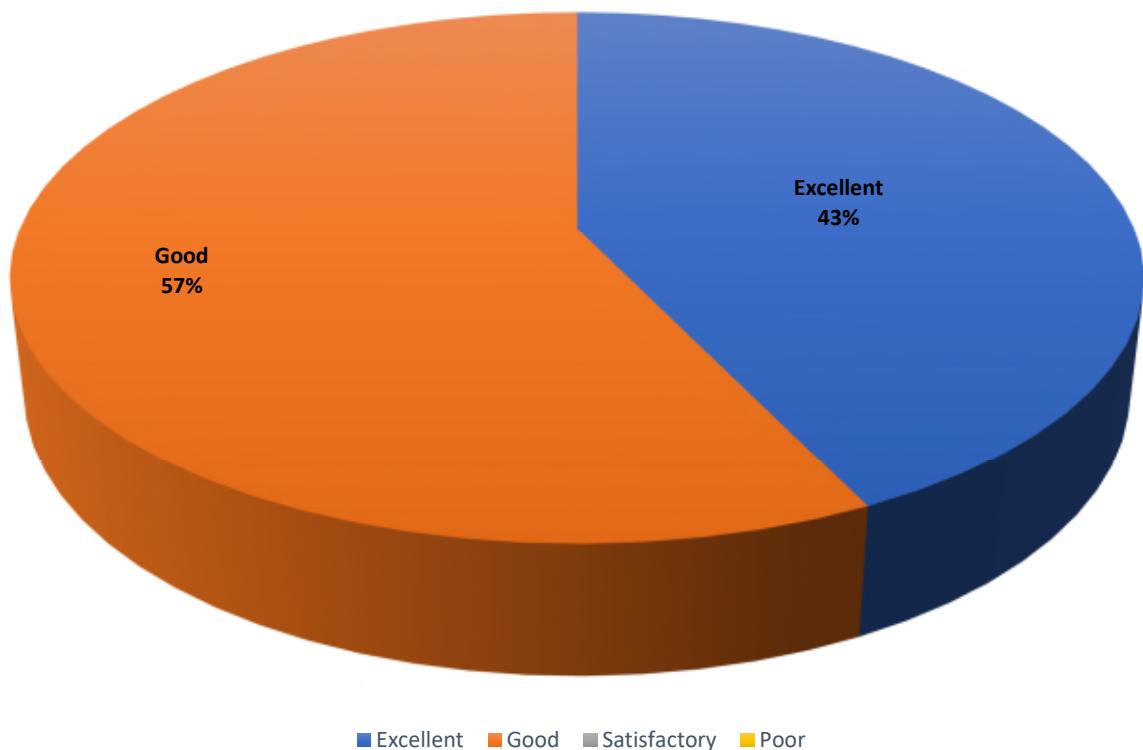
AGM

Q1. How would you rate the employer's AGM?



AGM
13 NOVEMBER 2018

How would you rate the employers AGM 2018?



Q2. Please rate the following aspects of this event:

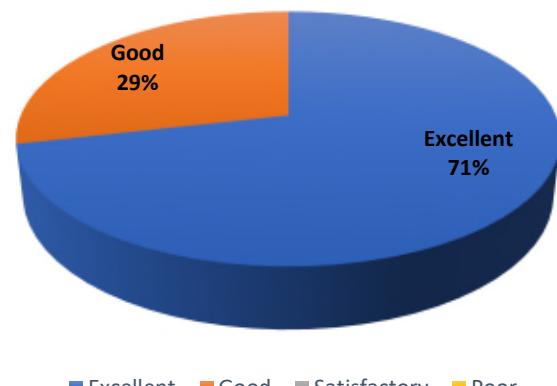
Ease of registration



Schedule & Timing



Organisation



Q2 continued on page 4...

Q2. Continued...



AGM
13 NOVEMBER 2018

Page 88

Quality of Information



Presenters & Pace



Food & Refreshments



Venue, Location & Parking

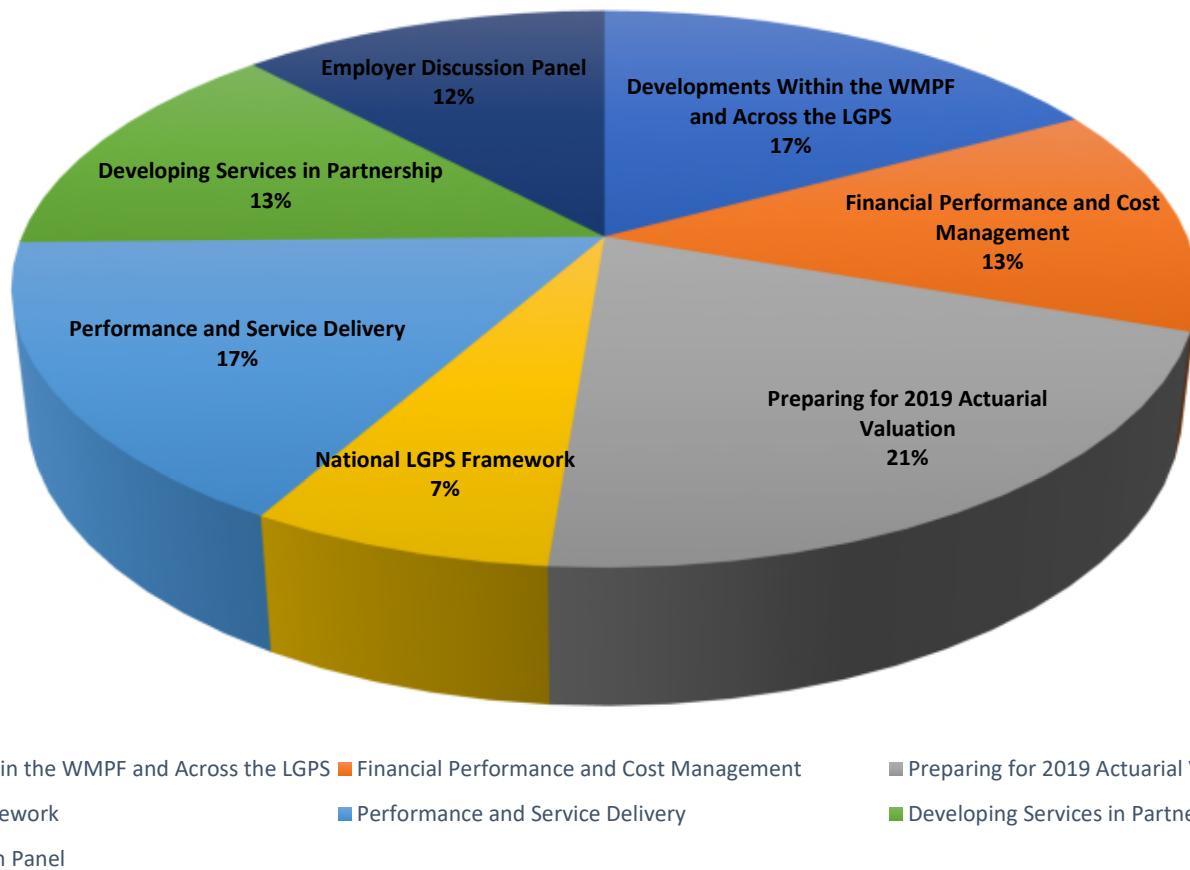


Q3. Which agenda item(s) do you feel were most relevant to your organisation?



