

CITY OF
WOLVERHAMPTON
COUNCIL

Pensions Board

9 July 2020

Report title	Business Performance and Service Plan Update	
Originating service	Pensions Services	
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Recommendations for noting:

The Board is asked to note:

1. The performance of the Fund in working to deliver its corporate priorities as outlined in the 2019 – 2024 Service Plan.
2. The Fund's KPIs for year end performance together with a year on year overview.

1.0 Purpose

- 1.1 To provide Board with an overview of how the Fund delivered the priorities set out in the 2019 - 2024 Service Plan.
- 1.2 To provide an update on the Fund's performance as measured by its Key Performance Indicators.

2.0 Service Plan 2019 – 2024

2.1 Throughout 2018/2019 the Fund saw a number of significant changes impacting the management and administration of the LGPS on a national level, together with the first year of implementation for investment pooling. In responding to change and the evolving environment, the Fund developed its 2019 Service Plan to facilitate its response to change and undertook a number of service development projects which focussed on developing the internal capabilities of the Fund, as well as shaping national policy.

2.2 In formulating the Service Plan for 2020, it was important for the Fund to review how it worked to respond to those changes, shaping services and changing practice, delivering on the priorities set out in the 2019 Plan.

2.3 Customer Engagement and Communication

Throughout 2019 the Fund focussed on enhancing its digital platform for engaging with members, to compliment the face-to face delivery which is highly valued by our customer based. This focus acknowledges the diversity of our customer base and associated demand, extending the suite of communication and engagement available, whilst providing instant access to information. Examples of this include initiatives such as E-books, webinars and online videos providing useful hints and tips as well as guidance on LGPS benefits, online employer coaching sessions, regular reviews and improvements to dedicated telephony services, and expanding on the level of information and services available through the Fund's website.

2.4 Governance and Risk

Throughout 2019/2020 the Fund developed its governance and assurance framework following the recruitment and appointment of its Regulatory Governance Manager. The developing three lines of defence framework has linked assurance to risk and service priorities, ensuring effective oversight of activities which may threaten the Fund's compliance with statutory regulation and governance.

Building on the already compliant data protection framework, implemented under GDPR, the Fund has strengthened reporting and ownership of data through the appointment of service specific data champions responsible for the protection of data and oversight of its use in individual team processes.

Development in this area will continue throughout 2020/2021 as the Fund seeks to embed three lines of defence across all levels of reporting, from Committee to senior managers and through the policy review framework, ensuring the Fund is able to present its compliance and evidence through working practice the implementation of those policies and strategies.

2.5 **Data Management and Reporting**

Highlighted within the Data Management Report, the Fund has seen the growing success of initiatives such as monthly submissions, with the continued reduction in errors on first point of load from employers, together with the success of data cleansing initiatives such as mortality and deferred member screening. These actions contributed to the delivery of the Fund's Data Management Strategy and improved overall delivery of annual benefit statements by year end.

2.6 **Regulatory and System Change**

Through 2019/2020 the Fund has enhanced its UPM system upgrade management process to enable improved communication across all service areas effecting efficient management of the process. In addition, work has been undertaken to improve the oversight of the activity undertaken by CWC's ICTS to protect the Fund's data and systems from cyber-attacks. Work continues to build on the Fund's management of change across the Fund with further steps in place to improve transparency and communication.

The continued development and delivery of the Fund's Digital Transformation Programme supports the delivery of the Customer Engagement Strategy enabling more self-service functionality on the online Pensions Portal and website, including the ability of members to contact the Fund through direct messaging, as well as enabling the running of retirement quotes for deferred members.

2.7 **People Management**

A key priority of the Fund's 2019 Service Plan was to develop our people and enhance the Fund's resilience to respond to change securing future succession. Over the course of 2019/2020 the Fund undertook a number of recruitments to key posts and were pleased to see the success of internal appointments and promotion facilitated by the Fund's People Development Framework. The re-launch of the Graduate and Trainee programme saw a number of successful recruitments and qualifications gained from students and university leavers, with some going on to secure longer term roles with the Fund.

The success of the Fund's People Development has bared out in the last quarter of the year with the ability to flex resource across key service areas in response to the COVID-19 pandemic. The Fund continues to review and evolve roles and resources to support delivery of the service plan, with targeted recruitment plans developing for 2020/2021.

2.8 **Funding Strategy**

In line with the LGPS Regulations, Administering Authorities are required to ensure contributions are set at a level to achieve Fund solvency and long-term cost efficiency. As such, the Fund reviewed the Funding Strategy Statement (FSS) as part of the 2019 actuarial valuation having regard to relevant guidance and the Investment Strategy Statement (ISS).

As part of this process the Fund undertook extensive engagement across the employer base both on the actuarial valuation itself and including consultation on the FSS. The FSS represents a single strategy for the Fund as a whole, adjusted for employer groups/categories based on the advice of the Fund actuary, noting that the former WMITA PF employers are also covered under separate schedules within this FSS following the merger into the Main Fund effective 1 April 2019.

