

Pensions Board

04 July 2023

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

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 Fund's Key Performance Indicators (KPI) and action taken to support service delivery.
3. The compliance monitoring activity undertaken during the quarter.
4. The Fund's reaccreditation of Investors In People Gold Standard.

1.0 Purpose

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

2.0 Risk Register

- 2.1 Attached at Appendix A is the Strategic Risk Register for this quarter.
- 2.2 The Risk Register captures the potential for impact in the Fund's service delivery as a forward-looking review, together with horizon scanning for changes which may impact or require change to the Fund's processes and delivery model. As such, the risks are refreshed each quarter and the directional arrows therefore reflect the trend on the risk assessment pre and post actions and mitigations (as opposed to quarter-by-quarter comparison).
- 2.3 The Fund continues to await regulatory guidance and legislation on several key issues, including the Scheme Advisory Board's Good Governance Review, implementation of McCloud, Investment Pooling, Funding and Climate Risk. All of which have the potential to increase requirements on reporting and oversight of LGPS Funds and which, will require enhancements to data reporting tools by both the Fund and its service delivery partners.
- 2.4 Further developments in regulatory oversight also have the potential to increase knowledge and capacity requirements of those charged with the governance and administration of Local Government Pension Funds. Thereby increasing commitments on training and development of both the Fund's Governing Bodies and its officers. The Fund continues to develop and enhance its Governing Body training programme, together with developing its people strategy and career offering to its employees, noting the wider risk of industry wide resource constraints across the pensions sector. Further information about the Fund's resource and development over 2022/23 is outlined in the Fund structure report presented to this meeting.
- 2.5 In conjunction with the Fund's ability to keep pace of change with regulation, the Fund recognises and is cognisant of the potential impact those changes also have on the Fund's members and employers. The Fund is aware that many employers are facing resource and cost pressures impacting their ability to manage day-to-day activities in relation to the pension fund, as well as the impact of change, including increasing member queries.
- 2.6 The Fund is alive to the current economic and market volatility with consideration being given to the timely implementation of its investment strategy together with ongoing engagement with employers reporting and managing commitments relating to long term liabilities of pension benefits.

2.7 The Fund continues to engage with industry partners to understand all potential areas of change and impacts, together with developing its customer offering to support understanding and change in the current environment.

3.0 Key Performance Indicators (KPIs)

3.1 Attached at Appendix B are the Fund's KPIs, noting the Fund's year on year performance from April 22 – March 23.

3.2 As reported previously, 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, continue to impact the Fund's ability to meet KPIs in responding to those customer contacts. This is an area where recruitment and training continues and also an area we expect to see increased capacity following development and roll out of the pension administration system.

3.3 Updates have been provided throughout the year on the Fund's delivery of services with various issues driving Fund performance, from more complex information requests to regulatory change requiring re-prioritisation of work with the flexing of resource across several service areas. The Fund's web portal has shown high interest and use by members over the year, the Fund will now look to promote the new member web portal as part of the administration system transition with planned engagement and active reach out over the coming quarter.

3.4 Other areas of note reflect the work undertaken by the Fund over the last 12 months with the impact of McCloud on data quality and the active rectification work being undertaken to affect the remedy in line with regulations. The contribution monitoring for the Fund continues to evolve with some delays to information received creating a delay in reconciling monies received. However, this has been resolved throughout the year and is a timing issue on the reporting of the KPI.

3.5 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. The attendance rate at Governing Body meetings reduced during the year, partly attributable to the move away from virtual meetings, and shortfalls in attendance have been raised with relevant bodies, including district Councils.

4.0 Compliance Monitoring

4.1 Data Protection

4.1.1 This quarter the Fund are reporting eight data breaches, an increase on the previous quarter. 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 the Governance Team continues to work with service areas to implement ongoing enhancements in systems and individual knowledge.

- 4.1.2 In accordance with procedure, data breaches are reported to CWC (City of Wolverhampton Council), who will analyse the breach and determine if further action is required. In total for 2022/23, the Fund reported 20 Data Breaches, this compares to 18 during the 2021/22. It is noted that CWC did not require any further action in relation to the breaches reported during 2022/23. 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 2022/23 has been data input error, and where errors have occurred, feedback and if necessary additional training, is provided to Managers and Fund employees by the Governance Team.
- 4.1.3 The Fund continue to ensure that all staff undertake relevant data protection training in addition to the Council's mandatory training, it is noted that the number of breaches in comparison to the amount of member data held is comparably low and is not out of line with other areas of reporting across the Council.
- 4.1.4 In addition to the monitoring and management of data protection, the Fund has adopted a Cyber Resilience Strategy which outlines its management of potential cyber threat through regular penetration testing and monitoring of security measures. The Fund is alive to industry concerns and incidents of cyber threat/breach and continues to monitor the assurance of its third-party suppliers, and in particular, work with CWC IT in the protection of its data and systems. There have been no incidents of cyber breaches this quarter.

