

Pensions Committee

22 March 2017

Report title	Risk and compliance monitoring 1 October 2016 – 31 December 2016	
Originating service	Pension Services	
Accountable employee(s)	Jennifer Picken	Compliance and Risk Officer
	Tel	01902 552092
	Email	jennifer.picken@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	rachel.brothwood@wolverhampton.gov.uk

Recommendation(s) for Noting:

The Committee is asked to note:

1. The top ten risks for West Midlands Pension Fund and the steps taken to mitigate them (appendix 1 & 2).
2. The compliance issues that have arisen during the quarter and the resolutions put in place.

Recommendations for action

1. The Committee is asked to review the number of training hours completed by Trustees for the year up to 28 February 2017 and inform the Trustee Management Officer of any amendments (appendix 3).

1.0 Purpose

- 1.1 To provide the Pensions Committee with the Fund's risk register and quarterly compliance monitoring program

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 Amendments were made to the register during the period to update progress in areas of work and to consider any new risks the Fund faces for the forthcoming quarter.
- 2.4 Actions taken by the Fund to mitigate its top 10 risks this quarter are as follows;

Risk reference	Action
PA1	<ul style="list-style-type: none">• The Fund consulted with employers on the Pension Administration Strategy throughout last year. It is being presented to committee under a separate report.• The Fund has the ability to hold employers to account should they fail to adhere to the strategy and has in place an appropriate reporting process to report employers to the pension regulator should they breach.
PA2	<ul style="list-style-type: none">• Progress for monitoring of employer covenants and risk assessments has been amended to 100% as all employer covenants and risks have been reviewed as part of the triennial actuarial valuation process.• Face to face dialogues with employers is almost complete (99%) as part of the triennial actuarial valuation process and covenants will continue to be monitored on a rolling annual basis as a minimum.
PA3	<ul style="list-style-type: none">• The fund continues to engage with employers as it prepares for the move to monthly submissions• Common and conditional data checks are run at least once a year in line with the Pension Regulator requirements.
PA5	<ul style="list-style-type: none">• Further analysis and comparison of Fund and HMRC data has been undertaken and this has reduced the set of membership records which require reconciliation.
PA7	<ul style="list-style-type: none">• No amendments – all controls implemented and still current.
I7	<ul style="list-style-type: none">• No amendments – all controls implemented and still current.
G1	<ul style="list-style-type: none">• The Fund has a work plan to implement the EU General Data Protection Regulations which will be monitored by the Local

	Pension Board.to ensure compliance by 2018.
G2	<ul style="list-style-type: none">• No amendments – all controls implemented and still current.
G7	<ul style="list-style-type: none">• No amendments – all controls implemented and still current.
F6	<ul style="list-style-type: none">• No amendments – all controls implemented and still current.

3.0 Compliance monitoring programme

- 3.1 The Fund has in place a monitoring programme, which aims to ensure its internal and external operations meet acceptable standards and 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 October to December 2016 quarter are summarised below on an exception reporting basis.
- 3.4 As part of the annual review all members of staff have signed and agreed to the updated version of the personal dealing documents and provided statements for reconciliation for April to September 2016 activity. Personal dealing is monitored by the senior management team each quarter and authorisation to trade has to be sought from Compliance and Investments prior to dealing.

4.0 Exception reporting

4.1 Finance

- 4.1.2 During the quarter compliance identified several late trade submissions and failed settlements however they caused no detriment to the Fund. The fund continues to engage with the custodian to identify the cause and any potential remedy in line with tolerance levels.
- 4.1.3 During the quarter the Fund highlighted a system error in its software program UPM and the way it communicated with the payments system Agresso. This resulted in 3 out of 4 deferred ex-spouse transfer out payments not being completed when actioned. This was quickly addressed and rectified and the process has been amended to prevent future occurrence.
- 4.1.4 The Fund identified 3 incidents of payment errors, 2 of which were duplicate payments to members during the quarter. These were due to a combination of systems and user error. The Fund is working across all teams to investigate the cause of the error to recover all monies. In total a sum of £755,458 was incorrectly paid with £654,993 recovered through immediate payments or deduction of ongoing pension payments.

4.2 Governance

There were 2 data protection breaches during the quarter, 1 due to an administration error containing personal data and the other due to a system error with the Fund's web portal system. These were one-off cases and were reported to the Council in accordance with internal procedures. All staff will be issued refresher training in quarter 1 of 2017 (April-June) as part of the General Data Protection Regulations (GDPR) project plan. The project plan outlines the processes to be completed for full implementation of the changes to the GDPR under the European Union from the Data Protection Act 1998.

4.3 Investments

The new Treasury Management policy was implemented in December 2016 and has been included in the quarterly compliance monitoring programme. A sample has been tested to review the functionality of the new process and a couple of minor issues were identified which related to the formatting of information documents. This has been addressed to ensure all information is visible and compliance are satisfied that the new process is working effectively.

5.0 Trustee Management

The Fund has adopted a Trustee Training Policy which details the requirement of all Pension Committee Trustees and Local Pension Board Members to undertake a minimum of 22 hours each year. The reporting period for the training hours runs from May to April each year with the hours being noted in the Fund's published annual report and accounts. Attached at Appendix 3 are the training hours reported to the Trustee Management Officer to date.

6.0 Financial implications

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

7.0 Legal implications

7.1 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*.

7.2 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.

8.0 Equalities implications

8.1 This report contains no direct equalities implications.

9.0 Environmental implications

9.1 This report contains no direct environmental implications.

10.0 Human resources implications

10.1 The report contains no direct human resource implications.

11.0 Corporate Landlord

11.1 There are no corporate landlord implications.

12.0 Schedule of background papers

12.1 There are no background papers attached to this report.

13.0 Schedule of Appendices

13.1 Appendix 1 – West Midlands Pension Fund Risk Register.

Appendix 2 – Impact and likelihood key.

Appendix 3 – Trustee and Board member training hours.