

Pensions Committee

17 June 2020

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| Report title | Annual Report of the Local Pensions Board | |
| Originating service | Pensions Services | |
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Recommendation for noting:

1. The Committee is asked to note the report.

1.0 Purpose

- 1.1 To inform the Committee on the work undertaken by the Local Pensions Board (“the Local Board”) during 2019/2020 and to meet the legislative requirement for producing an annual report.

2.0 Background

- 2.1 The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme.
- 2.2 The West Midlands Pension Fund created and implemented the Local Pensions Board ahead of the deadline of the 1 April 2015 and has since developed an appropriate training programme and annual workplan in consideration of matters relevant to the Fund and the role of the Board.

3.0 Board Membership and Governance

- 3.1 During the democratic year the Board saw some movement in its membership with vacancies emerging for three member-representatives (now filled) and one employer representative. The application process for the employer representative vacancy was put on hold during April 2020 due to the global coronavirus pandemic. The Fund continues to keep the application process open, noting the pandemic is likely to divert employer attentions elsewhere at this time. It is the Fund’s aim to be able to restart the application process and appoint an employer representative by the Autumn meeting. This is in line with the annual nominations to Pension Committee which have also been deferred due to the pandemic.
- 3.2 There are a number of governance initiatives in progress at a national level which may require amendments to the Fund’s governance documents. All relevant policies will be reviewed and amended, where required once full details are known.

4.0 Training

- 4.1 The Fund has offered a number of training opportunities for Board members and, where possible, training has been delivered on the same day as Board meetings to maximise attendance and to support the delivery of topics relevant to the reporting that the Board were due to receive.
- 4.2 The Fund also endeavoured to deliver joint training opportunities alongside the Pensions Committee to strengthen relationships across the two governing bodies. During the 2019/20 year, in addition to the Fund’s Mid-Year Review and AGM, the Local Board joined Committee members at a Responsible Investment Summit held by LGPS Central, as well as at joint training events in September and November 2019. The Fund will look to continue this collaborative training during the 2020/2021 year.

4.3 All members are encouraged to meet their training target to ensure that they obtain the relevant knowledge and skills required to undertake their role on the Board. Attached in Appendix A is a copy of the 2019/2020 individual training hours for the Board.

5.0 Reports of the Pension Board

5.1 During 2019/2020 the Board did not refer any matter to the Pensions Committee and continued its focus on Customer Engagement, Data Quality and Service Development.

5.2 The Board continues to engage with their respective groups on these issues and regularly informs their counterparts on key messages of the Fund, including the changes being implemented to ensure continued compliance with regulation.

5.3 Throughout the year, the Board considered reports on the following topics:

- Customer Engagement
- Data Management
- Regulatory Updates
- Service Development
- Funding Management, with a continued focus on the 2019 Actuarial Valuation
- Responsible Investment and Climate Change
- Business Performance, including monitoring of Key Performance Indicators and Risk Management
- Pensions Administration

6.0 National Governance Developments

6.1 As reported above there are a number of national Governance initiatives which are ongoing that will impact the LGPS. These include the Hymans Good Governance review and the Pension's Regulator's Single Code of Practice. Together these initiatives are likely to create greater emphasis on the role of the Local Pensions Board, specifically in connection with their role to ensure efficient and effective Governance of LGPS Funds through the managed publication of policies and strategies. To inform and facilitate work of the Scheme Advisory Board a second survey of Local Pension Boards arrangements is planned, although this is currently on hold pending other priorities in relation to the management of COVID-19. The outcomes of these reviews and will be reported to the Committee when details are available.

7.0 Reports of the Pension Board

7.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) has every year since 2013 produced its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.

7.2 The SAB produces its report based on published annual report and accounts of the LGPS Funds across England and Wales. It is therefore produced retrospectively each

year. This latest report highlights the aggregated position from the 2019 reports and provides a useful point of reference for a variety of stakeholders.

7.3 The LGPS Highlights for 2019 as noted by SAB include;

- The total membership of the LGPS grew by 37,000 (0.6%) to 5.9m members in 2019 from 5.8m in 2018.
- LGPS employers stood at 15,702 compared to 14,785 in 2018, an increase of 6.2%.
- The total assets of the LGPS increased to £291bn (a change of 5.9%). These assets were invested in pooled investment vehicles (66%), public equities (17%), bonds (7%), direct property (3%), as well as other asset classes (7%).
- The net return on investment (after costs) over 2018/2019 was 6.2%, reflecting more stable financial market conditions
- The scheme maintained a positive cash-flow position overall, allowing for investment income.
- Over 1.7m pensioners were paid over the year.

7.4 In comparison, WMPF's highlights for the year to 31 March 2019 show:

- The total membership grew from 313,399 to 323,795 (3.3%)
- Employers increased from 623 to 673 (8.0%)
- The Fund's total assets increased from £15.2 billion to £15.7 billion (3.2%)
- The total number of pensioners paid during the year was 95,991 and increase of 4.6% from last year.

7.5 Throughout the year, the Scheme Advisory Board has issued a number of communications reporting on the outcomes of their meetings and delivery of their own workplan all of which have been presented to the Local Pension Board and Committee in update reports at formal meetings, through training events or communication round-up's. Copies of SAB meeting papers are available on their website. www.lgpsboard.org.uk

8.0 Costs

8.1 The cost of operating and supporting the Local Pensions Board is absorbed into the Fund Governance Budget and existing officer workload.

8.2 To support the work of the Scheme Advisory Board, all LGPS Funds are required to pay a levy based on membership numbers. For 2019/2020 that levy was £26,732.00 (excluding VAT), which the Fund has paid as due.

9.0 Forward Plan for 2020/2021

9.1 In considering the work of the Local Pensions Board going forward to ensure the continued good governance of the scheme, the Board's areas of focus for 2020/2021 will be, Customer Engagement and Communication, Data Management and Service Development to ensure the Fund is able to adapt and respond to the changing demands of service from its customers. Throughout the year the workplan of the Local Board will

likely evolve in response to any changes to statutory guidance and in response to any confirmed scheme or regulatory changes emerging during the year, such as the SAB's Good Governance Review. The Local Board themselves may also add items as they review the Fund's governance in line with their statutory duty.

10.0 Financial Implications

10.1 As outlined in the report.

11.0 Legal implications

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

12.0 Equalities implications

12.1 There are no implications.

13.0 Environmental implications

13.1 There are no implications.

14.0 Human resources implications

14.1 There are no implications.

15.0 Corporate landlord implications

15.1 There are no implications.

16.0 Schedule of background papers

16.1 None.

17.0 Schedule of appendices

17.1 Appendix A – Pension Board Training Hours