

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Pensions Board</b> 19 July 2022
--	---------------------------------------

<b>Report title</b>	Compliance and Assurance	
<b>Originating service</b>	Pension Services	
<b>Accountable employee</b>	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 55 2091
	Email	<a href="mailto:Rachel.Howe@wolverhampton.gov.uk">Rachel.Howe@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 55 1715
	Email	<a href="mailto:Rachel.Brothwood@wolverhampton.gov.uk">Rachel.Brothwood@wolverhampton.gov.uk</a>

---

**Recommendations for action:**

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 and action taken to support service delivery.
4. The release of the Pensions Regulator's Corporate Plan 2022 – 2024.
5. The 2022 Governance and Compliance Statement approved by Committee.

## **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 Governance and Compliance Statement**

- 2.1 In accordance with Local Government Pension Scheme (LGPS) Regulations the Fund is required to produce a Governance and Compliance statement confirming its approach to delegation for decision making.
- 2.2 At the time of writing, the Fund is awaiting publication of statutory guidance and regulation including the Pension Regulator's Code of Practice and the Department of Levelling Up Housing and Communities (DLUHC)'s response to the Scheme Advisory Board's recommendations following the Good Governance Review, which are expected to outline additional content and requirements for the Governance Compliance Statement. The review undertaken at this time notes any amendments to working practices adopted throughout the year, with a full review expected to be completed following publication of the statutory guidance.
- 2.3 The 2022 Governance and Compliance Statement is included as Appendix A and has been updated with grammatical amendments and the change from the Ministry of Housing, Communities and Local Government (MHCLG) to DLUHC. Alongside the Governance and Compliance statement the Fund's Representation Policy has also been reviewed to ensure it is in line with working practices, a link to the Representation Policy which was approved by the Pensions Committee on 29 June is included in the background papers to this report.

## **3.0 Key Performance Indicators**

- 3.1 Attached at Appendix B are the Fund's Key Performance Indicators (KPIs).
- 3.2 These note the year-on-year performance of the Fund from April 21 to March 22, with comparative performance against key indicators in the prior year.
- 3.3 Where performance has reduced, this has been attributable to a combination of rising work volumes, staffing shortages and changes during the year. As has been reported to the Board throughout the year, these have been largely driven by external factors with the Fund seeing an increase in member activity including leavers, retirements, an increase in complaints and contact incoming to customer services linked to the statutory guaranteed minimum pension (GMP) reconciliation exercise and scheme change, with the team taking more time to support members with their benefits and retirement planning, alongside training new hires. Where performance has dropped, efforts have been made to reallocate resource and in-year improvement has been observed.
- 3.4 Throughout the year, the Fund's Member Services team have continued to support members with their pension queries, adapting services to a hybrid model during periods

of lockdown. This, together with the launch of the Fund's deferred retire online, has seen an increase of web portal registrations over the year by over 10,000 members.

- 3.5 As reported to Board, the Fund's Internal Dispute Resolution Procedure (IDRP) process has been delayed slightly this year due to the need to wait for supporting medical information (with the delay attributable to the pandemic), the majority of cases relating to ill health retirement disputes for which the employer holds the discretion to agree and must obtain and take a view based on Independent Medical Practitioner opinion.
- 3.6 Our Governing Bodies continue to meet their requirements for knowledge and skills, with the final reported training hours to be published in the Fund's Report and Accounts.
- 3.7 As noted in section 4 of this report the complexity of requests from third parties continues to increase, this is reflected in the compliance with statutory timeliness KPI.

