

Pensions Committee

21 September 2022

| | | |
|--|--------------------------|--|
| Report title | Compliance and Assurance | |
| Originating service | Pension Services | |
| Accountable employee | Rachel Howe | Head of Governance, Risk and Assurance |
| | Tel | 01902 55 2091 |
| | Email | Rachel.Howe@wolverhampton.gov.uk |
| Report to be/has been considered by | Rachel Brothwood | Executive Director of Pensions |
| | Tel | 01902 55 1715 |
| | Email | Rachel.Brothwood@wolverhampton.gov.uk |

Recommendations for decision:

The Pensions Committee is recommended to approve:

1. The Fund's Conflicts Management Policy.
2. The Fund's Debt Recovery Policy.

Recommendations for action:

The Pensions 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 (KPI) and action taken to support service delivery.
4. The statutory delivery of the Annual Benefit Statements.

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 Conflicts of Interest

- 2.1 The Scheme Advisory Board's Good Governance Project outlined within its Phase 3 recommendations that each Fund should be required to produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the Fund. The report made specific reference to the potential for conflict in the following areas:
- Contribution setting for the Administering Authority and other employers
 - Commercial arrangements between the Administering Authority, the Fund and other Fund employers (including cross charging arrangements)
 - Local investment
 - Response and policy on global issues such as climate change
- 2.2 The Fund in its governance structure operates as a stand-alone function within the City of Wolverhampton Council, both in acknowledgement of the potential conflict which may arise from its role as Administering Authority and Employer, but also in acknowledgement of the role the Fund plays in serving all local authority employers across the West Midlands Region and purpose of delivering pension benefits promised to all Fund members over the long term, denoted in the collective representation in its Governing Body membership.
- 2.3 Governing Body conflicts (whether actual or perceived) are managed in line with the Elected Councillor Code of Conduct, with the duty to declare interests, and through the Fund's own adopted Local Pension Board Code of Conduct, which reflects the obligation to declare interests.
- 2.4 For the Fund, the management of conflicts extend beyond actual conflicts and include the potential and perceived conflict, all of which are managed in a way appropriate to the level of risk presented.
- 2.5 Attached at Appendix A is the Fund's Conflict Management Policy.

3.0 Debt Recovery

- 3.1 In accordance with its policy review cycle and ongoing assurance work, the Fund have reviewed and updated its Debt Recovery Policy, which sets out the processes and controls in place for the recovery of debt. The policy aims to provide assurance that the Fund manages its debtors in a cost-effective manner and conducts fair recovery practice in pursuance of its debts in accordance with relevant legislation and best practice.

3.2 The updated Debt Recovery Policy is attached at Appendix B.

4.0 Risk Register

4.1 Attached at Appendix C is the Strategic Risk Register for the forthcoming quarter, which presents a static risk environment at this time. We continue to await the publication of statutory regulation over the coming months, noting a series of consultations due and the potential for further delay in the current environment. Recruitment and resourcing continue to be a challenge for the Fund in the current employment market with competition for roles being high. The Fund is not unique in this challenge and continues to review resourcing requirements in line with service and key project delivery.

4.2 Investment markets remain volatile with the forthcoming quarter being key to the Fund's assessment of funding profile as we deliver the 2022 Valuation and review our Investment and Funding Strategy, noting the ongoing impacts on employer funding and budgets.

5.0 Key Performance Indicators

5.1 Attached at Appendix D are the Fund's Key Performance Indicators (KPIs) as at quarter one.

5.2 Further details with regards to the Fund's Operational KPIs is covered in the Pension Administration Report. The team continue to flex resource to meet demands.

5.3 Engagement with the Fund from our customer base continues to be high, this is demonstrated by the high volume of communications (calls and emails) received into the Fund's contact centre, which alongside capacity constraints, have impacted the number of complaints received and the Fund's ability to respond to those complaints.

6.0 Annual Benefit Statements

6.1 The Fund has completed the Statutory Delivery of Annual Benefit Statements for both Deferred and Active members achieving 99.6% of deferred member statements and 90.7% of active statements.

6.2 All statements were published on member pension portals in advance of the statutory deadline of 31 August. For members whom the Fund was unable to produce a statement, a NILABS letter has been produced confirming the reasons for non-production. The Fund is in the process of analysing the reasons for non-production and continues to work with employers to cleanse data and resolve queries. Following the completion of this analysis the Fund will review the potential benefits of undertaking another bulk statement production run later in the year. As issues are resolved statements may be produced on an individual basis.