AGM
13 NOVEMBER 2018

Which agenda item(s) do you feel were most relevant to your organisation?



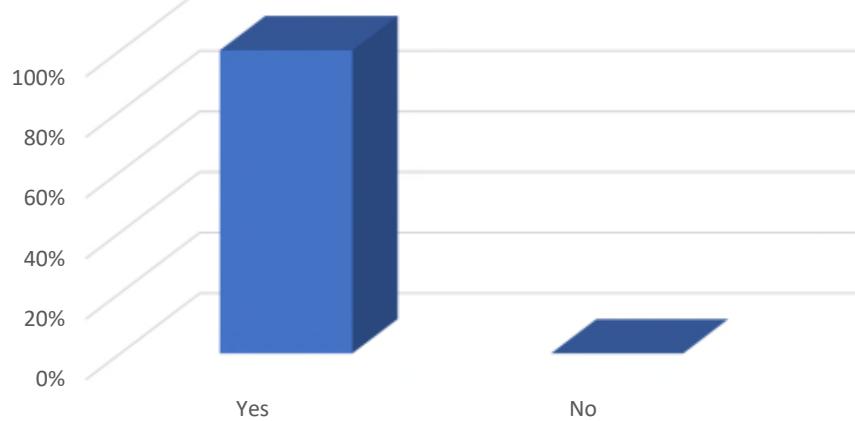
Q4. The programme booklet with handout slides added value to the event.



AGM
13 NOVEMBER 2018

The programme booklet with handout slides added value to the event.

Page 90



Additional comments on the programme booklet:

The slide booklet provides a good overview of challenges, where the Fund are currently at and where they want to get to.

A large print would be useful in the next event.

Did not provide details of cost of running the Fund office. Info showed some overall savings, but say we are.

It's format and design great!

Great depth of information and booklet.

Couldn't see the screen properly - so very useful.

Excellent booklet especially given poor visibility of screen.

I find it difficult to see screens so booklet was valuable.

All very good.

Very clear. Helpful if not seated close to screen.

A glossary for acronyms as I am new to the pensions committee.

Handout slides were needed as room was bright which made screen hard to view at times.

Q5. Are there any topics you would like to have seen on the agenda?



AGM
13 NOVEMBER 2018

No, next year there will be LGPSC detail?
Exit payments on cessation of active members.
Brief overview of TUPE & WMPF. Due to contracted environment - there is a greater chance of TUPE transfer contracts. Therefore, some indication or overview of what the WMPF TUPE process entail would allow some forward planning and thinking in advance.
Everything covered thanks.
All relevant topics covered the portal and backlog of HDC is our main issues at the moment.
All covered.
Any regulation updates.
All topics were relevant.

Q6. What changes would improve your experience at this event?



AGM
13 NOVEMBER 2018

Room was a bit cold & acoustics not great.
Video displays not viewable big screen useless.
Issues on sound and vision
Practical/CRIB sheet for employers in the pack.
Session at the end for employers to take up any issues or queries with LGPS.
Better audio - visual provision.
The small screen appeared to have a red background early on which was impossible to read. This moved to green but was still unclear.
The video screens around the room did not seem to work too well today.
Performance & service delivery.
Sound and video quality could have been improved.
Possibly the sound systems could be improved as difficult to hear on occasion.
Air con very loud & room cold, sound system hit and miss.
Better amplification/use of microphones.
More interactive sessions.
More on data.
Management of sound mics was not good noise from ventilation also made hearing difficult both comments made as a hearing aid user.

Q7. Is there anything you would like us to consider when planning the next employers' AGM?



AGM
13 NOVEMBER 2018

More time to talk to the speakers after the presentations.
The effect of triennial valuation.
Progress on Fund valuation exercise & future service cost rates.
Impact on exit credit to WMPF.
Valuation process/updates essential.
Slightly later start time - people travel from a far.
The disclosures of actuarial deficits across Fund. At some point these may become real costs.
Great venue.
What you do is perfect, especially communicating to employers about it early.
Higher emphasis on members registering on pensions portal. How employers can promote this more.

Q8. Please provide any additional comments you have about the 2018 employers' AGM.



AGM

13 NOVEMBER 2018

Very informative and news of changes to data systems for employers are greatly appreciated and eagerly awaited over the next 12 months.
Very well done and delivered considering we had a fire alarm.
Huge variation in content. I really enjoyed the employer panel.
Improved audio/visual.
All presentations were good, however Simon's presentation in particular was useful. Thanks for a lovely morning.
Both the sound quality and screen left a little to be desired.
Impact on exit credit to WMPF.
Valuation process/updates essential.
Sound - some speakers very quiet.
Very well organised. Speakers did a great job.
The final session understanding employers was useful. I'm not sure whether employers could access the Procurement frameworks - further indication on how we could would be appreciated.
I thought the employer discussion panel was very good.
Really useful event.
The sound quality was terrible at this event. Not helped by the noise of the air con unit.
A good meeting overall.
Topics were very relevant and some complex topics were explained in a clear and simple way. Part of the sessions was good i.e. not too long and focused on main points. Employer panel was very insightful.
Very well set out - content very relevant and interesting. Good overview of current issues/progress within LGPS.
Very informative as usual. Thank you.
Developing employers web portal - give guidance notes of chapel & info needed - employer team supportive & helpful when needed.



Employer Survey January 2019

At the West Midlands Pension Fund, we understand that the responsibilities of employers in line with the LGPS regulations are wide-ranging. To allow the Fund to tailor the support offered to employers, and improve the services that we provide, we would appreciate if you can take a moment to share your views with us using this online survey.

If you have any questions or requests, please do not hesitate to contact the Employer Services Team:

E-mail: wmpfemployerliaison2@wolverhampton.gov.uk

Telephone: 0300 111 6516

*Indicates a required field

1 Please select your employer category:

- Academy/Multi-Academy Trust
- Parish Council
- Admission Body (charity or private company)
- University/College
- District Council
- Other (please specify)

2 Describe the service area that best describes your role:

- Payroll
- Pensions Administration
- HR
- All of the above
- Finance

3

Please rate the following services:

	Excellent	Above average	Average	Below average	Poor
Data and Monthly Submissions (e.g. processing of feedback on monthly files and general data quality)	<input type="radio"/>				
Electronic Communications (e.g. Employer Brief, email updates)	<input type="radio"/>				
Employer Support (e.g. training, Employer Coaching, helpline, Web Portal queries)	<input type="radio"/>				
Face to Face Communication (e.g. Mid-Year Review, AGM, employer events)	<input type="radio"/>				
Finance: Collection of contributions and invoices	<input type="radio"/>				
Fund Website	<input type="radio"/>				
Funding: Actuarial Valuations (associated meetings/discussions) and Accounting Disclosures	<input type="radio"/>				
Member Support (e.g. roadshows, presentations, associated literature)	<input type="radio"/>				
Operations: Administration of member benefits (e.g. leavers, retirements, payroll)	<input type="radio"/>				
Policies and procedures (e.g. Pension Adminstration Strategy, Funding Statement, Privacy Notices)	<input type="radio"/>				

