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

The Pensions Board is recommended to approve:

1. The revised Terms of Reference for the West Midlands Pension Fund Local Pensions Board.
2. The Local Pension Board Appointments policy.

Recommendations for noting:

The Pensions Board is asked to note:

1. The Fund's Key Performance Indicators.
2. The latest strategic risk-register and areas being closely monitored in the current environment.
3. The compliance monitoring activity undertaken during the quarter.
4. Governing Body Training activities undertaken during the quarter.

1.0 Purpose

- 1.1 To seek approval for the Annual Governance matters of the Local Pensions Board (the Board) and to provide the Board with an update on the work of the Fund to deliver a well governed scheme.

2.0 Local Pensions Board Terms of Reference and Appointments Policy

- 2.1 In accordance with best practice, the Board's terms of reference and appointments policy have been reviewed to ensure they remain effective and compliant within the changing regulatory environment in which the Fund operates.
- 2.2 In light of the changes which will bear out of the introduction of The Pensions Regulators (TPR) Single Code of Practice and Scheme Advisory Board's (SAB) Good Governance Review (expected Summer 2022) and the addition of Chartered Institute of Public Finance & Accountancy's (CIPFA) updated knowledge and skills requirements, it is proposed that the Board's terms of reference and appointments process be amended to include a biennial (rather than annual) appointments process. This change will ensure consistency within the Board's membership and to allow the Board to the retain knowledge and skills required to effectively fulfil its role.
- 2.3 The revised Terms of Reference and Appointments Policy are presented in Appendices A and B respectively for the Board's approval, with main areas of change in blue text. Once approved, these will be published on the Fund's website.

3.0 Key Performance Indicators

- 3.1 Attached at Appendix C are the Fund's Key Performance Indicators (KPIs).
- 3.2 There has been marginal movement across the Fund's Operational KPIs, covered in more detail in the Pension Administration Report, the team continue to flex resource to support increases in work volumes.
- 3.3 Engagement with the Fund from our customer base continues to be high as a result of increased awareness from members about their pensions. This is demonstrated by the high volume of calls and emails received into the Fund's customer contact centre, which alongside capacity constraints within the team and communications issued on adjustments to pensions following Guaranteed Minimum Pension (GMP) reconciliation, have impacted on the number of complaints received and the Fund's performance in respect of response times to those complaints.
- 3.4 Member web portal registrations have seen further increase but remain slightly lower than target for the quarter. As reported previously it is envisaged that this will increase following the re-establishment of face-to-face delivery of events which have been on hold due to restrictions in place because of the pandemic. Further information relating to these events is contained within the Customer Engagement Report.

3.5 There has been a reduction in the KPI for the response times to statutory deadlines, this is due to the increasing number and complexity of the requests received. Further details are included in the compliance monitoring section of this report.

4.0 Risk Management

4.1 Strategic Risk Register

4.2 The Fund's Strategic Risk Register is attached at Appendix D.

4.3 The Fund continues to operate within an ever-changing environment which places increased pull on the Fund's resource and service delivery. While noted as individual areas of concern, the risks included in the attached risk register are interconnected in their impacts across the Fund.

4.4 We continue to see an ongoing challenge to recruit and retain to a variety of roles against a backdrop of a competitive employment market, made more challenging by the increased mobility remote and agile working has afforded across sectors. The ongoing promotion of pensions saving and awareness (through media campaigns such as Pension Wise) and the forthcoming pension dashboards, places increased demands on the Fund's and employers' data, requiring resource and skill to manage and update pension records in response to statutory changes including the McCloud remedy.

4.5 Linked to this is the increased risk in maintaining effective governance in context of pending change and ongoing delay in the publication of new regulations and guidance applicable to the Fund. Over the last 18 months, there has been an increasing set of guidance expected to inform Administering Authorities of the requirements and expectations for managing a Fund within the Local Government Pension Scheme (LGPS). The Fund continues to await the publication of statutory guidance, including the TPR's Single Code of Practice, updated guidance on investment strategy (including pooling and climate change) and requirements to demonstrate "Good Governance" within the LGPS following review by the Department for Levelling Up, Housing and Communities (DLUHC). It is anticipated that regulatory change will be forthcoming over the next 3 – 6 months, with many new requirements and consultations landing late or with short notice to implementation which may place further pull on the Fund's resources as processes, systems and operational protocols are developed and enhanced to comply with evolving expectations.