As well as setting out the Fund's overall strategy towards funding, the FSS also covers management of deficits/surplus and several measures targeted at mitigating risk in the context of the Fund's Integrated Risk Management Framework.

In December 2018, the Court of Appeal ruled that transitional provisions in the pension schemes for firefighters and the judiciary resulted in unlawful age discrimination. Whilst the remedy for the LGPS is yet to be agreed and the impact on individual member benefits and employer costs are unknown at this stage, explicit allowance has been incorporated within the FSS in considering funding levels and contribution requirements following the 2019 valuation.

2.9 **Financial Management and Cost Transparency**

Focus during the year was on strengthening the contributions monitoring process and enhancing engagement with employers, this has led to improvements in the speed of reporting on accounting disclosures for employers, as well as improved management of information.

The Fund's leading work on the cost transparency initiative over recent years to capture full investment management costs is being increasingly implemented across the fund management industry, following the cost transparency initiative trial which the Fund took place in last year. The benefits have been flowing through to this year's exercise to capture investment costs as more managers complete the templates in a timely fashion.

2.10 **Investment Strategy**

Alongside the Triennial actuarial valuation in 2019/20, the Fund undertook a comprehensive review of its strategic asset allocation, reflecting on the improved funding position and recognising the increasing maturity of the Fund. The Fund worked with its external investment and risk advisers to review the investment strategy and to update the strategic asset allocation. This has been reflected in the updated Investment Strategy Statement which was approved by Pensions Committee at the end of March.

In considering investment strategy the Fund looks to set a medium-term strategy to cover the next one to two actuarial valuation cycles (3-6 years) reflecting on the longer-term funding requirements and the development of the future benefit cashflow and evolving liability profile of the Fund.

Key strategic asset allocation changes contained within the ISS for the main fund were, reducing the target allocation to growth assets and increasing the strategic allocation to income producing assets and stabilising (lower risk) assets, reflecting the improved funding position from the actuarial valuation and the desire to reduce overall levels of investment risk whilst maintaining a return target focused on delivering the longer term investment returns to meet our funding strategy.

3.0 Key Performance Indicators

- 3.1 Attached at Appendix A are the Fund's Key Performance Indicators at year end, noting the achievement of all KPIs on a year average. For those KPIs showing slight movement from the previous reported quarter (to January 2020), can be attributable to increased work volumes over the three months leading to year end when the Fund usually receives a spike in workloads and processes started. The Fund's ongoing management of data quality and production of annual benefits statements is highlighted in the Data Management Report.
- 3.2 Attached at Appendix B is an overview year-on-year of Fund performance in achieving KPI. The overall improvement is notable in the context of increasing processing volumes, the changing regulatory landscape of the LGPS with increased requirements on reporting, changing member profiles and growing member and employer numbers, with ongoing challenges from the complexity in scheme rules.
- 3.3 The target date for completion of IDRPs cases, as set out in the tPR Code of Practice is two months unless the issue becomes complex or requires additional information to enable a decision to be made. While the Fund has not achieved the 2-month target for completion of IDRPs cases (a total of 6 cases out of 10), the individuals concerned have been kept informed of the progress of their case and in line with the Regulator's Code of Practice have been informed of the reasons for delay, noting the anticipated timescale for completion. These cases have required additional information and support from third parties to complete investigation and included the need for additional medical reports to support an application for ill health retirement. The Fund is keen to ensure all such matters are resolved in the most efficient way for members with the main reason for delay being connected to the need for additional information to assist the Fund's decision.
- 3.4 The Finance KPIs in both appendices will be updated and reported to September committee, once the finalised accounts have been confirmed and signed off.

4.0 Financial implications

4.1 The report contains no direct financial implications.

5.0 Legal implications

5.1 This report contains no direct legal implications.

6.0 Equalities implications

6.1 This report contains no direct equalities implications.

7.0 Environmental implications

7.1 This report contains no direct environmental implications.

8.0 Human resources implications

8.1 This report contains no direct human resources implications.

9.0 Corporate landlord implications

9.1 This report contains no direct corporate landlord implications.

10.0 Schedule of background papers

10.1 West Midlands Pension Fund Service Plan 2019 – 2024
<https://wolverhampton.moderngov.co.uk/documents/s106290/Appendix%20B-%20Service%20Plan%202019%20-%202024%201.pdf>

10.2 West Midlands Pension Fund Service Plan 2020 – 2025
<https://www.wmpfonline.com/CHttpHandler.ashx?id=12474&p=0>

11.0 Schedule of Appendices

11.1 Appendix A: Key Performance Indicators Quarter 4

11.2 Appendix B: Key performance indicators year on year 2018 – 2020