

# Pensions Board

17 October 2023

<b>Report title</b>	Risk and Assurance	
<b>Originating service</b>	Pension Services	
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## 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 statutory delivery of members' 2023 Annual Benefit Statements.

## **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 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).
- 2.2 This quarter the Fund continues to be alive to the potential for change across the Local Government Pension Scheme (LGPS), noting the launch and potential outcome of a number of industry wide consultations, together with the potential impact that change has on both the Fund's ability to resource, train and develop our people, linked with the industry wide issue of resourcing and retention across key skill roles. This in turn having an impact on the Fund's customer base who are also needing to keep pace with the change. Further information on the potential regulatory changes are outlined in the Regulatory Update paper.
- 2.3 With the potential for change also comes the focus on knowledge and skills of those charged with governance and decision making. The Fund has always taken a proactive approach to supporting the knowledge and skills of its governing bodies as well as its officers and continues to evolve its training and development offering to ensure the knowledge and skill of the Fund evolves with the environment in which we operate.
- 2.4 As the Fund continues to review the outcome of the triennial valuation, it is working with its appointed advisors to review and test its assumptions to ensure a robust strategy resilient to any future events.
- 2.5 The risk register is attached at appendix A.

## **3.0 Key Performance Indicators (KPIs)**

- 3.1 Attached at Appendix B are the Fund's KPIs, as at 2023/24 - Quarter 1.
- 3.2 The Fund adopts Key Performance Indicators based on regulatory standards with a look across operational performance on key functions. The monitoring, undertaken by the Compliance team, reviews the potential for risks and failures in internal controls in the delivery of those functions and seeks to provide assurance of the adequacy of the systems and controls adopted by the Fund. There are no breaches to report this quarter. Further details with regards to the Fund's Benefit Operational Processes and Pensions Services KPIs are covered in both the Pension Administration and Customer Engagement Reports.

- 3.3 Contact with the Fund's customer call centre continues to be high, noting the increasing complexity in the scheme rules as members seek to understand their pension benefit options, with call durations increasing over the period thereby increasing call waiting time for members. The Fund continues to review its resource to support the call centre, in light of ongoing capacity constraints, with this being an area of monitoring by the Compliance team in context of the increasing pension awareness together with the Fund's own and wider regulatory change.
- 3.4 The Fund continues to respond to information requests in accordance with statutory deadlines. Additional time is taken in relation to some requests to fully validate information prior to issuing responses with timelines communicated to requestors in line with statutory requirements.

## **4.0 Compliance Monitoring**

### **4.1 Data Protection**

- 4.1.1 This quarter the Fund are reporting ten data breaches, an increase of two on the previous quarter. Analysis of breaches identified determined that each was considered of low risk to the individual, meaning subsequent risk of fraud was low due to the nature of personal information released.

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. The root cause of breaches during the quarter was human error. Where errors have occurred, feedback and, if necessary additional training, is provided to Managers and Fund employees by the Governance team.

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

- 4.2.1 The Fund received four FOI requests during the quarter, all requests received by the Fund have been responded to within the statutory deadline. Information requests this quarter have focussed on the Fund's investment activity and asset holdings.

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

- 4.3.1 The number of SAR requests received continued to increase, with twelve requests received in total and the statutory deadline for responses was met in all instances. Nine of the requests received were from third parties, relating to members that had previously transferred out of the LGPS. As reported previously to Board, members are always made aware of third-party requests for personal data and the Fund always obtain consent from the member prior to releasing information to third parties. The Fund is a signatory to the Pension Regulator's pension scam pledge and seeks to provide support to members in cases of suspected pension scams.

## **5.0 Annual Benefit Statements**

- 5.1 The Fund has completed the statutory delivery of Annual Benefit Statements for both Deferred and Active members, achieving coverage of member benefit records at 92% for deferred members and 85% for active members. All statements have been published on member pension portals in advance of the statutory deadline of 31 August. Analysis is currently being undertaken on the reasons for non-production of ABS and engagement with employers is ongoing to support their understanding of data requirements. Reasons for non-production are generally related to outstanding data queries or rectification together with current active processes which prevent the ABS being produced (for example, where a member is pending a transfer to an alternative pension provider, are in the process of retiring or amalgamating pension records).
- 5.2 This year the creation of Annual Benefit Statements was particularly challenging with planned early production in place to ensure the production of statements ahead of the administration system transition. This was done in mitigation of risk on meeting key disclosure deadlines and information points for members.

## **6.0 Financial Implications**

- 6.1 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.
- 6.2 Failure by the Fund to meet statutory requirements of effective governance and administration could result in fines imposed by the Pensions Regulator (tPR).

## **7.0 Legal Implications**

- 7.1 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.

## **8.0 Equalities Implications**

- 8.1 There are no direct equalities implications.

## **9.0 Other Potential Implications**

- 9.1 There are no other potential implications.

## **10.0 Schedule of Background Papers**

- 10.1 [Pensions Committee KPIs from September 2022.](#)

## **11.0 Schedule of Appendices**

11.1 Appendix A: Strategic Risk Register

11.2 Appendix B: Key Performance Indicators