4.6 Service delivery remains a high risk this quarter, in conjunction with the external impacts detailed above, the Fund is going through a period of service development with a change in its supplier for pension administration software limiting the ability to deliver system enhancements during this time.

4.7 We have added one new risk this quarter relating to Investment Risk which reflects market uncertainty and ongoing volatility resulting from current geopolitical and economic events.

5.0 Compliance Monitoring

5.1 Data Protection.

This quarter the Fund is reporting six data breaches. As per the previous quarter all the breaches were minor and involved minimal amounts of low-risk data. The Governance Team continue to identify actions to improve procedures and make recommendations to enhance controls.

5.2 Freedom of Information (FOI) Requests.

FOI requests are administered by City of Wolverhampton Council (CWC) who are ultimately responsible for responding to requests, CWC set internal deadlines for response to ensure compliance with statutory timescales. The Governance Team continue to work across the Fund and in conjunction with Information Governance at CWC to ensure that FOI requests are dealt with efficiently in accordance with prescribed guidelines and timescales.

5.3 The number and complexity of FOI requests received by the Fund continues to increase. This quarter the Fund responded to nine FOI requests, eight requests were dealt with in accordance with the deadlines set by CWC, with one being granted an extension to internal deadlines to allow validation checks on the information provided. All requests were responded to within statutory timescales.

5.4 Subject Access Requests (SARs).

This quarter the Fund has received eight Subject Access Requests, this is in line with the number received during the previous quarter. As reported previously, the majority of requests continue to be from third parties seeking information in connection with a member's decision to transfer out their pension to another provider. It is noted that authority from the member is also sought prior to providing information to any third party with the Fund maintaining enhanced controls on processing transfers in line with its pledge to the Pension Regulator (tPR) to combat pension scams.

5.5 As with freedom of information requests, SAR requests are administered by CWC who are responsible for responding to requests and setting internal deadlines to ensure compliance with statutory timescales. Of the eight requests received during this quarter seven were responded to in accordance with deadlines set by CWC and the statutory deadline.

6.0 Statutory Policies

6.1 The Fund has a number of statutory policies that require review at agreed cycles to ensure that they remain fit for purpose and compliant with the latest legislation and guidance in place.

6.2 At the latest Pensions Committee meeting in March 2022, the Fund presented updates on some of its key financial management policies that are required to support the production of the Annual Report and Accounts and are outlined for the Board below.

6.3 Accounting Policies 2021/22

LGPS Fund are required by law to produce an annual statement of accounts. In preparing these accounts Funds must have regard to proper practice and to any guidance which has the effective standing of 'statutory guidance'. That guidance is 'The Code of Practice on Local Authority Accounting in the United Kingdom' (The Code), which is prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is updated annually. CIPFA has issued the 2021/22 Code and there are no changes which impact materially on the Pension Fund.

6.4 Treasury Management Policy

The treasury management activities of the Fund are underpinned by the CIPFA Code of Practice on Treasury Management which was published in 2021. The Code of Practice identifies three key principles that organisations should comply with in respect of treasury management, alongside 12 Treasury Management Practices (TMPs) that are relevant to an organisation's Treasury Management Activity.

6.5 The Fund's policy set out how it complies with those key principles and TMPs where they are applicable to the Fund's activity.

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 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 fines from both tPR and the Courts via judicial review.

9.0 Equalities Implications

9.1 There are no direct equalities implications.

10.0 Other potential Implications

10.1 There are no other potential implications.

11.0 Schedule of Background Papers

11.1 There are no background papers associated with this report.

12.0 Schedule of Appendices

12.1 Appendix A: LPB Terms of Reference 2022

12.2 Appendix B: LPB Appointments Policy

12.3 Appendix C: KPI's Quarter Three

12.4 Appendix D: Strategic Risk Register