

# Pensions Board

9 July 2020

<b>Report title</b>	Annual Governance Report	
<b>Originating service</b>	Governance	
<b>Accountable employee</b>	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902551715
	Email	Rachel.Brothwood@wolverhampton.gov.uk

---

## Recommendations for decision:

The Pensions Board is recommended to:

1. Approve the revised Terms of Reference for the Local Pensions Board.
2. Approve the continuation of the roles of the current Chair and Vice-Chair of the Local Pension Board until October 2020, noting the current environment.
3. Approve the nomination from the GMB Trade Union for the vacant member representative seat and the deferment of the completion of appointment to the vacant employer representative seat until October 2020.
4. Confirm the following dates and time of the meetings of the Local Pension Board:

**Pensions Board – 2pm**

9 July 2020  
20 October 2020  
26 January 2021  
27 April 2021

5. Approve the Local Pension Board work-plan for the 2020-2021 municipal year.
6. Approve the Local Pension Board Conflicts of Interest policy.

**Recommendations to note:**

The Pensions Board is asked to note:

1. The Training Policy developed for members of the Fund's governing bodies which was approved by the Pensions Committee on 17 June 2020.
2. The publication of the national Scheme Advisory Board (SAB)'s annual report.

## **1.0 Purpose**

- 1.1 To seek approval for the Annual Governance matters of Local Pensions Board in line with the good governance requirements of the Pensions Regulator and the Scheme Advisory Board (SAB).

## **2.0 Background**

- 2.1 The Local Pensions Board is a statutory Board created by the Public Services Pensions Act 2013 and governed by the Pensions Regulator's (TPR) Code of Practice 14.
- 2.2 The Local Pensions Board is required by statute to publish information about its membership and responsibilities within its LGPS Fund through adopting and publishing a terms of reference. The TPR Code of Practice also require local government pension funds to adopt a conflicts of interest policy setting out how potential conflicts for the local pension board members may be managed.

## **3.0 Local Pensions Board Terms of Reference**

- 3.1 In accordance with best practice, the Board's terms of reference have been reviewed to ensure they remain effective, and compliant with the changing regulatory environment in which the Fund operates.
- 3.2 In consideration of the changing environment in which the Fund operates and noting the potential changes which may result from national review (such as the Good Governance Review and changes to CIPFA knowledge and skills requirements) the terms of reference have been expanded to ensure regulatory changes are clearly incorporated.
- 3.3 In line with the Terms of Reference for the pensions committee and due to anticipated changes arising from the CIPFA knowledge and skills requirement it is proposed that the Local Pensions Board do not accept substitute members, this requirement has been emphasised in the revised terms of reference. Other changes include minor amendments to requirements for making appointments to improve the efficiency of the process.
- 3.4 Following the merger of the West Midlands Integrated Transport Authority Pension Fund with the West Midlands Pension Fund, the Board remit has evolved to consider the West Midlands Pension Fund as a whole. The draft revised terms of reference are presented in Appendix A for the Board's consideration, with main areas of change in blue text. Once approved, these are published on the Fund's website. The current version can be found [here](#).

## **4.0 Local Pension Board Appointments 2020-2021**

- 4.1 In accordance with the terms of reference and cycle of recruitment to the Local Pension Board the Fund received one nomination for the vacant member representative seat; for Tanisha Ayana from the GMB Trade Union. In line with the appointments process, a

panel has not been called to approve the nomination as the process has been undertaken by the relevant trade union. The Board are asked to confirm the nomination.

- 4.2 In light of the ongoing situation with Covid-19 the Board are asked to defer the appointment of an employer representative to the vacant seat until their meeting in October 2020, at which time, it is hoped that in accordance with the appointments process a Local Pension Board Appointments Panel can be convened.
- 4.3 Furthermore, in light of the ongoing situation with Covid-19, cancellation of the Board's April meeting and virtual meeting in July, the Board are asked to defer the annual appointment of Chair and Vice Chair instead seeking continuation of the appointments of the current Chair (Joe McCormick) and Vice-Chair (Adrian Turner) of the Local Pension Board. This is in line with arrangements made for the Pensions Committee. The continuation of these appointments will be a benefit to the Fund during this period of change and uncertainty.

## **5.0 Dates and times of meetings for 2019/2020**

- 5.1 The Board are asked to approve the following dates and times of meetings for the remainder of the current Municipal Year:

### **Pensions Board – 2pm**

20 October 2020

26 January 2021

27 April 2021

- 5.2 The Local Pensions Board now meets four times a year, with meetings held normally within one month of the quarterly Pensions Committee meeting, when outcomes from the Committee, together with any matters the Committee would like the Board to specifically consider, are raised. Any points raised by the Board for consideration by the Committee will be reported to the Committee for consideration no later than the next scheduled Committee meeting. In addition, joint training sessions will be held with the Pensions Committee throughout the year, providing the opportunity for engagement on Fund issues between Pensions Board and Committee members.