4 If you did not attend the Fund's recent Annual General Meeting (AGM) in November, please confirm the reason(s) why.

- | | |
|---|--|
| <input type="checkbox"/> Time constraints | <input type="checkbox"/> Previous experience |
| <input type="checkbox"/> Unaware of event | <input type="checkbox"/> Venue location |
| <input type="checkbox"/> Content not relevant | <input type="checkbox"/> Other |

Please add any supporting comments here:

5 In light of the above question, is there anything the Fund can offer to encourage you to attend the next AGM?

- Yes
 No

Please add any supporting comments here:

6 As a scheme employer, can you promote member engagement with the WMPF using one/more of the various methods:

- | | |
|---|---|
| <input type="checkbox"/> Issue a bulk email to members letting them know that their statement is online? | <input type="checkbox"/> Include an icon on your pensions team email signature? |
| <input type="checkbox"/> Insert a paragraph into your new starter, early leaver and retirement statutory notifications? | <input type="checkbox"/> Ask your pensions team to "plug" Web Portal talking to employees? |
| <input type="checkbox"/> Advertise Pensions Portal using internal intranet sites? | <input type="checkbox"/> Assist with the facilitation of any member events? |
| <input type="checkbox"/> Display Pensions Portal promotional posters in communal areas? | <input type="checkbox"/> Inform members to also update their personal details on Pensions Portal when they advise you of any changes? |
| <input type="checkbox"/> Circulate promotional flyers? | <input type="checkbox"/> Include promotional text on payslips (where possible)? |

Please add any supporting comments here:

- 7** In preparation for the 2019 Actuarial Valuation, please confirm what assistance you would like to receive from the Fund, to support you with the process?

- 8** We are currently reviewing the support offered to Employers. Please rank the items you feel that you would benefit from the most, if improvements were made (1 being the highest importance)

:::	Creation of guidance documents/videos
:::	Employer Brief - Additional content
:::	Employer Coaching - Bespoke sessions/additional content
:::	Improved Employer Web Portal (improving processes such as: Estimates, Monthly Submissions)
:::	Website (Employer Services area) - Improved self-service

- 9** How satisfied are you with your most recent interaction with the West Midlands Pension Fund?

- | | |
|--------------------------------------|---|
| <input type="radio"/> Very satisfied | <input type="radio"/> Dissatisfied |
| <input type="radio"/> Satisfied | <input type="radio"/> Very dissatisfied |
| <input type="radio"/> Indifferent | |

Please add any supporting comments here:

10 How satisfied are you with the overall service that you have received from the West Midlands Pension Fund?

Very satisfied

Dissatisfied

Satisfied

Very dissatisfied

Indifferent

Please add any supporting comments here:

11 Contact details (optional)

Your name

Job title

Email address

Phone number

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CITY OF WOLVERHAMPTON COUNCIL	Pensions Board 22 January 2019
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Report Title	Preparations for 2019 Actuarial Valuation		
Originating service	Pension Services		
Accountable employee(s)	Simon Taylor Tel Email	Head of Pensions 01902 554276 Simon.taylor2@wolverhampton.gov.uk	
Report to be/has been considered by	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk	

Recommendation for noting:

The Board is asked to note:

1. The report and the associated preparatory work and planning for the 2019 actuarial valuation of both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1.0 Purpose

- 1.1 To provide the Board with an overview of the 2019 actuarial valuation process, deliverables and context in preparation for the review of funding strategy and employer contribution rates.

2.0 Background

- 2.1 The Administering Authority of each LGPS pension fund must obtain an actuarial valuation as at 31 March 2019 in accordance with the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013.

The primary aims of the actuarial valuation are to;

- Review the financial position of the Fund (assets relative to the expected cost of providing accrued pension benefits) relative to its objective for full funding;
- Assess the cost of benefits expected to accrue in the future;
- Where appropriate, and following consultation, revise the Funding Strategy Statement and Investment Strategy Statement.
- Taking the above into account, determine the appropriate level of employer contributions for the three-year period commencing April 2020.

- 2.2 The Funding Strategy Statement (FSS) together with the Rates and Adjustments actuarial certificate and actuary's valuation report summarise the outcome of the valuation (approach, assumptions and contribution requirement) and form the formal documentation the Administering Authority is required to put in place before 31 March 2020. In setting the contribution requirements for participating employers, the Fund actuary details a primary and secondary rate in the Rates and Adjustments certificate.

- 2.3 The primary rate of contribution, as defined by Regulation 62(5), is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020. In addition, employers may pay a secondary contribution as required under Regulation 62(7) set to address any funding deficit. This secondary rate is based on individual employer circumstances and so adjustments are made for each employer. Funding strategy and contribution rates cannot be considered in isolation – the funding review will incorporate an assessment of employer covenant risk and will be carried out in conjunction with the investment strategy review.

- 2.4 This report provides an outline of the Fund (employer and member) and regulatory changes since the 2016 valuation which may impact on funding discussions in 2019/20.

3.0 Main Fund 2016 actuarial valuation outcome

- 3.1 The valuation as at 31 March 2016 showed a funding shortfall of £2,650m based on the assumptions made for calculating the funding target. This represented a funding level of 81%.
- 3.2 The actuary certified a Primary Rate – the amount required to cover the cost of future benefit accrual and ensure solvency, expressed as a percentage of active member pay (the overall average employer contribution rate) of 18.6% of Pensionable Pay.
- 3.3 The shortfall was expected to be recovered through additional employer contributions as specified for each employer over their deficit recovery period. At Fund level, recovery of the shortfall of £2,650m required a total deficit contribution (secondary contribution) of £165m per annum increasing at 3.9% per annum for 20 years.
- 3.4 Contributions for each individual employer were set as a combination of a percentage of payroll to cover the expected cost of the employer's active member benefit accrual and a cash lump sum amount to meet the employer's share of deficit contributions due under the recovery plan. These are recorded in the Rates and Adjustments actuarial certificate which covers contributions due to April 2020 and is legally binding.

4.0 WMITA Fund 2016 actuarial valuation outcome

- 4.1 The valuation as at 31 March 2016 showed a funding shortfall of c£105m based on the assumptions made for calculating the funding target. This represented a funding level of 82%.
- 4.2 The actuary certified a Primary Rate, for the single active employer, of 25.1% of Pensionable Pay.
- 4.3 The shortfall was to be recovered through additional employer contributions as specified for each employer over the deficit recovery period in each case. The contributions of £325,000 per annum due from Preston Bus Limited anticipate recovery of the deficit in just over nine years from the valuation date. For West Midlands Travel Limited the level of deficit contributions was set at £7.3million per annum for 2017/18 increasing at 2.3% p.a.
- 4.4 Contributions for West Midlands Travel Limited were set as a combination of a percentage of payroll to cover the expected cost of active member benefit accrual and a cash lump sum amount to meet the deficit contributions due under the recovery plan. For Preston Bus Limited, for whom there are no remaining active members, contributions were expressed solely as a cash lump sum amount in accordance with the recovery plan. The contributions due are recorded in the Rates and Adjustments actuarial certificate. Deficit contributions agreed as part of the 2016 actuarial valuation are backed by guarantee from National Express Group. The liabilities of Preston Bus are backed by guarantee from Preston City Council.

