



Pensions Committee

14 September 2016

Report title	Risk and compliance monitoring 1 April 2016 – 30 June 2016	
Originating service	Pension Services	
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Recommendation(s) 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.

1.0 Purpose

1.1 To provide the Pensions Committee with quarterly review of the Fund's top ten risks and feedback on the quarterly compliance monitoring programme.

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.

2.2 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 In preparing the risk register for committee Officers from each service area of the Fund review the upcoming challenges and actions over the forthcoming quarter and feed into the compliance team their operational risks for that period. These risks are monitored by compliance including the mitigation put in place and where necessary (dependent on risk rating) are reviewed as part of the compliance monitoring program.

2.4 Actions taken by the Fund in relation to its top ten risks this quarter are as follows:

Risk	Action
PA1 Compliance with Pensions Administration Strategy	<ul style="list-style-type: none">• Employer feedback on Annual Returns and monitoring has increased as highlighted in a separate report.• The new Pensions Administration Strategy will include a revised charging structure• The fund will report to the Pensions Regulator employers who fail to meet their obligations on contributions.
PA2 Orphan Liabilities	<ul style="list-style-type: none">• The fund is reviewing in-house monitoring of the employer covenants, stepping up dialogue in response to sector activity• Activity in this area is covered under a separate report
PA3 Data Quality	<ul style="list-style-type: none">• The fund has an ongoing exercise in relation to Data Quality and the move to monthly returns as noted in the separate report
PA5 GMP Reconciliation	<ul style="list-style-type: none">• The fund is moving to the next stage for GMP reconciliation which requires further analysis and a dedicated resource.
PA 7 Funding Liabilities	<ul style="list-style-type: none">• The Actuarial Valuation is underway, as noted in a separate report.
I7 Investment market volatility	<ul style="list-style-type: none">• Regular calls and discussion with the IAP on Fund strategy and response to EU referendum and Brexit.

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 April to June 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 the period there was one investment trade submitted after the deadline time onto the custodian website. The trade was submitted 5 days late due to handover of work during a period of annual leave. 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.

The trade failures were due to the re-entering of previously submitted trades due to the broker amending settlement instructions.

3.4.2 Governance

There were 5 breaches during the quarter, all of which relate to personal data. These were one-off isolated incidences due to human error and were reported to the Council in accordance with internal procedures. Relevant team managers have issued refresher training to staff.

3.4.3 All permanent members of staff have now completed and signed the required personal dealing documents and acknowledged their understanding of the requirements outlined in the Fund's compliance manual.

4.0 Financial implications

4.1 Financial implications are outlined in the body of the report.

5.0 Legal implications

5.1 Risk management

5.1.1 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*.

5.1.2 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.

5.2 Regulator's code of practice

5.2.1 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.

5.2.2 The Fund is currently preparing a quarterly compliance monitoring programme solely to monitor its compliance against the Pension Regulator's code of practice. The aim of the programme is to cover each section of the code of practice and perform sample tests and reviews for each quarter of the year. Tests may not be performed each quarter but will be diarised throughout the year. This TPR monitoring program will be produced each quarter for committee in line with the main compliance monitoring program and will form the annual review of the Fund's compliance with the code as reported to Committee in December 2015.

6.0 Equalities implications

6.1 This report contains no direct equal opportunities implications.

7.0 Environmental implications

7.1 This report contains no direct environmental implications.

8.0 Human resources implications

8.1 The report contains no direct human resource implications.

9.0 Corporate Landlord

9.1 There are no corporate landlord implications.

10.0 Schedule of background papers

10.1 There are no background papers attached to this report.

11.0 Schedule of Appendices

11.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key