

Pensions Committee

20 June 2018

Report title	Annual Report of the Local Pensions Board	
Originating service	Pensions (Governance and Corporate Services)	
Accountable employee(s)	Rachel Howe	Head of Governance and Corporate Services
	Tel	01902 552091
	Email	Rachel.Howe@wolverhampton.gov.uk
Report to be/has been considered by	Rachel Brothwood	Director of Pensions
	Tel:	01902 552091
	Email:	Rachel.Brothwood@wolverhampton.gov.uk

Recommendation for noting:

The Committee is asked to note the report.

1.0 Purpose

- 1.1 To provide feedback to the Committee on the work undertaken by the Local Pensions Board during 2017/18 and to meet the legislative requirement for producing an annual report.

2.0 Background

- 2.1 The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the scheme.
- 2.2. The West Midlands Pension Fund created and implemented the Board ahead of the deadline of 1 April 2015, and has since developed an appropriate training programme, and workplan in consideration of matters relevant to the Fund and the work of the Board.
- 2.3 The Board meets bi-annually and consists of 6 Employer and 6 Member Representatives, a copy of the Board's workplan for 2018/19 year is attached at Appendix 1 and aims to reflect the areas of focus for the LGPS as a whole over the coming year, together with the statutory duties of the Fund in its compliance with being a well governed Fund.

3.0 Board Membership

- 3.1 Throughout the democratic year, the Board received one notice of resignation (due to voluntary redundancy from their employed position) from amongst its Member Representatives. Appointment to that vacancy was completed in line with the policy with the Board seeking nomination from the relevant trade union (GMB). Steve Carter was nominated by GMB to take the vacancy; his appointment was confirmed by the Chair of Pensions Board.
- 3.2 In line with the Board's Terms of Reference to seek nominations of membership of one member and one employer representative each year, the Board sought nominations for an employer representative following its meeting in January 2018. One application was received, and appointment was made via agreement with the Board's appointments panel in March. Jaqueline Carman, Vice Principal, Director of Finance and Corporate Services for Halesowen College has been appointed as Employer Representative for Further Education and will join the Fund from July 2018.
- 3.3 For our Councillor representatives, these were nominated in the normal way by City of Wolverhampton Council at the Annual Council meeting with Councillor Phil Page being the employer representative and Councillor Hazel Malcolm sitting as the member representative.

4.0 Attendance at Meetings

- 4.1 Attendance at meetings fell short of the Fund's KPI of (85%) at 65.2%. On comparison year on year the attendance rate at Board meetings has fallen. Where possible, training events are delivered on the same day as the meetings to maximise attendance and use of time. A report on the Board's attendance will be presented to their first meeting in July where dates for 2018/19 meetings will also be agreed with the aim of maximising attendance for the 2018/19 year.
- 4.2 An overview of the Board membership and their attendance at meetings and training events over the year is provided in Appendix 2. All Board members were invited to attend the Trustee induction session on 13 June 2018.

5.0 Training

- 5.1 The Fund has offered a number of training opportunities for Board members and, where possible, training has been delivered jointly with the Pensions Committee to develop and further relationships across the 2 groups.
- 5.2 All members are encouraged to complete at least 10 hours of self-study to include the Pension Regulator's Trustee Toolkit. Attached at Appendix 3 is a copy of the individual training hours for the Board.

6.0 Reports of the Pension Board

- 6.1 During the 2017/18 year the Board did not refer any matter to the Pensions Committee and focused its attention on Customer Engagement and Data Quality noting the work undertaken by the Fund to develop services available to our members and employers.
- 6.2 The Board continues to engage with their respective groups on these issues and regularly feeds back to their counterparts the message of the Fund on the importance of data quality and engagement.
- 6.3 Throughout the year, the Board considered reports on the following topics
- Communication and Customer Engagement
 - Data Quality
 - Preparing for the General Data Protection Regulations (this was a focus of their work to ensure the Fund was complying with the changes).
 - Review of the Fund's policies to ensure adherence with statutory requirements on publication
 - Employer performance in line with the Pension Administration Strategy
 - Investment Pooling

7.0 National Scheme Advisory Board Update

- 7.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) every year produces its Scheme Annual Report highlighting national averages in areas such as investment returns, asset allocation, funding and governance.
- 7.2 The SAB produces its report based on published annual report and accounts of all LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the average position from the 2017 reports, and is a useful point of reference for a variety of stakeholders.
- 7.3 Key LGPS Highlights for 2017 as noted by the SAB include
- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.2m in 2016.
 - The total membership of employers increased from 12,915 in 2016 to over 14,000 in 2017.
 - The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).
 - The Local Authority return on investment over 2016/2017 was 19.5%. This was reflective of the better market conditions during the year and set against the UK Return of 22%.
 - The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m; this was excluding investment income, however.
 - The funds all received unqualified external financial audit certificates from the Scheme's external statutory auditors.
 - Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman. Overall the LGPS has had relatively few upheld complaints.
- 7.4 In comparison, WMPF's (Main Fund) highlights for the year to 31 March 2017 show
- The total membership grew from 287,874 to 296,542 (2.92%)
 - Employers increased from 536 to 586 (8.5%)
 - The Fund's total assets increased from £11.6billion to £15.5 billion (25%)
 - The total number of pensioners paid during the year was 87,979
 - Throughout 2016/17 the Fund received 631 complaints of which only 3 were referred to the Pension Ombudsman.
- 7.5 For the West Midlands Integrated Transport Authority Fund it is difficult to use the national average as a comparator due to the closed status of the Fund and it having only 2 employers. The majority of those members are in receipt of their pension benefits with just over half being supported by the purchase of an annuity buy-in contract held in the name of the Fund.

8.0 Costs

8.1 The cost of operating and supporting the Local Pensions Board is absorbed into the Fund Governance budget and existing officer workload.

9.0 Forward Plan for 2018/19

9.1 In considering the work of the Board going forward to ensure the continued good governance of the scheme, the Fund has reviewed the workplan of the Scheme Advisory Board, together with the Pension Regulator's Corporate Plan and has highlighted the following key areas of work for the Board during the 2018/19 year

- Monitoring the delivery of the Fund's Data Improvement Plan
- Investment cost reporting in line with CIPFA guidance
- Monitoring the effectiveness of the Fund's Customer Engagement Strategy
- Monitoring the delivery of products and services through LGPS Central which meet the criteria set for investment pooling
- Ensuring the compliance of the Fund's working practices in line with the Pension Regulator's Code of Practice.
- Ensuring employers meet their ongoing statutory duties through their roles as representatives for the group.

10.0 Financial implications

10.1 As outlined in the report

11.0 Legal implications

11.1 The Fund is required to have a Local Pensions Board as set out in the Public Service Pensions Act 2013 which also required the Fund to produce an annual report on the work of the Board.

12.0 Equalities implications

12.1 There are no implications

13.0 Environmental implications

13.1 There are no implications.

14.0 Human resources implications

14.1 There are no implications

15.0 Corporate landlord implications

15.1 There are no implications

16.0 Schedule of background papers

16.1 Public Service Pensions Act 2013

<https://www.legislation.gov.uk/ukpga/2013/25/contents>

16.2 The Pension Regulator's Corporate Plan 2018 – 2021

<http://www.thepensionsregulator.gov.uk/docs/corporate-plan-2018-2021.pdf>

17.0 Schedule of Appendices

17.1 Appendix 1 - Pension Board workplan 2018/19 year

17.2 Appendix 2 - Local Pension Board attendance record 2017/18

17.3 Appendix 3 - Local Pension Board individual training hours 2017/18