5.0 Developments since 2016

- 5.1 Changes to the Main Fund employer base, membership profile and experience over the three years to 31 March 2019 will impact on the outcome of the 2019 valuation, as will changes to the regulatory environment.

Employer base

- 5.2 As at 30 November 2018, the number and profile of employers within the Main Fund had changed significantly since the 31 March 2016 valuation and the movements are summarised in the following table:

Employer Type	Number of employers at 2016 valuation	New employers since 2016 valuation	Cessations since 2016 valuation	Number of employers as at 30 November 2018
Scheduled - District	7	0	0	7
Scheduled - Colleges/Universities	20	1	5	16
Scheduled - Academies	309	111	7	413
Scheduled - Other	22	7	3	26
Transferee admission	127	61	46	142
Community admission	59	1	9	51
Total	544	181	70	655

It is notable that there has been a significant increase in the number of Academy conversions and Transferee admissions. Over the same period, a number of Transferee admissions have ceased which reflects the turnover of service contracts with these employers.

Membership profile and experience

- 5.3 The membership profile of the Main Fund has also developed since the 2016 valuation with an overall increase in members across all three categories. The Fund has continued to see a net increase in membership each quarter as more joiner notifications are received. A summary of the change in membership profile is detailed below:

Membership Category	31 March 2016	In	Out	30 September 2018
Active	107,984	31,724	19,360	120,348
Deferred	94,332	18,124	7,741	104,715
Pensioner	85,558	14,535	6,688	93,405
Total	287,874	64,383	33,789	318,468

Although the overall membership profile has continued to grow, we are also seeing an increase in early leavers and retirements. Longer term the membership profile is expected to mature as local government headcount reduces and more members reach retirement age.

- 5.4 The membership profile of the WMITA Fund has changed significantly since the 2016 valuation, with a large reduction in active members and deferred members and an increase in pensioner members. A summary of the change in membership profile is detailed below:

Membership Category	31 March 2016	30 September 2018	Percentage change
Active	744	331	-55.51%
Deferred	903	689	-23.70%
Pensioner	3,612	3,961	9.66%
Total	5,259	4,981	-5.29%

As the Fund is closed to new members and has been for some time, the membership profile is much more mature than the Main Fund and it will continue to mature at a faster rate. Differences in the maturity of the benefit payments due from the WMITA Fund and the employers backing these liabilities (private companies) are key drivers for the difference in the funding and investment strategies for this Fund.

- 5.5 As part of the actuarial valuation, member movements and experience (salary growth, leavers, retirements, deaths and take-up of options such as cash and 50:50) will be reviewed and the impact on the Fund liabilities assessed to inform the approach in 2019.

Investment returns and changes in financial conditions and outlook

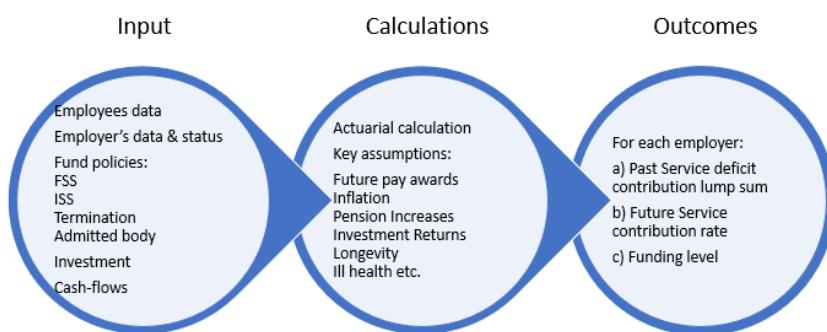
- 5.6 Investment returns and financial conditions at and around the valuation date can have a material impact on the valuation outcomes and in particular, the required employer contribution rates until the next actuarial valuation. These will be reviewed for the 2019 actuarial valuation with the Fund Actuary and Investment advisers as part of the review of funding method and assumptions.
- 5.7 At the 2016 actuarial valuation, the invested assets of the Main Fund were valued at £11.6bn. Over the year 1 April 2016 to 31 March 2017 the Fund assets experienced unprecedented growth of over 22%. However, during the year 1 April 2017 to 31 March 2018 the return was much lower at 3%. The asset value for the Fund stood at £15.42bn at 31 March 2018. The outlook for future investment returns has also become more uncertain, and market volatility has increased as global political and economic uncertainty continues. The position will continue to be monitored in the run up to the valuation date and reflected as required in the Funding Strategy Statement.
- 5.8 At the 2016 actuarial valuation, the invested assets of the WMITA Fund were valued at £463.9m (£207.7m invested plus the value of the pensioner buy-in contract held by the Fund, which was valued at £256.2m) at the valuation date. By way of update, the total WMITA assets stood at £492m as at 31 March 2018.

Regulatory change

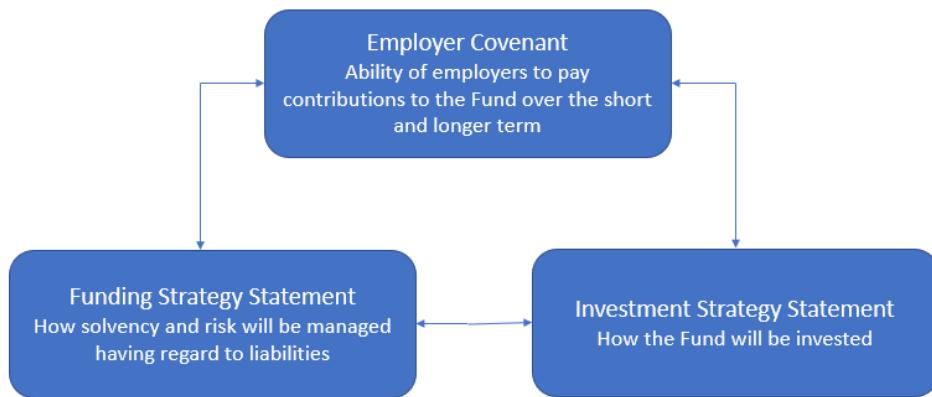
- 5.9 Change to the regulations, associated guidance and oversight of LGPS funding valuations are likely to impact on the funding strategy review and the approach adopted for the 2019 valuation.

