

Pensions Committee

23 June 2021

Report title	Annual Report of the Local Pensions Board	
Originating service	Pensions Services	
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Recommendation for noting:

1. The Pensions Committee is asked to note the report, prepared annually in order to meet the legislative requirement for recording the work of the Local Pensions Board.

1.0 Purpose

- 1.1 To inform the Committee on the work undertaken by the Local Pensions Board (“the Board”) during the 2020-21 municipal year 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 Local Pensions Board ahead of the deadline of the 1 April 2015 and has since developed an appropriate training programme and annual workplan in consideration of matters relevant to the Fund and the role of the Board.

3.0 Board Membership

- 3.1 During the democratic year the Board saw some movement in its membership with vacancies emerging for three member representatives and one employer representative.
- 3.2 The vacancy for the Unite member representative seat, which became available in October 2020 has been filled, with the nomination confirmed at the Board meeting 27 April 2021. Following recent engagement from GMB, they have confirmed a nomination to their vacant member representative seat, which is due to be established at the next Board meeting, 20 July 2021.
- 3.3 The vacancy for the admitted-body employer representative has been filled, with the nomination confirmed at the Board meeting 26 January 2021.
- 3.4 The Fund undertook its annual nomination process for the Board in May 2021. As there remained natural vacancies for member representative seats, no annual nomination process was required. The annual nomination cycle for employer representatives concluded that the academy representative seat, currently held by the Board Chair Joe McCormick, was due for nomination. The nomination process has commenced with new appointments to be confirmed at the first Board meeting of the municipal year.

4.0 Training

- 4.1 The Fund has offered a number of virtual training opportunities for Board members where possible, to maximise attendance and to support the delivery of topics relevant to the reporting that the Board receive.
- 4.2 The Fund also endeavoured to deliver joint training opportunities alongside the Pensions Committee to strengthen relationships across the two governing bodies. During the 2020/21 year, in addition to the Fund’s Mid-Year Review and AGM, the Board were invited to attend a Responsible Investment Summit held by the Fund’s Investment

Pooling Company, LGPS Central, as well as joint training events hosted by the Fund in October 2020, February 2021 and March 2021. The Fund will look to continue this collaborative training during the 2021-22 year, as well as considering methods of training, to support all member's needs.

- 4.3 This year, the Fund has looked to offer a wider range of training opportunities to its governing bodies, to reflect continued good governance requirements as well as to support training during restrictions due to the Covid-19 pandemic. These initiatives included regular briefing notes in areas such as regulatory change and responsible investment, as well as a dedicated SharePoint site available to both Pensions Committee and Local Pensions Board members, which hosts governance documents, handbooks, and training materials.
- 4.4 All members are encouraged to meet their training target to ensure that they obtain the relevant knowledge and skills required to undertake their role on the Board. Attached in Appendix A is a copy of the 2020/21 individual training hours recorded for members of the Board as at 30 April 2021.

5.0 Reports of the Pension Board

- 5.1 During 2020/21 the Board did not refer any matter to the Pensions Committee and continued its focus on Customer Engagement, Risk Management, Service Development, Investment Governance as well as the impact of the Covid-19 pandemic. The Board considered customer engagement and service provision during the pandemic, working with officers to ensure support and information was available to members, as well as working with Fund's employers to support and understand their individual challenges in light of the pandemic.
- 5.2 The Board also considered the impact of LGPS regulatory changes on the Fund, continuing to engage with their respective groups on these issues and regularly informing their counterparts on key messages of the Fund, including the changes being implemented to ensure continued compliance with regulation.
- 5.3 Throughout the year, the Board considered reports on the following topics:
- Customer Engagement
 - Pensions Administration
 - Governance and Assurance, including monitoring of Key Performance Indicators and Risk Management
 - Covid-19 Impact
 - Impact of changes to regulations
 - Service Development
 - Funding Management
 - Responsible Investment and Climate Change
 - Investment Governance

6.0 National Governance Developments

- 6.1 A number of governance programmes progressed at a national level, notably the publication of Phase 3 of the Scheme Advisory Board's Good Governance Report and the publication of the Pension's Regulator's (tPR) draft Single Code of Practice, both of which place heightened reporting requirements on LGPS Funds, ensuring accountability for their working practices.