## **6.0 Conflicts of Interest Policy**

- 6.1 TPR's Code of Practice requires the Fund's to adopt a conflict of interest policy, confirming how the Fund manages potential conflicts within its Local Pension Board. The Code of Practice makes it clear that membership of the scheme itself is not a conflict.
- 6.2 The conflicts of interest policy sets out the process for managing conflicts. Scheme regulations require the Administering Authority (as Scheme Manager) to be satisfied that persons appointed to the Board do not have conflicts of interest. Any potential or perceived conflicts need managing appropriately to prevent any impact on the Fund. The policy addresses how the Fund can manage potential conflicts, including the appearance of bias.

6.3 A copy of the policy is attached at Appendix B for the Board's comments and approval. In accordance with the policy a register of interests for the 2020-2021 municipal year has been issued to Board members for completion.

## **7.0 Local Pension Board Work-plan**

7.1 Statutory guidance from the SAB on the role of local pensions Boards includes a requirement for local boards to publish information about their work. A copy of the Board's annual work-plan for 2020-2021, which has been developed by Fund Officers in conjunction with the Chair of the Pensions Board is included at Appendix C for approval.

## **8.0 Local Pensions Board and Pension Committee Training Policy**

8.1 The West Midlands Pension Fund believes a well governed scheme is led from the top, by its governing bodies and decision makers. To support the members of those bodies in their roles, equipping them with the knowledge and understanding of relevant issues the Fund has established a formal training policy which details the minimum requirements expected of Pension Board members to support and enable policy decision and oversight of implementation, where delegated.

8.2 The Fund complies with the expectations of the Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework and builds its formal training programme around those topics highlighted as being relevant to Local Government Pension Scheme decision making bodies. CIPFA are currently in the process of reviewing their Knowledge and Skills Framework and the Pensions Regulator continues to develop their Code of Practice which will also set expectation of knowledge and capacity. The Fund are feeding into these reviews and will develop and enhance our policy in accordance with any amendments made.

8.3 The Fund reviews its training policy on an annual basis to ensure it remains compliant with best practice and delivers a comprehensive suite of opportunities for the Board to develop knowledge and understanding. To date no Board member has been asked to leave or has been removed due to failing to meet the knowledge and understanding requirements. The Board are asked to note the training policy, which was approved by the Committee on 17 June and is included at Appendix D.

## **9.0 Scheme Advisory Board (SAB) Annual Report**

9.1 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.

9.2 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.

9.3 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%).
- 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.

9.4 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 the prior year.

9.5 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](http://www.lgpsboard.org.uk).

9.6 As has been discussed previously by the Board, Local Pension Boards across the LGPS have been evolving since their introduction in 2015. The SAB were due to issue a further survey of Local Boards during 2019/2020. This work has now been postponed as activities are prioritised following the outbreak of COVID-19. The Fund has facilitated and joined a regional group of Local Pension Board representatives, organised between Funds of the LGPS Central investment pool. Chair and Vice Chair continue to be invited and attend these meetings, attended by representatives of SAB. The Scheduled meeting for July was postponed and is likely to be rescheduled during the Autumn.

## **10.0 Financial implications**

10.1 The cost of the Local Pensions Board is contained within the Fund's Governance budget approved by the Committee at its March meeting.

10.2 A failure to comply with statutory requirements and/or guidance could result in a fine imposed by the Pensions Regulator.

## **11.0 Legal implications**

11.1 The requirement for a Local Pensions Board is set out in the Public Service Pensions Act 2013. It is a statutory body with statutory responsibilities. Failure by an LGPS Fund to comply with the statutory requirements could result in a fine or legal notice being imposed.

## **12.0 Equalities implications**

12.1 The Board's terms of reference, role profile and job description have all been drafted in consideration of the Equality duty. There are no equalities implications.

## **13.0 Environmental implications**

13.1 There are no environmental implications.

## **14.0 Human resources implications**

14.1 There are no human resources implications

## **15.0 Corporate landlord implications**

15.1 There are no corporate landlord implications.

## **16.0 Schedule of background papers**

16.1 Public Service Pensions Act 2013

<http://www.legislation.gov.uk/ukpga/2013/25/contents>

16.2 The Pension Regulator's Code of Practice 14

<https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes>

16.3 Scheme Advisory Board Statutory Guidance for Local Pensions Board

[http://lgpsboard.org/images/Guidance/LGPS\\_Board\\_Guidance\\_FINAL\\_PUBLISHEDv1%201clean.pdf](http://lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%201clean.pdf)

16.4 WMPF Local Pension Board Code of Conduct

<https://www.wmpfonline.com/article/6806/Code-of-Conduct-for-the-West-Midlands-Pension-Fund-Local-Pension-Board>

## **17.0 Schedule of Appendices**

17.1 Appendix A – Local Pensions Board Terms of Reference

17.2 Appendix B – Conflicts of Interest Policy

17.3 Appendix C – Local Pension Board Workplan

17.4 Appendix D - Local Pensions Board and Pensions Committee Training Policy