- On 14 May 2018, LGPS Amendment Regulations were published. Amongst the changes was the introduction of “Exit Credits” for employers exiting with an existing surplus. This new legislation introduces a requirement for funds to pay any surplus to employers on exit from the LGPS. As a result of this new legislation, the Fund is, in conjunction with our advisers, reviewing its Funding Strategy Statement and Termination Policy, as well as the associated legal agreements, for instance admission agreements.
 - On 6 September 2018, Her Majesty’s Treasury HMT) announced a move to quadrennial national valuations undertaken by the Government Actuary’s Department (GAD) for the LGPS. These valuations will fall in line with the four-year cycle applied to other public sector pensions, with the next valuation due 31 March 2020. As a result, it is anticipated that local valuations (undertaken by Administering Authorities and their local actuary) will move to a four-year cycle, although it remains unclear at this stage how this will be implemented in practice. For now, it has been confirmed the next valuation in the LGPS will remain effective 31 March 2019, with potential for contributions to be certified for a shorter or longer period until the next review, subject to transition arrangements.
 - The Government Actuary Department (GAD) published on 27 September 2018 its first full report on LGPS valuations and the appropriateness of employer contributions (as required by section 13 of the Public Sector Pensions Act 2013). The approach taken within the review may impact on funding strategy considerations and contribution profiles discussed in 2019/20.
- 5.10 Within the GAD Section 13 report was a recommendation for the Administering Authority of the WMITA Fund to put a plan in place to ensure that the benefits of members in this Fund can continue to be paid in the event that employers’ contributions are insufficient to meet those liabilities. An update on action being taken in response to this recommendation is included within a separate report to the Board.
- 5.11 New CIPFA guidance is being developed on risk management within the LGPS, which will include a section on employer covenant. This, together with guidance on preparing the Funding Strategy Statement will be considered in the preparation for the 2019 review. In addition, further statutory guidance is expected to be issued by MHCLG on fund investments, following publication of the LGPS Investment Regulations 2016, which could impact on the investment strategy.
- 6.0 Preparatory work and planning**
- 6.1 The process of engaging key employer groups commenced in September 2018, with a number of preliminary presentations and meetings already held in preparation for the 2019 actuarial valuation, including the recent Employer AGM on 13 November 2018.

- 6.2 The project outline in Appendix A summarises the key workstreams involved, emphasising the scope which is Fund-wide. Appendix B provides a high-level timetable for the 2019 valuation, including engagement with participating employers. The valuation process requires the collection of data and review of the relevant Fund policies. The Fund actuary uses this data and, based on a number of key assumptions, calculates the future benefit cashflows once for the future contribution rate for the Fund as a whole and then each employing body. This can be summarised as follows:



- 6.3 The process also links the valuation to the Fund's Funding Strategy Statement (FSS), employer covenant (solvency and risk) review and Investment Strategy Statement (ISS), with the balance of risk and mitigation of funding risks reflected in the review of these policy documents. The overview of the relationships is as follows:



- 6.4 The funding approach and assumptions will be fully reviewed and the FSS updated based on the advice of our Actuary, Graeme Muir from Barnett Waddingham. The investment strategy review will be completed alongside the funding review, to ensure the funding and investment strategies are joined-up.

7.0 Employer covenant review

- 7.1 The Fund has recently completed the review and procurement of its independent covenant advisors and is in the process of procuring a risk adviser and investment consultant to support the strategy, investment and contributions rate reviews which encompass the actuarial valuation.

7.2 The covenant review will form a key part of the engagement with employers prior to provisional results being released and in developing the covenant assessment and its link to establishing contribution rates for individual employers, with consideration of any measures taken to enhance covenant.

8.0 Consultation process

8.1 The Fund is required to consult with “such persons as it considers appropriate” on revision to the funding strategy.

8.2 The proposed consultation and key dates are outlined in appendix B.

9.0 Financial implications

9.1 The results of the 31 March 2019 actuarial valuation may have financial implications for participating employers in setting employer contribution rates, commencing April 2020, for the period to the next actuarial review.

10.0 Legal implications

10.1 In accordance with the LGPS Regulations, the Administering Authority of each LGPS pension fund must obtain an actuarial valuation as at 31 March 2019 and prepare and consult upon a Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS).

11.0 Equalities implications

11.1 The report contains no direct equalities implications.

12.0 Environmental implications

12.1 The report contains no direct environmental implications.

13.0 Human resources implications

13.1 This 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 background papers

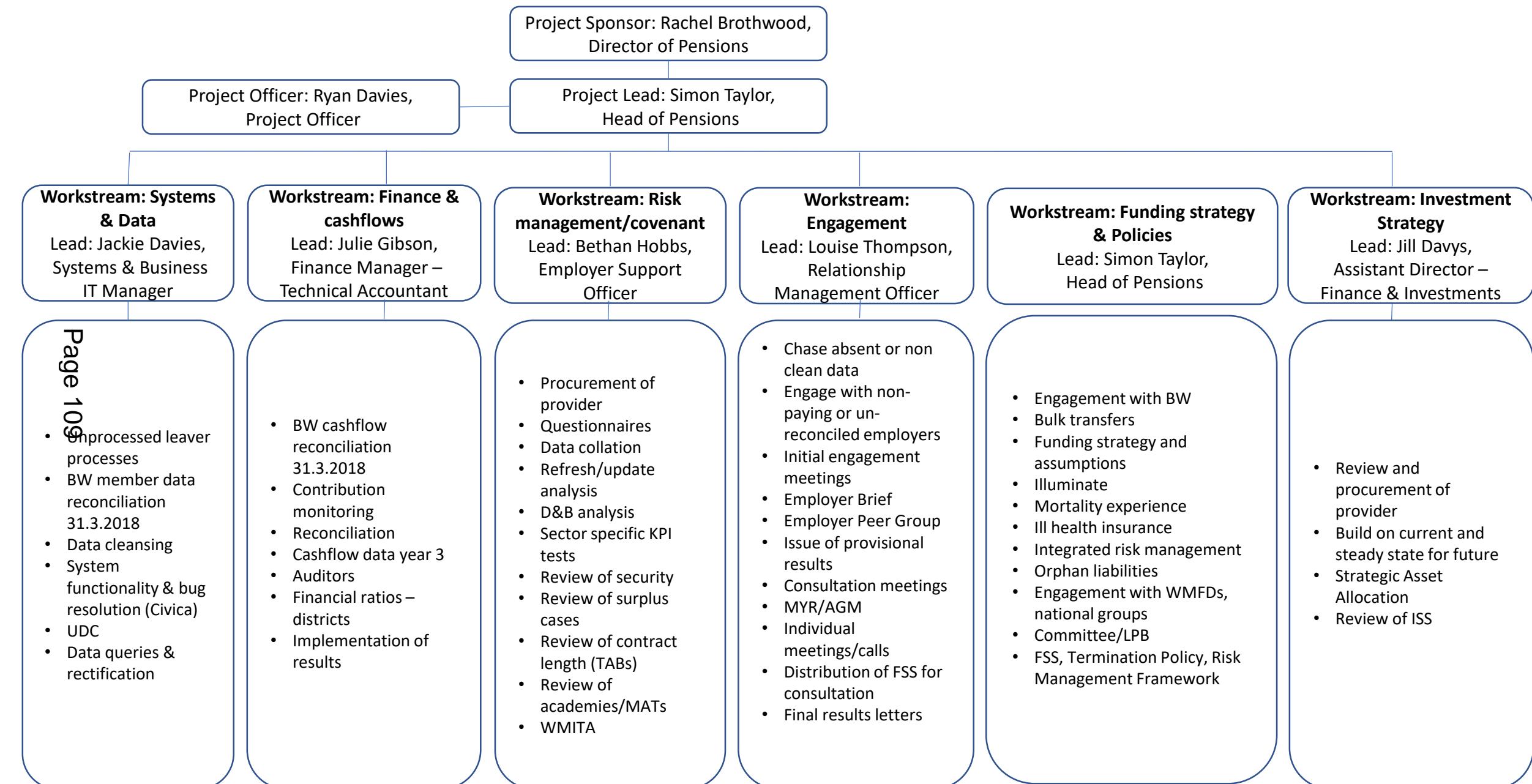
15.1 None.

