

Pensions Committee

22 June 16

Report title	Risk and compliance monitoring 1 January 2016 – 31 March 2016	
Originating service	Pension Services	
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Recommendations for noting:

The Committee is asked to:

1. Note the top ten risks for West Midlands Pension Fund.
2. Note the compliance issues that have arisen during the quarter and resolutions put in place.
3. Note the work undertaken to review staffing structures within the Fund and the steps taken to secure future recruitment.

1.0 Purpose

- 1.1 To provide the Pensions Committee with the Fund's top ten risks and feedback on the quarterly compliance monitoring programme.
- 1.2 To report back to Pensions Committee on the progress with recruitment and retention of Fund staff.

2.0 Risk register

- 2.1 The Fund's top ten risks are shown in Appendix 1. Detailed risk registers are separately maintained for each department of the Fund by Compliance.
- 3.2 The Fund's risks are assessed using a 5 x 5 scoring matrix to decide how likely they are to occur and how much of an impact they would have; the matrix is shown in Appendix 2.
- 2.3 Risk PA8 ("Failure to adhere to statutory requirements/LGPS regulations") has been replaced with PA9 ("Failure of electronic data and information exchange"), as it is felt that PA9 currently poses a greater risk, as our reliance on software grows. As we rely more and more on electronic data, e.g. for annual returns, the need for Web Portal to be fully functioning becomes essential. Additionally we are hugely dependent on Civica providing some programming, to enable us to extract valuation data in bulk.

3.0 Compliance monitoring programme

- 3.1 The Fund has in place a programme, which aims to ensure its internal and external operations meet acceptable standards and where possible best practice.
- 3.2 The programme is directly linked to the risk register; testing the effectiveness of the controls in place to manage and mitigate risks.
- 3.3 The results of the tests carried out for the January to March 2016 quarter are summarised below on an exception reporting basis.

3.4 Exception reporting

Out of all of the tests carried out, the following was found:-

3.4.1 Finance

During March 2016 there was one investment trade that was submitted after the deadline time onto the custodian website. The reason for this was due to an administration error. The custodian confirmed that there were no charges or losses to the Fund due to the late submission. The responsible team have been reminded of the importance of submitting trades before the deadline.

3.4.3 Governance

There were 105 breaches during the quarter, 102 of which were due to an administration error on a bulk data file which was classed as 1 incident. It was identified that this was

due to human error. The manager responsible for the service area has identified and implemented training for the individuals involved. The other 3 breaches arose from 3 separate cases therefore a total of 4 incidences during the period which involved personal data being provided to the wrong recipient. These were one-off cases due to human error and were reported to the Council in accordance with internal procedures.

4.0 Audit against Financial Conduct Authority (FCA) Standards

- 4.1 The Fund is not required to be FCA registered at present but follows FCA guidance for best practice. As such, a framework has been in place for over 10 years; Deloitte assisted with its implementation and have since provided support with any changes and developments.
- 4.2 However, between now and 1 July 2016, Compliance will be undertaking a project to fully assess the Fund's compliance against FCA standards. Squires Patton Boggs will independently review this work to ensure there are no gaps. Following this, the Fund will be able to consider whether improvements need to be made.

5.0 Workforce Planning

- 5.1 One of the key risks for the Fund is retaining and recruiting staff. As a result the Fund has taken a number of steps to improve this area and the Fund has commenced a program of recruiting apprentices, which will kick-start the program of succession planning ensuring the Fund maintains the knowledge and expertise in the event of the natural turnover of staff.
- 5.2 Officers recently met with Wolverhampton Council's Workforce Development Team to discuss the program for apprenticeships/trainees and will soon be going out to advert for 4 apprentices/trainees,
- 1) Front facing services
 - 2) Computer support
 - 3) Finance and Accounting
 - 4) Investment
- 5.3 Each apprentice/trainee will be required to complete a Level 2 qualification relevant to their work area as part of their 12 month appointment. This will be undertaken at a partner college or university who will also assess and recommend candidates for the roles.
- 5.4 The Fund also provides workplace training for school pupils as part of their summer placement and are proposing to take on 6 placements for this summer.

6.0 Staffing and Restructures

- 6.1 Throughout 2015, the Fund undertook 2 restructures of its in-house teams. The first of these ("Project Sky") was commenced in July 2015, this program reviewed the in-house expertise in the Fund's Pension Administration Section. The review ensured the Fund

was meeting the Scheme Advisory Board's call to ensure sufficient resources to meet the statutory obligations placed on schemes.

- 6.2 This review was completed successfully with all posts established. To ensure the continuation of in-house expertise, all posts were ring-fenced initially to Fund staff to allow for movement of expertise and natural progression. Following the successful appointment of 13 internal staff, the Fund has now undertaken a program of external recruitment to backfill the roles created by staff movement. This included a Careers Open Evening held on 20 April; over 40 people attended the event to look at the roles on offer. Interviews are on-going for these roles with 6 external appointments to date.
- 6.3 Following Project Sky, a second restructure was undertaken in the Investments section of the Fund as outlined in our March report. There have been 6 internal appointments as a result of this work with the external recruitment for the remaining posts having commenced.

7.0 Financial implications

- 7.1 The approved staffing budget for 2016/17 is £5.2 million. The restructuring and recruitment activities set out in this report will be funded from within this budget.

8.0 Legal implications

8.1 Risk management

- 8.1.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 12(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009*.
- 8.1.2 The Pensions Committee, as the body charged with governance of the administering authority's pensions operations, takes the responsibility for ensuring that there is effective risk management over those operations.

8.2 Regulator's code of practice

The code of practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.

- 8.3 Staffing restructures have been undertaken to meet demands placed on the Fund by changes to key legislation and statutory guidance.

9.0 Equalities implications

9.1 All re-structures have been undertaken in consultation with HR and the trade unions and is being conducted in line with Council policy.

10.0 Environmental implications

10.1 This report contains no direct environmental implications.

11.0 Human resources implications

11.1 All recruitment and restructures have been undertaken with advice from Human Resources in line with agreed policies and practices.

12.0 Corporate Landlord

12.1 There are no corporate landlord implications.

13.0 Schedule of background papers

13.1 Report to Pensions Committee December 2015

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4826&Ver=4>

13.1 Report to Pensions Committee March 2016

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14.0 Schedule of Appendices

14.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key