

Report title	Governance and Assurance	
Originating service	Pensions – Governance and Corporate Services	
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Recommendations for noting:

The Committee is asked to note:

1. The latest strategic risk-register and areas being closely monitored in the current environment.
2. The compliance monitoring activity undertaken during the quarter.
3. The Fund's Key Performance Indicators and the action taken to support service delivery.

1.0 Purpose

- 1.1 To provide Committee with an update on the work of the Fund to deliver a well governed scheme.

2.0 Risk Management

2.1 Operational Risks

- 2.1.1 In accordance with the Fund's Risk Management Framework, the Fund continues to manage and monitor operational risks that have the potential to impact service delivery through individual service area Risk Maps which feed into the overarching Strategic Risk Register.
- 2.1.2 This quarter, operational risks have remained relatively consistent against the previous quarter, with one new risk identified regarding availability of resource to support Regulatory Change, noting the myriad of changes coming through with McCloud and the £95k cost cap/exit payments reform.
- 2.1.3 Three risks have seen an increase in their risk scores this quarter, four risks have reduced in score and two have not seen any movement. There are now 20 red risks, 37 amber and one green risk.

2.2 Strategic Risk Register

- 2.2.1 Following the identification and assessment of individual operational risks, the Fund's Governance and Assurance Team, working with Senior Managers, develop the overarching Strategic Risk Register, which highlights the themes of risk which have the potential to impact the Fund's delivery of its objectives.
- 2.2.2 There are 24 risks on the Strategic risk register, eight of which are red and 16 are amber. This quarter we have seen an increase in the Covid risk noting the second lockdown imposed on 5 November, although the overall rating is still amber.
- 2.2.3 Noting the increase in operational risk, the strategic register has reflected the potential impact for forthcoming scheme changes together with the related risk of available fund resource, including it's reliance on third party providers, to support those changes, with increases in risk noting a specific focus on the £95k cap and exit pay reforms currently out for consultation. This is reflective of the 'gap' in regulatory timing noted in our report to Committee in September. Risks which were new or had increased previous quarter have now stabilised with a reduction in risk for our customer delivery noting the suite of resources developed by the Fund's Pension Services Teams.

The Strategic Risk Register is attached at Appendix A.

2.3 Areas of Concern

- 2.3.1 Horizon scanning enables the Fund to identify, evaluate and manage changes in the risk environment, preferably before they manifest as a risk or become a threat to the Fund. Additionally, horizon scanning can identify positive areas for the Fund to develop its business and services, taking opportunities where these arise. By implementing mechanisms to horizon scan the Fund is able to respond to changes or emerging issues in a coordinated manner. Any areas identified as having a potential impact on the Fund's Service Delivery are added to the Fund's "Areas of Concern".
- 2.3.2 This quarter specific focus is on regulatory change and exit pay reform proposed by MHCLG which appear to go further than expected adding further options (and complexity) to member choice when taking their pension benefits. (This further heightens the risk across the pensions industry as a whole for poor decision making given the gap in the LGPS market for pensions guidance and advice). The Fund will need to update systems and enhance knowledge of its key service delivery teams to support the implementation of the changes. Consideration is being given to the available resource to support in both the short and medium term.

The Areas of Concern are attached at Appendix B.

3.0 Compliance Monitoring

3.1 Data Protection

This quarter the Fund is reporting six data breaches, an increase of five from the previous quarter. The increase has been attributed to the launch of an online reporting tool for Fund staff which has simplified the breach reporting process. All six of the breaches identified were minor and the Governance Team continue to identify actions in order to improve procedures and prevent further instances.

3.2 Freedom of Information (FOI) Requests

This quarter the Fund received six FOI requests, all of which have been responded to within the deadlines set by Wolverhampton City Council, who operate in accordance with statutory timescales.

3.3 Subject Access Requests (SARs)

This quarter the Fund has received six Subject Access Request, an increase of five from the previous quarter, together with four third party requests for member information. As reported last quarter, the four third party requests for information were received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider.

4.0 Annual Regulator Activity

- 4.1 The Fund are in the process of completing tPR's annual Scheme Return for submission to the regulator prior to the deadline of the 15 December 2020. The Scheme return is completed annually and is used by tPR to gather information about pension schemes, to identify where there is a risk or potential risk to member's benefits. Comparison of this year's scheme return to previous years has identified improvement in the Fund's data accuracy scores, with 97% common data and 92% scheme specific data. Work is ongoing to further develop and implement the scheme specific data reporting tool.
- 4.2 TPR have also published the results of the 2019 Governance and Administration survey on their website, the survey aims to highlight common areas requiring improvement and areas of good practise across public sector schemes and is used to feed into their corporate strategies. Key findings from the 2019 survey include a fall in the number of Fund's stating they had their own documented procedures in place for assessing and managing risks, tPR have attributed this fall to a change in the way survey questions had been asked. There had been an increase in the number of Fund's holding four or more Pensions Board meetings per year (Committee will recall the Fund changed the frequency of its meetings from 2 to 4 in the last municipal year) and the number of Fund's stating they had completed an annual data review had increased from 83% to 92%. TPR's 2020 Annual Governance and Administration survey is due for completion in early 2020 and the Fund will feed into this.
- 4.3 The Fund are awaiting issue of the Scheme Advisory Board's (SAB) Local Pensions Board survey which assesses the effectiveness and operational efficiency of Local Pension Boards. Details of the completion and results from both of these reviews will be reported to a future meeting of the Pensions Committee.

5.0 Key Performance Indicators

- 5.1 The Fund's KPIs for this quarter are attached at Appendix C and notes a slight downward trend in operational and workload performance, with most processes remaining within and close to target KPI. This is linked to the current environment in which the Fund is operating, outlined in the reports presented to Committee. There has been an improved response to call volumes in recent weeks with a notable volume of members now registered to the Fund's Pensions Portal which supports secure handling of member information and increased self-service.

6.0 Data Management

- 6.1 Committee will recall that the Fund has previously engaged with tPR on the production of its 2018 and 2019 annual benefit statements with no further action identified following overall improvement in delivery by March 2020. At the time of writing the Fund has produced 95% of Active Benefit Statements and 89% of Deferred Statements. A final production run of annual benefit statements is due to take place on 11 December to further maximise production.

6.2 In line with the Fund's Data Management Strategy the rolling programme of deferred member tracing has contributed to the management and maintenance of accurate member data supporting timely payment of pension benefits as they fall due.

7.0 Financial implications

7.1 Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns. Effective monitoring of the management arrangements, facilitated by timely disclosure of information, is required to ensure the Fund is well placed to ensure the delivery of its administration, funding and investment strategy.

7.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

8.0 Legal implications

8.1 Failure by the Fund to comply with legislation and/or statutory guidance can result in enforcement action and fine from both tPR and the Courts via judicial review.

9.0 Equalities implications

9.1 The report contains no direct equalities implications.

10.0 Environmental implications

10.1 The report contains no direct environmental implications.

11.0 Human resources implications

11.1 The report contains no direct human resources implications.

12.0 Corporate landlord implications

12.1 The report contains no direct corporate landlord implications.

13.0 Schedule of background papers

13.1 [Public Service Governance and Administration Survey 2020](#)

14.0 Schedule of Appendices

14.1 Appendix A - Strategic Risk Register.

14.2 Appendix B - Areas being monitored in the current environment.

14.3 Appendix C - Key Performance Indicators – Quarter 2 monitoring.