16.0 Schedule of appendices

16.1 Appendix A: 2019 actuarial valuation project overview

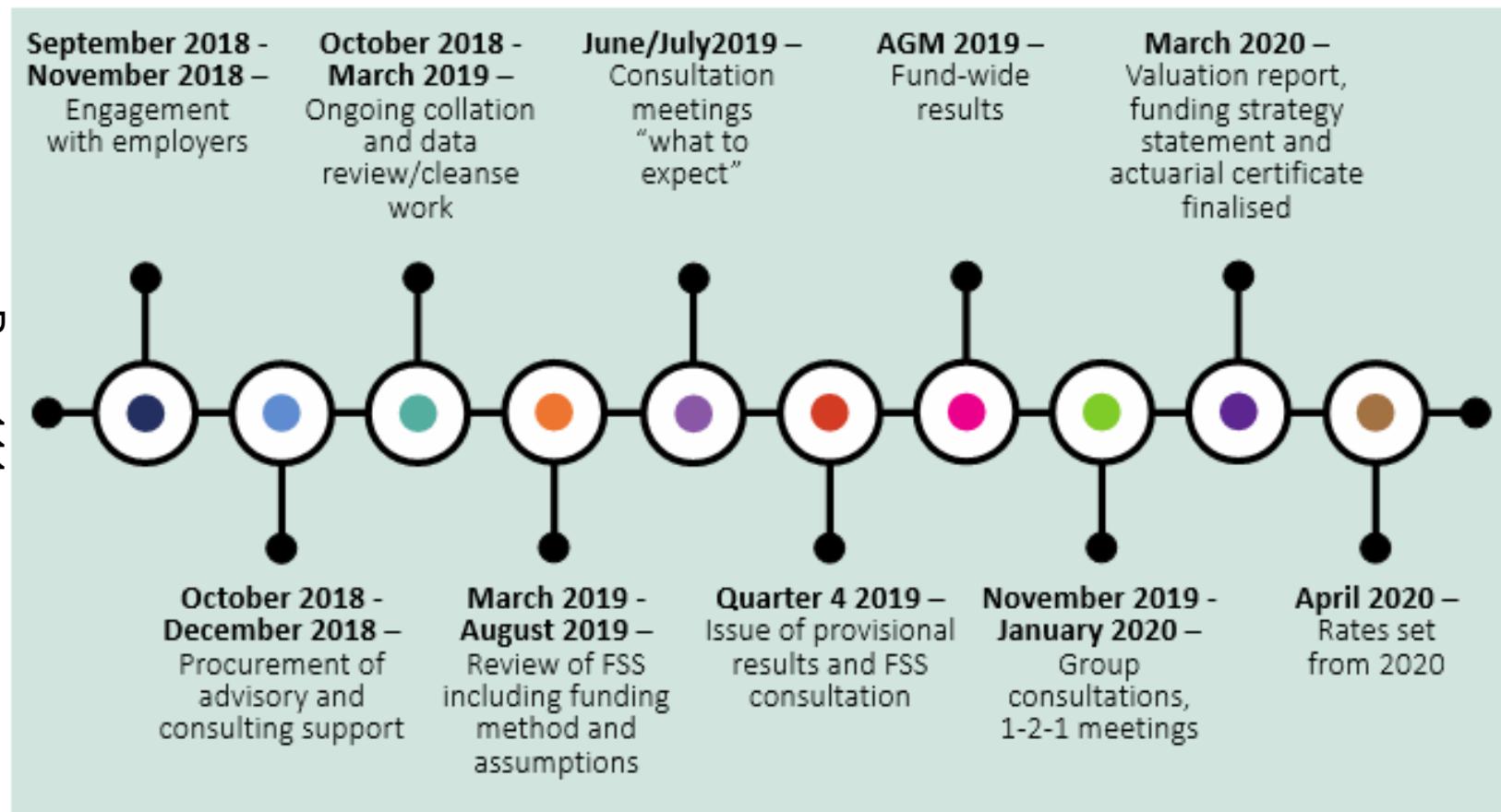
16.2 Appendix B: High level 2019 valuation timetable

Appendix A: 2019 Actuarial Valuation – Project Overview



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Appendix B: 2019 actuarial valuation high-level timetable



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CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Board

22 January 2019

Report title	West Midlands Integrated Transport Authority Fund		
Originating service	Pension Services		
Accountable employee(s)	Rachel Brothwood	Director of Pensions	
	Tel	01902 551715	
	Email	Rachel.brothwood@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. Publication of the Government Actuary Department (GAD) Section 13 report.
2. The approval in principle from the West Midlands Combined Authority (WMCA), to merger the West Midlands Integrated Transport Authority Pension Fund into the West Midlands Pension Fund.
3. Further legal due diligence work being undertaken to develop a proposal for wider consultation.

1.0 Purpose

- 1.1 To provide the Board with an update on considerations in relation to the West Midlands Integrated Transport Authority Pension Fund (WMITA PF) and the West Midlands Pension Fund (WMPF), in response to the Government Actuary's (GAD's) recommendation to MHCLG, that the Administering Authority develop a plan to address the employer-risk inherent within the closed WMITA PF.

2.0 Background

- 2.1 Following approval from the Secretary of State, the West Midlands Local Pension Board is a joint pension board with responsibility to assist in the good governance of both the West Midlands Pension Fund and the West Midlands Integrated Transport Authority Pension Fund.
- 2.2 The West Midlands Passenger Transport Authority Pension Fund (WMPTA) was established on 29 November 1991 under the Local Government Superannuation (Miscellaneous Provisions) Regulations 1991. The Local Transport Act 2008 changed the names of all English Passenger Transport Authorities to Integrated Transport Authorities, forming the West Midlands Integrated Transport Authority (WMITA). This was effective from the 9th February 2009 under Statutory Instrument 2009 No. 107.
- 2.3 The WMITA was responsible for the administration of the Fund, and this function transferred to the West Midlands Combined Authority (WMCA) on its creation in 2016. The WMCA, under Section 101 of Local Government Act 1972 has delegated to Wolverhampton City Council (Administering Authority for the West Midlands Pension Fund) the responsibility to manage and administer the Fund on its behalf. The accounts for WMITA PF remain the responsibility of the WMCA and sit within the WMCA accounts.
- 2.4 The WMITA PF has two participating employers – West Midlands Travel Limited (trading as National Express Bus and part of the National Express Group) and Preston Bus Limited (a wholly owned subsidiary of Rotala Plc). Both employers have closed admission agreements with 4,000 of the 5,000 scheme members retired and drawing pension, with a declining active member population of 350.