7.0 Reports of the Pension Board

- 7.1 In line with its Regulatory duty, the national Scheme Advisory Board (SAB) has every year since 2013 produced 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 the LGPS Funds across England and Wales. It is therefore produced retrospectively each year. This latest report highlights the aggregated position from the 2020 reports and provides a useful point of reference for a variety of stakeholders.
- 7.3 The LGPS Highlights for 2020 as noted by SAB include;
- The total membership of the LGPS grew by 261,000 (4.2%) to 6.16m members in 2020 from 5.89m in 2019
 - The total number of LGPS employers in 2020 was over 16,307 as compared with 15,597 for 2019 (an increase of 4.6%)
 - The total assets of the LGPS decreased to £276bn (change of -4.9%) during 2020
 - The net investment return on these assets (after fees) as at 31 March 2020 was -4.8% compared with +6.2% in 2019. The 2020 figure reflecting less stable financial market conditions than in 2018/2019
 - The scheme held a positive cash-flow position in 2020
 - The most recent Scheme funding level, aggregated across local valuations, was 98% (2019 valuation)
- 7.4 In comparison, the Fund's highlights for the year to 31 March 2020 show;
- The total membership grew from 323,795 to 333,934 (3.1%)
 - Employers increased from 673 to 704 (4.6%)
 - The Fund's total assets decreased from £15.7 billion to £15.3 billion (-2.6%), reflecting less stable financial market conditions, largely due to the impact of Covid-19 in March 2020
 - The Fund's local funding level was 94% (2019 valuation)
- 7.5 Throughout the year, the Scheme Advisory Board has issued a number of communications reporting on the outcomes of their meetings and delivery of their own workplan all of which have been presented to the Local Pension Board and Committee in update reports at formal meetings, through training events or communication round-ups.

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.
- 8.2 To support the work of the Scheme Advisory Board, all LGPS Funds are required to pay a levy based on membership numbers. For 2020/21 that levy was £25,479 (excluding VAT), which the Fund has paid as due.

9.0 Forward Plan for 2021/2022

- 9.1 In considering the work of the Board going forward to ensure the continued good governance of the scheme, areas of focus for 2021/22 will continue to be focused around Effective Governance, Customer Engagement and Communication, Data Management and Service Development, to ensure the Fund is able to adapt and respond to the changing demands of service from its customers and to the changing regulatory landscape of the LGPS. The Board themselves may also add items as they review the Fund's governance in line with their statutory duty.
- 9.2 The Board will also continue to monitor delivery of the Fund's Corporate Plan 2021 – 26, having supported the Pensions Committee and officers to shape the goals and objectives of the Fund developing its areas of focus to support the achievement of those goals, as outlined below.
- Outward looking, supporting in a Fund wide governance review in response to statutory changes
 - Accessible information and support, through effective customer engagement programmes using their roles on representative bodies to support messaging
 - Responsible asset owner and employer, working with the Pensions Committee to develop investment governance and stewardship reporting
 - Place of opportunity and people development, champion helping to promote the region at national/industry events
 - Active participation in Fund events and issues through engagement in training and development
 - Taking informed action with own representative bodies to support the work of the Fund
 - Instilling confidence through transparency ensuring accountability in the Fund's actions and its reporting

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 direct equalities implications.

13.0 All other implications

13.1 There are no other direct implications to consider.

14.0 Schedule of background papers

- 14.1 Scheme Advisory Board, Good Governance Report (Phase 3)
https://lgpsboard.org/images/Other/Good_Governance_Final_Report_February_2021.pdf
- 14.2 Scheme Advisory Board, Annual Report 2020
<https://lgpsboard.org/index.php/schemedata/scheme-annual-report>
- 14.3 Scheme Advisory Board meeting papers are available on their website.
www.lgpsboard.org.uk
- 14.4 tPR Single Code of Practice (full draft)
<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/full-draft-new-code-of-practice.ashx>

15.0 Schedule of appendices

15.1 Appendix A: Local Pensions Board Training Hours