

Pensions Board

21 January 2020

Report title	Business Performance Update	
Originating service	Pensions (Governance)	
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Recommendations for noting:

The Board is asked to note:

1. The Key Performance Indicators for the period up to September 2019
2. The Fund's initial considerations in the development of its Service Plan 2020 - 2025

1.0 Purpose

- 1.1 To provide the Local Pensions Board with an update on the Fund's performance of key service areas for its members and to highlight the considerations for planning the Fund's Service Plan.

2.0 Key Performance Indicators (KPIs)

- 2.1 The Fund's KPIs (Appendix A) are reported up to December 2019. This period the Fund has seen slight movement in its performance of administrative processes with all processes continuing to hit target and are projected to hit KPI by the end of the year (March 2020).
- 2.2 Areas being more closely monitored are contribution receipts highlighted in the Legal and Compliance report and the delivery of Active Benefit Statements, with the increase in output and ongoing work on data cleansing outlined in the Data Management Report.

3.0 Service Plan 2020 – 2025

- 3.1 Over the year 2019-2020, the Fund has seen a range of Scheme-wide developments and reviews from national bodies such as Scheme Advisory Board, the Pensions Regulator together with a number of key court and Ombudsman cases which has led to LGPS Funds coming under the spotlight within the pensions industry. Updates on these activities have been provided to Board at each meeting together with an overview of the actions and engagement undertaken by the Fund to pre-empt and respond to the changing environment in which we operate.
- 3.2 The Fund's Service Plan seeks to respond to those challenges and identify opportunities to develop the Fund, its reputation and its service delivery ensuring members and employers remain at the forefront of our priorities.
- 3.3 Looking ahead to 2020-2021 the Fund is expecting further engagement from the Pensions Regulator with the development of a new single code of practice and further supervisory reviews of how individual LGPS Funds conduct their management and administration activities. As well as this oversight, as outlined in the Legal and Compliance report, following the Scheme Advisory Board good governance review a more detailed Governance Assurance Statement and independent review process is expected to be developed for LGPS pension funds (Board will recall the Fund undertook a voluntary and independent governance and administration review in 2019 which noted the Fund as having a high standard of practices over and above those seen across the wider LGPS). Delivering against the increasing aspirations set by the Fund's regulators stands to be more challenging in the context of the anticipated outcome and remedy of McCloud and Sargeant cases (requiring large scale individual member record and benefit review) and the potential increased obligations on Funds arising from the recent Hampshire and Northumbria Police Ombudsman determinations (indicating an expectation for administrators to increase due diligence and review of transfer cases).

- 3.4 With regards to the Fund investment approach, focus continues to grow on cost transparency and value for money, with greater review expected of the initial outcomes of pooling and raising standards of responsible investment. The Fund is in the process of reviewing the recently updated UK Stewardship Code and draft first part guidance on responsible investment published by the Scheme Advisory Board.
- 3.5 In seeking to address those challenges, the Fund will be developing its understanding of the implications for LGPS Administration, working with our stakeholders to identify opportunities to collaborate on implementation methods and changes to processes to continue to deliver an efficient administration and investment service.
- 3.6 In considering these elements, the Fund has developed its core priorities for 2020-2021 noting the challenges and opportunities which may arise, together with the preparations of the Fund to be responsive to those opportunities.

3.7 Core Priorities:

- **Changing Member Expectations**

In an era of digital engagement, it is expected that members will change the way they engage and interact with all service providers and the Fund is no different. This year the Fund has already started to see the changing behavior of our membership with more members than ever registered to use the online portal with an increasing number of member contact through email. This, together with the engagement of employers for the Fund's digital transformation program, demonstrates a rising demand for more immediate access to information and services. The Fund will look to develop this further in the way it enhances its customer engagement opportunities through the delivery of webinars and online videos.

- **Data**

Data continues to be of focus for the Fund (and its regulators) and essentially the ease at which information is readily available to produce benefit statements and retirement and transfer quotations with content of key information to enable members to plan for their retirement. This is expected to become a more time critical task as Government develops the Pensions Dashboard covering all UK pensions and legislations develops requiring all schemes to feed in.

Ongoing funding reviews together with scheme-wide benefit reviews also require clean data, a key requirement for all automation and increasing capacity to deliver services at the pace required.

- **Employer Compliance**

Good data is a joint task - the ability of employers to provide good quality information to the Fund in the timescales required is a focus of the Pension Administration Strategy. The Pensions Regulator (tPR) has indicated it expects Fund's to have and use such a strategy (and associated powers to recharge costs) where underperformance is identified. It is expected that a Pension Administration Strategy will become a statutory policy for all Funds (currently a voluntarily adopted policy and one which WMPF has been developing since first published in 2015).