3.0 Government Actuary review and recommendation

- 3.1 Section 13 of the Public Services Pensions Act 2013 introduced an independent review of local LGPS actuarial valuations and employer contribution rates. The Government Actuary Department (GAD) was appointed to undertake the review and make recommendations to the responsible authority, namely the Ministry of Housing Communities and Local Government (MHCLG). The Section 13 report in relation to the 2016 actuarial valuation was finalised and published on 29 September 2018 and included a recommendation in relation to the WMITA PF.

- 3.2 GAD's recommendation to MHCLG is that the Administering Authority put in place a plan to ensure the benefits would be met in the event that no further contributions were received from the participating employers.
- 3.3 Having considered the draft recommendations within the report, Pensions Committee approved as its meeting on 5 September 2018, the consideration of merger of the WMITA PF into the WMPF, subject to certain conditions being met, including that there is no significant increase in cost or risk to the authorities or other employers participating in either Fund.

4.0 Consideration by the WMCA Board

- 4.1 At its meeting on 9 November 2018, the WMCA Board considered the background of the WMITA PF (originally emerging as a separate Fund to the WMPF within the LGPS following the establishment of the Transport Authority and outsource of bus services in 1991), the recommendations of GAD and the current funding and risks inherent in the WMITA PF.
- 4.2 This followed initial discussions with the West Midlands Finance Directors (representatives of the seven Metropolitan Borough Councils, Consistent Authorities of the WMCA) in July 2018 and further dialogue with the Finance Director of the WMCA.
- 4.3 The WMCA Board noted the recommendation from GAD, the principles set by the Pensions Committee and the consultation with the Constituent Authorities via Finance Directors, approving merger in principle.

5.0 Due diligence including consultation with employers

- 5.1 Fund officers have informally consulted both participating employers and commissioned legal and actuarial due diligence on key WMITA PF agreements and documentation, including:
 - Funding and Investment Strategy Statements
 - Prudential Buy-in policy
 - Guarantees from Preston City Council and National Express Group
 - Agreements with LGPS Central pool
- 5.2 More formal consultation will be undertaken in due course, subject to discussion with MHCLG and GAD and assuming the proposed merger can be implemented to meet the principles agreed with the Pensions Committee.
- 5.3 The next actuarial valuation for both Funds is due 31 March 2019.

6.0 Financial implications

- 6.1 There are no direct financial implications from the outcome of the GAD review. Consideration and implementation of changes to the WMITA PF will incur some costs which will be considered more fully as due diligence progresses. There is potential for ongoing operational savings for both WMCA and WMPF to develop as a result of merging the West Midlands' LGPS pensions arrangements. Risk management will need to continue to mitigate the potential risk that contributions required to meet the cost of pension benefits over the long term, cannot be recovered from the WMITA PF employers.

7.0 Legal implications

- 7.1 Changes to the structure of the pension funds requires a change in the LGPS regulations and statutory consultation.

8.0 Equalities implications

- 8.1 This report contains no equal opportunities implications.

9.0 Environmental implications

- 9.1 This report contains no direct environmental implications.

10.0 Human resources implications

- 10.1 This report contains no direct human resources implications.

11.0 Corporate landlord implications

- 11.1 This report contains no direct corporate landlord implications.

12.0 Schedule of background papers

- 12.1 Local Government Pension Scheme: Review of the actuarial valuations of funds as at 31 March 2016; Published by MHCLG 27 September 2018

13.0 Schedule of Appendices

- 13.1 None

CITY OF
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Pensions Board

22 January 2019

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

Recommendation for noting:

The Board is recommended to note:

1. The update on the LGPS Central investment pool.

1.0 Purpose and background

- 1.1 This report provides an update on the ongoing development of LGPS Central Ltd, a jointly owned investment management company established by West Midlands Pension Fund and seven Partner Funds to deliver investment pooling in accordance with the criteria laid down by the Secretary of State.
- 1.2 LGPS Central Ltd (“the Company”) obtained FCA authorisation of the operator and Authorised Contractual Scheme (ACS) in January and February 2018 respectively. These represented key achievements for both the Company and Partner Funds in progressing delivery of a full operating model ahead of the April 2018 deadline and establishing a platform to assist in securing longer term investment cost savings and meet Partner Funds’ strategic investment objectives.
- 1.3 Since the Company formally launched in April 2018, investments products and services to be provided to Partner Funds have been developing, supported and overseen by the governance structures established within the Company and across the wider investment pool. The Shareholder Forum and Joint Committee each met twice during 2018, with the supporting Officer group (the Practitioner Advisory Forum) meeting at least monthly. Representatives from the West Midlands Pension Fund have been appointed to each group, with the Chair of Pensions Committee nominated as Chair for the Joint Committee.

2.0 Investment Sub-Fund Development and Asset Transition

- 2.1 The first three sub-funds were successfully launched on 3 April 2018 for internal passive equity sub-funds covering UK, Global ex UK and Dividend Growth, with West Midlands Pension Fund assets of around £5.2bn being transitioned into the new sub-funds on launch via a mix of in-specie stock transfers and cash assets.
- 2.2 Following the launch of the three-internal passive sub-funds, the focus for the pool has been on the product development pipeline to deliver new sub-funds to meet Partner Fund strategic investment requirements. Over the next 2-3 years, a range of internally and externally managed sub-funds are expected to be developed and launched for liquid (e.g. equities and bonds) and alternative more-illiquid asset classes (e.g. private equity, property, infrastructure).
- 2.3 The key focus from an investment perspective since the last Pensions Board has remained the active external global equity sub-fund, launched at the end of November 2018, with assets scheduled to transition in February 2019. WMPF along with four other Partner Funds are currently working closely with the Company on the transition arrangements with a dedicated transition adviser and transition manager having been appointed to manage the movement of assets. The role of the transition adviser is to assist the company and Partner Funds in the decision-making process as to whether the transition takes place inside/outside of the authorised contractual scheme, provision of indicative transition costs for each Partner Fund and assistance with the appointment and management of the transition manager. The transition manager following a call off from the National LGPS Frameworks has been appointed to assist with the transition. Having the transition manager and adviser in place will help to ensure the smooth transition of both WMPF assets and Partner Funds alongside a clear audit trail and cost analysis.

- 2.4 Other sub-funds currently in development and due for launch over the next few weeks include the emerging market external active sub-fund, corporate bond sub-fund and private equity sub-fund. The emerging manager sub-fund procurement process is now down to the final short-listing stage with appointments expected to be announced shortly following completion of due diligence by the Company. The corporate bond sub-fund is currently in the final stages of procurement with providers expected to be appointed shortly. Both the emerging market and corporate bond sub-funds will be launched as ACS (authorised contractual scheme) sub-funds in line with the preferred sub-fund structure for liquid assets, formal launch of these products is expected to be April 2019. The private equity sub-fund as an illiquid asset class, however has received formal approval from Partner Funds to be launched as a Scottish Limited Partnership in line with similar vehicles and other LGPS Pool approaches to managing illiquid assets. The first private equity sub-fund is expected to launch in early January 2019. WMPF is expected to participate in all of the above sub-funds resulting in a significant transfer of assets to pooled vehicles managed by the Company, as required under statutory guidance for LGPS investment pooling.
- 2.5 West Midlands Pension Fund officers continue to work closely with Partner Funds and the Company in considering the future product development pipeline for sub-fund launches, recognising that changing strategic investment priorities, available resource with LGPS Central Ltd and the potential for cost savings will continue to have an impact on the timeline for sub-fund launches. It is recognised that the development pipeline needs to be flexible and may well differ from the original timetable set out in the business plan.