5.2 Freedom of Information (FOI) Requests

- 5.2.1 The Fund received six FOI requests during the quarter, five were responded to in accordance with the internal deadlines set by CWC, with one being granted an extension to the internal deadline to allow information to be validated. As previously reported, requests are administered by CWC as the administering authority. CWC are ultimately responsible for responding to requests and set internal deadlines for the Fund to submit information to them prior to the statutory deadline. This allows sufficient time for CWC to check and validate responses before information is sent to the requester. Whilst this extension to internal deadlines was granted, all requests received by the Fund have been responded to within the statutory deadline. The Fund continue to liaise with CWC to ensure that requests are responded to correctly and within required timescales.
- 5.2.2 During 2022/23 the Fund has received 16 FOI requests, compared to 21 received during 2021/22. As previously reported, the Fund continues to see an increase in the complexity of FOI requests received with the majority of requests continuing to relate to investment holdings data and responsible investment. These types of requests are not unique to the Fund and are regularly submitted to several LGPS Funds and partner organisations. The Scheme Advisory Board have recently provided advice to LGPS Funds to support their responses to FOI requests, details of which have been included as a background paper to this report.

5.3 Subject Access Requests (SARs)

- 5.3.1 The number of SAR requests received continued to increase, with nine requests received in total. All requests were responded to in accordance with the set deadlines.
- 5.3.2 Under the Data Protection Act, members are entitled to request copies of all the information held on their pension record. Most recently, the fund has seen these requests come from third parties acting on behalf of members who have previously transferred out of the LGPS and have later discovered that they were subject to a potential pension scam. The Fund has previously reported on the work we are doing in line with the Pension Regulator's Pension Scam Awareness campaign and ensures all members are kept informed of any personal information requests regarding their data. Authority from the member is always sought prior to providing information to third parties.
- 5.3.3 This year the Fund has received 25 SAR's in total, 21 of the requests received were from third parties.

6.0 Investors In People

- 6.1 This quarter, the Fund undertook its 3-year reaccreditation of Investors In People, retaining for the 9th year running (and 3rd cycle of accreditation) the Gold Standard accreditation.
- 6.2 Investors In People is an accreditation that is known globally across both the public and private sector, with less than 1 in 5 of those accredited achieving the Gold Standard. The accreditation provides assurance to the Fund and its Governing Bodies on how we invest in our people, both in terms of training and development, but also the environment and culture we create which ensures a highly motivated and committed workforce.
- 6.3 The Investors in People assessment framework provides a clear benchmark against the very best performing companies, with in-depth employee interviews supported by fund-wide surveys, and key indicators of performance combining to not only 'score' our performance, but also inform ideas and focus areas to drive further improvement into the future.
- 6.4 Assessing the Fund's development over the last 3 years, the Fund's assessor noted that our people believe the Fund to be a great employer, with high levels of employee satisfaction, supported by a strong and engaging culture which empowers individuals and supports inclusive development. The Fund will continue to build on these achievements ensuring its performance against the standard grows year on year, with each annual review pending the 3-year reaccreditation in 2027.

7.0 Governing Body Training

- 7.1 Governing Body training events undertaken during the reporting period included the following topics, with analysis undertaken to ensure the programme complies with

knowledge areas identified in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Governing Body Knowledge and Skills Framework;

- An update on emerging risks and the 2022 Actuarial Valuation, including an update on the Fund's Funding Strategy Statement (FSS) review.
- An update on the review of the Fund's Investment Strategy Statement (ISS).
- An update on Responsible Investment, including information regarding the LGPS Climate Change and Risk Consultation.
- An investment Markets Update.
- Updates and media roundups issued by the Governance team.

7.2 Training hours continue to be recorded by the Governance Team and reported in the Fund's KPIs, and the online learning library for Governing Body members continues to be updated regularly and provides a variety of training material (including from recent events).

7.3 The Fund has a comprehensive Governing Body training programme which provides induction for new members together with more detailed information on complex LGPS issues, it is designed to grow the knowledge of members as their term of office develops.

8.0 Regulatory Updates - McCloud Remedy Consultation

8.1 On 30 May 2023 the Department for Levelling Up Housing and Communities (DLUHC) published a second consultation concerning the McCloud remedy. As previously reported to the Board, the McCloud remedy relates to a successful legal challenge in 2018, (in "the McCloud ruling") that argued that the protections granted as part of changes to LGPS regulations in 2014 were unlawful under the grounds of age discrimination.

8.2 In 2019, Government stated it would make amendments to all Public Sector Pension Scheme regulations (including the LGPS) to remove the discrimination and following consideration during 2019/20, a consultation on the proposed changes to remedy the LGPS was issued in July 2020.

8.3 DLUHC is now consulting on new approaches to certain areas of the remedy which reflect the responses received as part of the 2020 consultation and are more closely aligned to the LGPS. The consultation also includes topics which were not covered by the 2020 consultation. The Fund is currently reviewing the consultation and is considering its response.

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 the Pensions Regulator (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 DLUHC McCloud Consultation: [‘McCloud’ remedy in the LGPS – supplementary issues and scheme regulations - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

14.0 Schedule of Appendices

- 14.2 Appendix A: Risk Register
- 14.3 Appendix B: Key Performance Indicators