

Pensions Board

5 July 2017

Report title	Annual Governance Report 2017	
Originating service	Pensions	
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Recommendations for noting:

The Board is asked to note:

1. The work undertaken by the Fund to ensure the effective governance of the scheme.

1.0 Purpose

- 1.1 To update the Pensions Board on the work undertaken by the Fund in relation to its governance.

2.0 Background

- 2.1 The Local Pension Board's role is to assist in the effective governance of the scheme in its adherence to legislation and best practice.
- 2.2 This year has seen a number of challenges faced by the Fund as it prepares to deliver the Investment Pooling, together with greater oversight and governance from the Pensions Regulator.
- 2.3 2016 was also a valuation year for the Fund as it engaged and consulted with employers in setting the risk-based funding strategy for the next 3 years.

3.0 Investments

- 3.1 It has been a good year for the Fund's investments achieving a return net of costs of 22.6%, exceeding its benchmark by 0.8% per annum over the year and ahead of the fund target of 0.5% per annum over 3 years. Fund value over the year increased by £2.6 billion to £14.3 billion.
- 3.2 The Fund remains highly cost conscious and aware of the need to demonstrate that it delivers value for money for its members and employers. The Fund's investment team, managing over 40% of the Fund's assets in-house, have worked to reduce investment cost and encourage transparency in external managers' reporting. This together with streamlining portfolios, has seen a reduction in costs, on a like-for-like basis of around £58 million per year between 2012/2013 and 2016/2017 reducing cost per member and taking the overall Fund cost down 0.46% pa.

4.0 Value for Money

- 4.1 The Fund is focussed on managing the costs of administration. As a result of tight financial controls and ongoing review of budgets to identify savings, the Fund has been able to reduce the cost of administration, oversight and governance from £17.72 per member to £17.64

5.0 Working with Fund Members

- 5.1 The Board will recall from its December 2016 meeting the Fund's aims to develop its customer engagement strategy. This latest quarter (to 31 March 2017), the Fund has hosted and delivered 49 member events which saw 819 members attend. The Fund's Customer Services team handled 18,383 calls, and a total of 52 complaints were received.

6.0 Working with Employers

- 6.1 Alongside and in addition to the engagement the Fund undertook with employers during the 2016 valuation, the focus of the Fund for employer engagement has been the quality of data provided in the Annual Returns which has seen a significant improvement in the information being provided.
- 6.2 The experience employers shared with the Fund through the Customer Journey Mapping workshops held last year has led to the development of an enhanced user functionality for our employers. This transparent 'listen and learn' approach has paved the way for continuous improvement with employers feeling confident that their opinions are valued and that their thoughts matter. Further engagement is ongoing as over 600 employers transition to monthly returns this year, with all employers expected to be on board by September 2017.
- 6.3 Since 2015, the Fund has seen a significant improvement in the annual data returns received from employers. In 2015 only 50% of data files were returned to the Fund by the deadline, this increased to 90% in 2016 and increased again to 97% for 2017.
- 6.4 Over the course of 2016/17, the Fund has handled 5,356 calls from across its employer base, with a handling percentage of 95%.

7.0 Governance

- 7.1 This year the Fund achieved Gold status in the Investors in People accreditation, moving forward from the Silver accreditation it achieved 2 years ago.
- 7.2 In addition the Fund has been shortlisted in each category of award it has entered and we are awaiting the outcome of the latest rounds of awards including those presented by Professional Pensions, and from LAPF Investments.
- 7.3 This year the Fund's Trustees and Pension Board achieved over 1,100 training hours with attendance at 85%.

8.0 Social Responsibility

- 8.1 Throughout 2016/17 the Fund undertook a number of events to raise money for various local and national charities, and raised £2,982.50, over £900 increase from the year before.
- 8.2 A breakdown of the monies raised and the charities is attached at Appendix 1.

9.0 Financial implications

- 9.1 There are no implications

10.0 Legal implications

10.1 There are no implications

11.0 Equalities implications

11.1 There are no implications

12.0 Environmental implications

12.1 There are no implications

13.0 Human resources implications

13.1 There are no implications

14.0 Corporate landlord implications

14.1 There are no implications

15.0 Schedule of background papers

15.1 None

16.0 Appendices

16.1 Appendix 1 - charity breakdown 2016.