

Report title	Annual Governance Report	
Originating service	Pension Services	
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Recommendations for action or decision:

The Pensions Board is recommended to approve:

1. The revised Terms of Reference for the Local Pensions Board.
2. The appointment of employer representative and observer identified by the Appointment Panel.
3. The nominations from the GMB Trade Union for the vacant member representative seat
4. The Local Pension Board work-plan for the 2021-2022 municipal year.
5. The Local Pension Board Appointments policy

Recommendations for noting:

The Pensions Board is asked to note.

1. The appointments from the City of Wolverhampton Council to the elected member seats.
The following dates and time of the meetings of the Local Pension Board (14:00):
 - i. 20 July 2021
 - ii. 19 October 2021
 - iii. 25 January 2022
 - iv. 26 April 2022
2. The Governing Body Member Training Policy developed for members of the Fund's Governing Bodies which was approved by the Pensions Committee on 23 June 2021.
3. 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 (tPR) 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.

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. Noting the potential changes which may bear out from national review (such as the introduction of tPR's Singular Code of Practice, SAB's Good Governance Review and forthcoming changes to the CIPFA knowledge and skills requirements), the Terms of Reference have been developed to reflect emerging requirements and best practice standards, however, it is noted that these elements are still under consultation and may require further changes once formally effected (with statutory guidance) later in the year.
- 3.2 The draft revised Terms of Reference are presented in appendix A for the Board's approval, with main areas of change in blue text. Once approved, these will be published on the Fund's website.

4.0 Local Pension Board Appointments 2021-2022

- 4.1 At the meeting on 27 April 2021 the Board agreed, in accordance with the Terms of Reference to form an appointments panel to consider applicants for the employer representative seat due for nomination. Employer applications were submitted to the appointments panel who, following interviews with candidates, unanimously agreed to recommend the reappointment of Joe McCormick, Business Manager Rookery School, as an academy employer representative on the Board.
- 4.2 The appointments panel also recommended that a second academy employer representative, nominated for the role by the E-ACT Multi-academy trust, be offered observer status and invited to training events, recognising the strength of application, potential for future turnover within the employer representatives on the Board and growing number of academies within the Fund's employer base.

4.3 The Board have received one nomination for the vacant member representative seat; for Terry Dingley 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 accept and approve the nomination.

4.4 The Board are also asked to note the following appointments from the City of Wolverhampton Council to the following elected member seats:

- Councillor John Reynolds – Employer Representative
- Councillor Rupinderjit Kaur – Member Representative

5.0 Dates and times of meetings for 2021-2022

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

Pensions Board – 2pm

20 July 2021

19 October 2021

25 January 2022

25 April 2022

5.2 The Local Pensions Board 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 Pensions 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 Local Pension Board Work-Plan

6.1 Statutory guidance from the SAB on the role of local pension boards includes a requirement for local boards to publish information about their work. A copy of the Board's annual work-plan for 2021-2022, is included at appendix B for approval.

7.0 Appointments Policy

7.1 In accordance with best practice the Board's appointments policy has been reviewed to ensure that it remains effective and reflects current procedure. Minor changes have been made to reflect current process, the draft appointments policy is presented in appendix C for the Board's approval, with main areas of change in blue text. Once approved, the appointments policy will be published on the Fund's website.

8.0 Governing Body 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 Governing Body members to support and enable policy decision and oversight of implementation, where delegated.
- 8.2 The Pensions Regulator (tPR) have released a draft singular code of practice which include knowledge and skills expectations for members of Local Pensions Board. In addition, members are advised to note that the Chartered Institute of Public Finance and Accountancy (CIPFA) published their reviewed Knowledge and Skills Framework, the Fund is in the process of reviewing the new framework and will use it to shape training from the autumn.
- 8.3 Recognising the importance of training in the developing landscape of the Scheme, the Fund have included details on the training requirements of the Governing Bodies within its Governance Compliance Statement. 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 Local Pensions Board (and Pensions Committee) to develop knowledge and understanding. Outlined in the Scheme Advisory Board's Good Governance Review is also a recommendation for Funds to report Senior Officer training, this will be built into the Fund's annual reporting as this requirement becomes effective during the year.

9.0 Scheme Advisory Board 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 2020 reports and provides a useful point of reference for a variety of stakeholders.
- 9.3 The LGPS Highlights for 2020 as noted by SAB include;
- The total membership of the LGPS grew by 261,000 (4.2%) to 6.16m members in 2020 from 5.89m in 2019
 - The total number of LGPS employers in 2020 was over 16,307 as compared with 15,597 for 2019 (an increase of 4.6%)
 - The total assets of the LGPS decreased to £276bn (change of -4.9%) during 2020
 - The net investment return on these assets (after fees) as at 31 March 2020 was -4.8% compared with +6.2% in 2019. The 2020 figure reflecting less stable financial market conditions than in 2018/2019

- The scheme held a positive cash-flow position in 2020
- The most recent Scheme funding level, aggregated across local valuations, was 98% (2019 valuation)

9.4 In comparison, the Fund's highlights for the year to 31 March 2020 show;

- The total membership grew from 323,795 to 333,934 (3.1%)
- Employers increased from 673 to 704 (4.6%)
- The Fund's total assets decreased from £15.7 billion to £15.3 billion (-2.6%), reflecting less stable financial market conditions, largely due to the impact of Covid-19 in March 2020
- The Fund's local funding level was 94% (2019 valuation)

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.

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 implications.

13.0 All other implications

13.1 There are no other implications.

14.0 Schedule of background papers

14.1 Public Service Pensions Act 2013
<http://www.legislation.gov.uk/ukpga/2013/25/contents>

14.2 Scheme Advisory Board Statutory Guidance for Local Pensions Board

https://lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHEDv1%201clean.pdf

14.3 Governing Body's Training Policy

<https://wolverhamptonintranet.moderngov.co.uk/documents/s177477/Appendix%20B%20-%20Governing%20Bodies%20Training%20Policy.pdf>

15.0 Schedule of appendices

15.1 Appendix A: Local Pensions Board Terms of Reference

15.2 Appendix B: Local Pension Board Workplan

15.3 Appendix C: Local Pension Board Appointments Policy