

Pensions Board

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Report title	Governance and Assurance	
Originating service	Pension Services	
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Recommendations for noting:

The Pensions Board 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.
4. Updates on potential regulatory changes and statutory guidance emerging from the LGPS and wider pensions industry.
5. Governing Body Training activities undertaken during the quarter.

1.0 Purpose

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

2.0 Risk Management

2.1 Strategic Risk Register

- 2.1.1 As previously reported, work to continually evolve the Fund's Risk Management practices is ongoing to ensure effective management and mitigation of risk, both operational and financial, current and risks which may be on the horizon, for example as a result of regulatory change.
- 2.1.2 In line with its Risk Management policy, the Fund holds operational risk maps for each service area, each map is owned by individual Senior Managers and is bespoke to the risks and impacts of that service area. While risks may be cross functional across all service areas and therefore repeated in operational risk maps (resourcing being one) the effect of that risk and the impact is individual to each service area with each having area individual controls in place to manage the impact. The Strategic Risk Register is compiled and reviewed each quarter, reflecting both top-down and individual service area assessments.
- 2.1.3 This quarter the Fund has reduced its overall assessment of risk related to Data Management, noting the increased production of benefit statements ahead of the statutory deadline, noting there remains a focus on the increased resourcing required to deliver the McCloud remedy for both the Fund and its employers.
- 2.1.4 Effective Governance remains a theme for all service areas as reliance and proactive management of third parties to support delivery remains key. Noting the ongoing wave of regulatory change across the pensions industry and LGPS, resources are being stretched within the Fund and at key suppliers and this is reflected in the increased rating given to organisational resource risk. Recently, the Fund has made some key appointments to roles across all service areas as part of a programme to manage the increasing governance and change environment.
- 2.1.5 This quarter, a new risk has been added on Funding and Cost Management, noting the heightened uncertainty in measures which may be taken to manage Scheme benefit costs and long term volatility of markets and reduced outlook for returns in the context of financial constraints in a post Covid environment for all LGPS employers.
- 2.1.6 The Strategic Risk Register is attached at Appendix A.

3.0 Compliance Monitoring

3.1 Data Protection

This quarter the Fund is reporting seven data breaches, a slight decrease from the nine reported during the previous quarter. As per the previous quarter all of the breaches were minor and involved minimal amounts of data with the majority providing an indication of areas with scope to strengthen controls in processes, rather than true breaches. The Governance Team continue to identify actions in order to improve procedures and prevent further instances, and work with colleagues across operational teams to enhance data management processes.

3.2 Freedom of Information (FOI) Requests

This quarter the Fund received nine FOI requests, all of which were dealt with in accordance with the deadlines set by the City of Wolverhampton Council who operate in accordance with statutory timescales. The Governance Team continue to work across the Fund and in conjunction with Information Governance staff based at the City Council, to ensure that FOI requests are dealt with within prescribed guidelines and timescales. Part of the monitoring undertaken on FOI requests includes the types of information sought and from which areas of the Fund. The governance team work closely with the Fund's Responsible Investment Officer to support information requests and are working with other teams in the Fund to further build understanding about requests for information.

3.3 Subject Access Requests (SARs)

This quarter the Fund has received three Subject Access Requests, a decrease of one since the previous quarter. In addition, a further two third party requests for member information were also received. As reported previously, the majority of third-party requests for information are received from claims companies seeking information in connection with a member's decision to transfer out their pension to another provider; Committee will recall that the Fund has reported these concerns to the FCA and continues to monitor such requests for any flags which may indicate a need for further escalation with regulatory bodies.

4.0 Key Performance Indicators

4.1 Attached at Appendix B are the Fund's Key Performance Indicators. This quarter the Fund has seen above target performance in the majority of areas, further detailed explanations of KPI scores are provided in the relevant Committee report.

5.0 Data Management

- 5.1 In accordance with statutory requirements the Fund has undertaken the production of Annual Benefit Statements for 2021 and is reporting 93% production of annual benefit statements for members who are active members and 99% production of deferred benefit statements. (Accounting for membership movement, the total number of statements produced as an actual figure has increased by just over half a percent). A further run of Annual Benefits statements will be undertaken in December and the details will be reported to a future meeting of the Board.
- 5.2 All statements were published live on member pensions portal in advance of the statutory deadline of 31 August 2021. For those members for whom the Fund was unable to produce a statement, a “NILABS” letter has been produced confirming the reasons for non-production. The Fund is undertaking detailed analysis of the reasons for non-production and is working with employers as part of the Data Management Strategy to cleanse any data queries. As queries are resolved, statements may be produced on an individual basis.
- 5.3 The Fund continues to develop its Data Management Strategy and data cleansing programme, supported by the appointment of a new Data Manager during September. Work with employers through regular data feedback to enhance data quality and the timely production of information to members in order to facilitate retirement planning is ongoing with further detailed outlined in the Customer Engagement Report.

6.0 Regulator Activity

6.1 The Pensions Regulators (TPR) Single Code of Practice

- 6.1.1 TPR have released an interim response to their consultation on the single code of practice, which is available on their website. Board will recall that TPR are reviewing their 15 codes with the intention of creating one single code of practice covering all pension schemes, including public sector and the LGPS. The interim response noted high levels of engagement during the consultation and that these responses are currently being analysed and reviewed. TPR have stated they envisage the new code is unlikely to become effective before summer 2022. Whilst there is a delay in implementation, market commentators are encouraging schemes to continue to prepare for the changes and step-up in governance standards expected.
- 6.1.2 In preparation for the launch of the new code, work to assess the Fund’s compliance via a gap analysis is underway and some policies have been reviewed and updated to reflect forthcoming change. An update on the work being undertaken by the Fund in preparation for the new code of practice will be presented to a future meeting of the Board.

6.2 Chartered Institute of Public Finance and Accountancy (CIPFA) LGPS Knowledge and Skills

6.2.1 CIPFA have released updated versions of their LGPS Knowledge and Skills Code of Practice and Framework, which sets expectations on knowledge and understanding for both LGPS Governing Body (Pensions Committee and Local Pensions Board) members and senior officers. This version updates the knowledge and skills requirements first published by CIPFA in 2011.

6.2.2 The updated framework seeks to reflect the changes within the LGPS, at both national and local levels and includes clearer expectations regarding the levels knowledge and understanding. The framework is expected to progress further (to include knowledge on Climate risk management and reporting), as regulatory requirements develop the recommendations from the Scheme Advisory Board's Good Governance review.

6.2.3 CIPFA have highlighted eight core areas with knowledge and understanding requirements which are detailed below;

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products
- pension services procurement, contract management and relationship management.

6.2.4 Board will recall that the Fund's Governing Body Training Policy was approved at the Committee meeting in June and highlighted at the July Board meeting. This policy outlines how the Fund will support members to meet the expectations set out by CIPFA. In addition, the Fund's training plan is regularly mapped across to the areas of knowledge and understanding included in CIPFA's framework to ensure that training provided is in accordance with requirements and to identify any potential gaps in training provision.

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 There are no direct equalities implications.

10.0 All other potential implications

10.1 There are no other potential implications.

11.0 Schedule of background papers

11.1 [TPR Interim response to new code of practice consultation](#)

11.2 [CIPFA Knowledge and Skills Code of Practise and Framework](#)

11.3 [WMPF Governing Body Training Policy](#)

12.0 Schedule of appendices

12.1 Appendix A: Strategic Risk Register

12.2 Appendix B: KPI's Quarter One