3.0 Governance

- 3.1 Governance arrangements for the LGPS Central pool include a Shareholder Forum (as the group of “owner” representatives) and the Joint Committee (focused on investment matters and client-side). The Practitioners Advisory Forum, PAF (officer group) support both groups and acts as a liaison with the Company.
- 3.2 Following the AGM on 10 September 2018 at which LGPS Central’s first Annual Report and Accounts were considered and approved for publication, the next meeting of the Shareholder Forum and company shareholder meeting is due to take place on 12 February 2019. This meeting will consider the budget for the 2019/20 financial year along with the business plan.

The Joint Committee met again on 14 December 2018 (previous meetings 23 March 2018 and 29 June 2018) at which the Committee received updates on the national LGPS pooling progress, an update from the company on the product development pipeline, an update from the workstreams of the Practitioners Advisory Forum along with a presentation on the Company’s responsible investment and stewardship service, supported by the recently appointed provider, Hermes EOS. A link to the papers for the Joint Committee can be found here: <https://www.lgpscentral.co.uk/category/lgps-central-joint-committee-agenda-minutes/>

- 3.3 With the company now more focused on business as usual mode, the Practitioners Advisory Forum (PAF) continues to meet monthly, PAF working groups covering investment product development, responsible investment, finance, client reporting and governance are focusing on support to the ongoing work programme of the Central pool. Work has progressed on a LGPS Pool Risk Register, which is next due to be presented to the Joint

Committee In June 2019. In addition, the internal audit teams of Partner Funds have been collaborating to agree an approach to an assurance framework with the company.

- 3.4 LGPS Central Limited's own governance arrangements include an Investment Committee, Executive Committee and oversight from the Non-Executives through the company board and sub committees (Remuneration and Audit and Compliance). The Company Board continues to meet monthly.

4.0 Financial implications

- 4.1 As previously reported, the final cost of setting up the jointly owned company (over the period July 2016 to launch in April 2018) was just over £4 million; this has been shared equally between the Partner Funds, with West Midlands' share being slightly over £500,000.
- 4.2 The Company's operating budget for 2018/19 was £9.1 million and assumed a progressive build of employees and capability over the year. At this stage it is expected that the Company will come in under budget for the year due to some delays in recruitment, most notably of investment staff. The operating budget forecast for 2019/20 and 2020/21 is currently under review, with the PAF Finance Working Group liaising closely with the Company to assess forecasts.
- 4.3 The ongoing cost of running the FCA-regulated Company operator LGPS Central Ltd and the recharges arising fall under 3 key categories: governance; operator; investment management charges, with governance costs shared on a 1/8th basis and operator and investment management charges shared on an assets under management basis.
- 4.4 New CIPFA guidance on the Pension Fund Annual Reports will require all Pension Funds to fully disclose progress and costs in relation to both the ongoing management of the Pool and transition, thereby providing high levels of oversight on the implementation of investment pooling and the delivery against the business case. The new reporting format is required for the 2018/19 annual report and WMPF is currently working through the requirements for this and the additional reporting likely to be required going forward.

5.0 Recruitment and HR

- 5.1 Following the resignation of the CEO in September 2018, the Company has undertaken a search for a replacement. In the meantime, an interim CEO has been appointed, John Burns, the Chief Operating Officer, to lead the company pending the formal appointment of a permanent CEO.
- 5.2 Recruitment to post of Investment Director, Active Equities remains ongoing, although the appointment of senior portfolio managers alongside the CIO and the Investment Director, Manager of Managers will help to ensure that the new active global equity and emerging market equity sub-funds have sufficient resource in the interim.

- 5.3 Dedicated training on the LGPS regulatory and operational background has been provided to LGPS Central Ltd employees to help them gain a broader understanding of the wider LGPS and Local Authority environment and provide context. It is planned that all new staff are provided with an induction that includes this background.

6.0 Communications

- 6.1 The website for LGPS Central Ltd has been developed <http://www.lgpscentral.co.uk/> and is now operational. In addition, the Company is in the process of setting up a client portal and is working closely with the PAF client group to ensure that this can meet the needs of Partner Funds to access key documents and information.
- 6.2 The Company will be holding a stakeholder day in Wolverhampton on 27th February 2019, to update on progress and outlook. All Local Pension Board members have been invited to attend. Further product information days are being scheduled to provide Partner Funds with detailed information as and when sub-funds are scheduled for launch.
- 6.3 The Investment Team at LGPS Central Ltd are providing Funds with quarterly strategy updates along with broader market and training information. Quarterly stewardship reports covering engagement and voting are also being provided to Partner Funds as well as being accessible on the Company website: <https://www.lgpscentral.co.uk/wp-content/uploads/2018/11/LGPS-Central-Quarterly-Stewardship-Report-No-2.pdf>
- 6.4 Monthly and Quarterly reporting on the LGPSC Ltd sub-funds is being provided and the client working group is working closely with the Company to further develop these reports to ensure that they will meet the reporting requirements of Partner Funds as the range of products and assets under management grows.

7.0 Legal implications

- 7.1 The requirement to pool fund investments is a requirement of law, failure to work collaboratively and meet the Government's criteria and timetable for delivery may result in Government intervention.
- 7.2 The key risks are: -
- failure to manage costs and savings in line with the agreed business case
 - failure to meet the requirements of the FCA regulator
 - failure to recruit appropriately skilled and experienced senior personnel to the new company
- 7.3 Comprehensive programme governance arrangements are in place to ensure that the statutory deadline for the implementation of pooling was achieved and that costs and savings are managed in accordance with the agreed business case. The S151 officers of each of the Partner Funds (or their nominated representative) sit on the Practitioners Advisory Forum, the Director of Pensions and Assistant Director, Investments and Finance are the WMPF/WMITA representatives on PAF. Regular meetings are held between the Chairs and/or Vice-Chairs/Nominated representative of the respective Pension Fund Committees which forms the Shareholder Forum and the Joint Committee.

- 7.4 MHCLG has recently issued updated statutory guidance relating to investment pooling for informal consultation. At this stage officers are currently reviewing the consultation and will be providing a response to MHCLG in due course.

8.0 Equalities implications

- 8.1 There are no direct implications

9.0 Environmental implications

- 9.1 There are no direct implications

10.0 Human resources implications

- 10.1 Employees who were previously employed by the Partner Funds to manage their investments or perform other related activities transferred under the Transfer of Undertakings (Protection of Employment) regulations (TUPE) to the new company in April 2018. This followed detailed consideration of current and future roles, TUPE meetings with all relevant staff and formal notification of the transfers.

11.0 Corporate landlord implications

- 11.1 LGPS Central Ltd is based at 2 locations, Wolverhampton and Matlock, Derbyshire.

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

12.0 Schedule of background papers

- 12.1 Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

<http://www.legislation.gov.uk/uksi/2016/946/contents/made>

- 12.2 Public Contracts Regulations 2015

<http://www.legislation.gov.uk/uksi/2015/102/contents/made>