Our ability to support our employers on this journey through the delivery of employer

hub and employer web trays will help facilitate collaborative working and overall service delivery for members.

- **Good Governance**

The outcomes of this review is anticipated to see a higher level of reporting from LGPS Funds, with greater oversight on outcomes. This year the Fund has successfully recruited to the vacancies across its Governance and Assurance team who are now reviewing the assurance framework responsive to evolving expectations emerging from our regulators.

With an increased focus on good governance, we expect to see an increased expectation on the role of the Local Pensions Board having been highlighted in the Good Governance review as being inconsistently used across the LGPS (with some Boards meeting just once a year). The Fund will continue to work with our Local Pensions Board to develop its own workplan for the year based on the continued priorities for our members and employers.

- **Knowledge and Skills (decision making bodies and officers)**

Contained within the current tPR Code of Practice is a requirement on the Local Pensions Board to undertake training and to develop their knowledge of the LGPS, it is expected that tPR standards for Local Pensions Boards will be adopted as a minimum by the LGPS in due course. The Fund already has in place an effective and detailed Trustee Training Policy which it will seek to build on over the 2020/21 democratic year together with enhancing its People Development Strategy.

- **Key Person – resource and retention**

The Fund has always identified its people as one of its key resources and this year developed a new Employee Training Policy and new appraisal process ensuring opportunities are afforded to colleagues who wish to further their careers in the pension industry. This year, the Fund has seen 28 internal movements (career progressions) with 38 new appointments across key service areas.

With the successful launch and recruitment to its Graduate and Trainee Program, the Fund will seek to further build on this over the 2020/21 year having seen a number of individuals come back to the Fund having been employed as a trainee during their university term.

- **Protection of members**

Following the recent Ombudsman cases on Northumbria Police and Hampshire it is expected that pensions fraud and pensions scams will receive more focussed considerations from both tPR and the Scheme Advisory Board over the next year. Expectations on how Funds can protect, and support members may increase. The Fund is well placed to respond to this focus having launched its Safeguarding Board this year and with plans to further develop its “Know your customer” campaign in the protection of vulnerable persons.

- **Responsible Stewardship**

This year the Fund is expecting to see a move to a statutory requirement on LGPS Funds to publish their Responsible Investment Strategy with more focussed statements on its approach to Stewardship and Shareholder Voting. Committee will be aware that the Fund is a signatory to the UK’s Stewardship Code having achieved Tier

1 on last review and is working with its investment partners, including LGPS Central Limited, on continuing to review and develop its approach as the issues and opportunities to collaborate and engage to drive positive change increase.

- **Transition to low carbon economy**

The Fund is a founder investor in the LGPS Central Limited All World Climate Multi Factor Fund which has been designed to take into account the risks and opportunities associated with climate change, tilting away from companies with greater carbon emissions and the most carbon intensive fossil fuel reserves instead favouring those with green revenues, integrating responsible investment factors by design. Aligned with the Fund's Responsible Investment approach and targets set within the four-year Climate Change Strategy and Framework, this is a further step in the Fund seeking opportunities to protect and enhance the Fund's asset values, with the Fund exposure to Climate Change risks to be re-evaluated over the next year.

3.8 Over the next two months the Fund will continue to engage with its stakeholders on the development of the 2020 – 2025 Service Plan. Initial input from Committee and Local Pension Board members was collated at the joint training session in November and from employers at the AGM in December. Fund employees also input through Employee Briefings sessions. The final version will be presented to Committee in March 2020 for approval and to Local Pension Board in April.

4.0 Financial implications

4.1 There are no direct implications contained within the report. The Fund is preparing its considerations for its 2020-2021 Budget of which the considerations and initiatives outlined in this report will form part.

5.0 Legal implications

5.1 There are no direct implications contained within this report.

6.0 Equalities implications

6.1 There are no direct implications contained within this report. Any new policies, procedures or initiatives will require the completion of an equality impact assessment.

7.0 Environmental implications

7.1 There are no direct implications contained within this report.

8.0 Human resources implications

8.1 There are no direct implications contained within this report.

9.0 Corporate landlord implications

9.1 There are no direct implications contained within this report.

10.0 Schedule of background papers

10.1 None.

11.0 Schedule of appendices

11.1 Appendix A: Key Performance Indicators, Quarter 2.