



# Pensions Committee

23 September 2015

<b>Report title</b>	Risk and compliance monitoring 1 April 2015 – 30 June 2015	
<b>Originating service</b>	Pension Services	
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## Recommendations for noting:

The Committee is asked to:

1. Note the risk register for West Midlands Pension Fund.
2. Approve the proposal for reporting on risks to Committee going forward.
3. Note that no significant compliance issues have arisen during the quarter.
4. Approve the Fund's policy for reporting breaches of the law to The Pensions Regulator.

## **1.0 Purpose**

- 1.1 To provide the Pensions Committee with the risk register, feedback on the quarterly compliance monitoring programme and to seek approval for reporting on risks to Committee going forward.
- 1.2 To seek approval for the Fund's policy for reporting breaches of the law to The Pensions Regulator.

## **2.0 Risk register**

- 2.1 On 22 July 2015, the Fund held a Risk Workshop for Pensions Committee and Pension Board members as part of the trustee and board training programme. The Compliance and Risk Team ('Compliance') presented the top twenty risks and invited feedback on its contents and how it is structured. Compliance have reviewed this feedback and implemented suggested changes, highlighted in red in Appendix 1. These include:-
  - Changes to risk ratings
  - Further detail on controls in place
  - The incorporation of risk G7, "Change in government policy/LGPS reforms"
- 2.2 Additionally, following a request at the workshop, for workforce planning and more frequent reporting on recruitment, this will be reported as part of the financial reporting.
- 2.3 In order to make the risk register a live document and provide focus, it is proposed that going forward, detailed risk registers will be maintained for each department of the Fund by Compliance and presented to the Senior Management Team quarterly. From these, the top ten risks will be agreed and presented to Pensions Committee quarterly.
- 2.4 The Fund's risks are assessed using a 5 x 5 scoring matrix to decide how likely they are to occur and how much of an impact they would have; the matrix is shown in Appendix 2.

## **3.0 Compliance monitoring programme**

- 3.1 The Fund has in place a programme, which aims to ensure its internal and external operations meet acceptable standards and where possible best practice. External operations include those of the custodian, investment managers and other third parties such as Civica. Internal operations cover areas such as in-house investment management, finance, governance and administration of members' benefits.
- 3.2 The programme is directly linked to the risk register; testing the effectiveness of the controls in place to manage and mitigate risks.
- 3.3 The results of the tests carried out for the April to June 2015 quarter are summarised below on an exception reporting basis.

### 3.4 Exception reporting

Out of all of the tests carried out, the following was found:-

#### 3.4.1 Pensions Administration

- The running of the conditional data report has been delayed due to system issues. The report will be run imminently, with the aim of presenting a data improvement plan to the next Pensions Committee and Pension Board. Following this, a mid-year review of progress will then be taken to the 2016 June/July Pension Board.
- We reported to The Pensions Regulator that we would not be able to issue 2014/15 annual benefit statements by the statutory deadline of 31 August 2015. The Pensions Regulator has confirmed no action will be taken if this is resolved by 31 October 2015.

#### 3.4.2 Governance

- There were two breaches during the quarter which involved personal data being sent to the wrong recipient. These were one-off cases due to human error and were reported to the Council in accordance with internal procedures.

## 4.0 The Pensions Regulator's code of practice

- 4.1 In April 2015 The Pensions Regulator ("regulator") issued a code of practice for public service pension schemes. The code of practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements. The Fund has assessed its compliance against this code of practice and in accordance with Code of practice 01, has identified the need for a Fund policy for reporting breaches of the law to the regulator.
- 4.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and, for funded pension schemes, making investment or investment-related decisions.
- 4.3 The policy is attached in Appendix 3 and sets out the procedure which should be followed, as well as example breaches of the law.
- 4.4 In essence, where individuals believe that a breach has occurred, they should report it to Compliance, who will investigate and assess whether it is of material significance to the regulator, using the regulator's traffic light framework.
- 4.5 Decisions on whether to report should be made within 20 working days of the breach being initially reported to Compliance and where it is decided to report; breaches will be reported to the regulator within 5 days of the decision being made.
- 4.6 The breach (or suspected breach) will be documented and logged by Compliance and reported annually.

## **5.0 Financial implications**

5.1 The compliance monitoring programme has not identified any areas of high concern.

## **6.0 Legal implications**

### **6.1 Risk management**

6.1.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 12(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009*.

6.1.2 The Pensions Committee, as the body charged with governance of the administering authority's pensions operations, takes the responsibility for ensuring that there is effective risk management over those operations.

### **6.2 Regulator's code of practice**

The code of practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

## **7.0 Equalities implications**

7.1 This report contains no direct equal opportunities implications.

## **8.0 Environmental implications**

8.1 This report contains no direct environmental implications.

## **9.0 Human resources implications**

9.1 The report contains no direct human resource implications.

## **10.0 Corporate Landlord**

10.1 There are no corporate landlord implications.

## **11.0 Schedule of background papers**

11.1 Agenda item no. 11 at the 24<sup>th</sup> June 2015 Pensions Committee: Risk and compliance monitoring 1 January to 31 March 2015, which can be found at: -  
<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4824&Ver=4>

## **12.0 Schedule of Appendices**

12.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key

Appendix 3 – Policy for reporting breaches of the law