#### **4.0 Risk Management - Strategic Risk Register**

- 4.1 The Fund's Strategic Risk Register is attached at Appendix C.
- 4.2 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.
- 4.3 The last two years have seen the delayed issuance of regulation and statutory guidance which would dictate operational practices of the Fund (including governance and oversight). There is potential for this to be forthcoming over the Autumn/Winter which would put increased pull on the Fund's resources with the ongoing need to flex resource to support service delivery and the potential for ongoing reliance on interim support.
- 4.4 The Fund continues to see competition in the market for all roles across the organisation with key challenges in the more senior/technical roles. Work continues to develop our people to support the succession of knowledge and skills as part of the wider priority on operational resilience.
- 4.5 Noting the delayed release of key statutory and best practice guidance over the last two years, the Fund is anticipating publication of a number of consultations and changes to LGPS regulations and guidance over the course of the next 3 – 6 months. This will add additional pull on resources as the Fund seeks to engage and respond to the change.
- 4.6 Changing financial and investment market conditions have the potential to affect Fund members and employers (with rising costs) and influence the outcomes of the triennial funding valuation and investment strategy reviews. We anticipate increasing customer contact and engagement, together with increasing budget pressures as all parties seek to manage increased pressures on their finances.

## **5.0 Compliance Monitoring**

### **5.1 Data Protection**

This quarter the Fund is reporting two data breaches, compared to the six reported during the previous quarter. Both breaches were minor and involved minimal amounts of low-risk data.

In total for 2021/22 the Fund has reported 18 data breaches, this compares to 25 reported during 2020/21, all breaches were reported to the Information Governance Team within the 72-hour deadline. The Governance Team continue to analyse breaches and identify actions to improve procedures and make recommendations to enhance controls. The root cause of breaches during 2021/22 has been human error with a small number of instances of information being indexed incorrectly within the Fund's administration system or information being sent to incorrect recipients, where errors occur feedback and if necessary additional training is provided to Managers and Fund employees by the Governance Team.

### **5.2 Freedom of Information (FOI) Requests**

The Fund have received six FOI requests, five were dealt with in accordance with the deadlines set by City of Wolverhampton Council (CWC), with one being granted an extension to allow the information being provided to be validated. As previously reported, requests are administered by CWC who are ultimately responsible for responding to requests, CWC set internal deadlines for response to ensure compliance with statutory timescales. All requests were responded to within statutory timescales.

During 2021/22 the Fund received 21 requests in total, this compares 28 received during 2020/21. As reported during the previous quarter, the complexity of FOI requests received by the Fund continues to increase. Whilst the majority of requests relate to the Fund's investment holdings, information on the Fund's staffing and structure as well as information relating to cyber security has been requested during the year. The Governance Team continue to monitor requests received and liaise with the Information Governance Team at CWC to ensure that requests are responded to appropriately. The Board have received reports throughout the year on the Fund's work in these areas of interest.

### **5.3 Subject Access Requests (SARs)**

This quarter the Fund has received five Subject Access Requests, a reduction from the eight 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. All requests were responded to within the deadlines set by CWC.

This year the Fund has received 24 SARs in total (the same amount as during 2020/21), 21 of the requests received were from third parties. It is noted that the Local Government Association (LGA), recently issued guidance on how to deal with SARs from third parties, analysis of the guidance in comparison with the Fund's procedures has identified robust processes are in place in line with relevant data protection legislation.

## **6.0 Cyber Security**

- 6.1 The Fund's updated Cyber Security Strategy was approved by the Pensions Committee on 29 June, the strategy outlines the Fund's guidelines for preserving the security of data and technology infrastructure. As part of the annual review of the strategy the Fund engaged with a third-party provider, AON to undertake an independent review of the strategy to identify any areas for amendment in line with best practice. AON noted that the Fund's strategy is very comprehensive and includes internal controls in line with those expected and recommended within a pension scheme's cyber strategy.
- 6.2 The Fund is in the process of undertaking its annual programme of cyber assurance, the Fund has an annual programme of activity, which includes defining and managing our cyber footprint and oversight of our third-party suppliers. Further details on this exercise will be provided to the Board in due course.
- 6.3 Annual cyber security training for Fund employees is due to take place in July. Training for Governing Body members was undertaken during 2021 and further training will be provided later this year.