7.0 Compliance Monitoring

7.1 Data Protection

7.1.1 This quarter the Fund are reporting five data breaches, all breaches were minor and involved minimal amounts of low-risk data. The Governance Team continue to monitor breaches and identify actions to improve controls. The Fund hasn't identified any systemic issues in the management of its data and continues to work with service areas to implement ongoing enhancements in systems and individual knowledge.

7.2 Freedom of Information (FOI) Requests

7.2.1 The Fund received one FOI request during the quarter, relating to investment holdings. The request was responded to in accordance with the set deadlines.

7.3 Subject Access Requests (SARs)

7.3.1 The Fund have received three SAR requests during this quarter, as reported previously the majority of these requests continue to be from third parties seeking information in connection with a member's decision to transfer their pension out of the Local Government Pension Scheme (LGPS). Authority from the member is always sought prior to providing information to third parties. All requests were responded to in accordance with the set deadlines.

8.0 Regulatory Updates

8.1 Good Governance Review

8.1.1 As previously reported, in February 2021 the Scheme Advisory Board (SAB) submitted a series of recommendations to the Department for Levelling Up Housing and Communities ((DLUHC) formerly MCHLG) as part of its Good Governance review, the aim of which was to improve Governance standards across all LGPS Funds.

8.1.2 Details of DLUHC's response to the recommendations included in the Good Governance report, including any subsequent consultation will be reported to a future meeting of the Pensions Committee. The Fund continues to review its Governance arrangements in line with the recommendations included within the Good Governance review.

8.2 LGPS Climate Change and Risk Consultation

8.2.1 On 1 September DLUHC launched their consultation on Governance and Reporting of Climate Risks, the proposals within the consultation apply to all LGPS Funds in England and Wales, with the new regulations expected to come into force by April 2023, with reporting for 2023/24 due December 2024.

8.2.2 The key proposals, as set out in the consultation, include the establishment of a governance approach for the oversight, identification and management of climate risks

and opportunities, assessing the impact of climate risk and opportunities on funding and investment strategies, annual reporting on four prescribed climate metrics and publication of an annual climate risk report. For information, a link to the consultation has been provided in the background papers to this report and the Fund's response will be reported to a future meeting of the Committee.

9.0 Governing Body Training

9.1 Governing Body training events undertaken during the previous quarter included the following, with training hours being recorded and monitored by the Governance team for reporting in the Fund's Annual Report and KPI's:

- The Fund's induction for both new and existing Governing Body members which included the following:
 - An update on roles and responsibilities
 - A review of how the Fund delivers to members and employers
 - A round up of regulatory changes and their impact on the LGPS / the Fund
 - An update on Investment Strategy and Responsible Investment
 - An update on Financial Management and Controls ahead of the Committee's approval of the Fund's Statement of Accounts.
- Training on accounting estimates in conjunction with the City of Wolverhampton Council's Audit and Risk Committee.
- Monthly media roundups, highlighting relevant news articles and webinars.

9.2 The online Learning Library for Governing Body members continues to be updated and provides a variety of training materials (including those from the events detailed above), as well as other relevant information for Governing Body members.

10.0 Financial Implications

10.1 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.

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

11.0 Legal Implications

11.1 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.

12.0 Equalities Implications

12.1 There are no direct equalities implications.

13.0 Other Potential Implications

13.1 There are no other potential implications.

14.0 Schedule of Background Papers

14.1 Scheme Advisory Board Good Governance Project

[LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](http://lgpsboard.org)

14.2 West Midlands Pension Fund Governing Body Code of Conduct and Conflicts of Interest Policy

[West Midlands Pension Fund - Code of Conduct \(wmpfonline.com\)](http://wmpfonline.com)

14.3 LGPS England and Wales: Governance and Reporting of Climate Risks Consultation

[Local Government Pension Scheme \(England and Wales\): Governance and reporting of climate change risks - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

15.0 Schedule of Appendices

15.1 Appendix A: Conflicts Management Policy

15.2 Appendix B: Debt Recovery Policy

15.3 Appendix C: Risk Register

15.4 Appendix D: Key Performance Indicators