## **7.0 Governing Body Training**

- 7.1 The Fund's Governing Body Training Policy was reviewed and approved by the Pensions Committee on 29 June 2022, a link to the policy is included in the background papers to this report.
- 7.2 Governing Body training events undertaken during the previous quarter included the following;
- An update on the LGPS environment.
  - An update on the Fund's Climate Strategy.
  - A round up on regulatory change impacting the LGPS.
  - Introduction to the Actuarial Valuation 2022.
  - Case studies from the Fund's direct property and sustainable infrastructure portfolios.
  - Updates and media roundups issued by the Governance Team.

Training hours continue to be recorded by the Governance Team and reported in the Fund's KPIs.

- 7.3 The Fund's annual induction training event for new and existing Governing Body members took place on 7 and 8 June and included sessions on Governing Body roles and responsibilities, hot topics in the LGPS, investment strategy and stewardship and an introduction to LGPS Central Limited.
- 7.4 The online learning library for Governing Body members continues to be updated and provides a variety of training materials (including those from recent events) and relevant information for Governing Body members.

## **8.0 The Pension Regulators Corporate Plan 2022 – 2024**

- 8.1 The Pensions Regulator (tPR) published its corporate plan in June 2022, outlining its five strategic priorities for its regulation of the pension industry over the next two years, reflecting on the long-term trends in the pension landscape. TPR took over responsibility for public sector schemes in 2014 and has since been working to develop understanding of public sector and LGPS regulatory landscape. The Single Code of Practice for Good Governance and Administration is expected to be released in the autumn, which will set out the standards of governance for all pension schemes (occupational defined benefit and defined contributions schemes, master trusts and the public service pension schemes).
- 8.2 The five key areas identified by tPR are reflective of the Fund's own priorities set out in its Corporate Plan 2022 – 2027 adopted by Committee at its March meeting and include:
- Security for pension savers, with the Fund signing up to tPR's pension scam pledge in 2020 introducing a range of measures to ensure the validity of transfer out schemes.
  - Value for money – the Fund has made value add services a key delivery, noting the work undertaken by the Member Services team in developing and enhancing member engagement activity.
  - Scrutiny of decision making – ensuring fair and transparent process in the Fund's decision making, instilling confidence through assurance supported by compliance and risk management.
  - Embracing innovation – the Fund has been at the forefront of enhancing self-service for members, launching its retire online provision and continuing to enhance the use of technology and automation of processes as it develops a new approach with the pension admin system transition.
  - Bold and Effective Regulation – the Fund has participated in consultations which have shaped forthcoming regulatory guidance, including the new tPR Code of Practice, and is well positioned to be responsive in ensuring the ongoing good governance of the Fund.
- 8.3 We will continue to monitor the development of the plan and any guidance forthcoming to ensure the ongoing compliance with regulator expectations as we continue to build out our service development.

## **9.0 Financial Implications**

- 9.1 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. Poor management of the Fund's data, financial information and assets can result in additional costs and detract from investment returns.
- 9.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by tPR.

## **10.0 Legal Implications**

10.1 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.

## **11.0 Equalities Implications**

11.1 There are no direct equalities implications.

## **12.0 Other Potential Implications**

12.1 There are no other potential implications.

## **13.0 Schedule of Background Papers**

13.1 WMPF Representation Policy - [West Midlands Pension Fund - Governing Bodies \(wmpfonline.com\)](http://wmpfonline.com)

13.2 WMPF Cyber Security Strategy - Available on request

13.3 WMPF Governing Body Training Policy - [West Midlands Pension Fund - Governing Bodies \(wmpfonline.com\)](http://wmpfonline.com)

13.4 The Pensions Regulator Corporate Plan 2022 – 2024 - [Corporate Plan 2022 to 2024 | The Pensions Regulator](#)

## **14.0 Schedule of Appendices**

14.1 Appendix A: Governance and Compliance Statement

14.2 Appendix B: KPI's Year on Year Comparison

14.3 Appendix C: Strategic Risk Register