

Local Pension Board of the Warwickshire Pension Fund

14 November 2019

External Review of Pension Administration

Recommendation

The Local Pension Board of the Warwickshire Pension Fund is recommended to:

Note the findings of the review and comment on the proposed action plan.

1.0 Introduction

1.1 In recognition of a number of recent issues, the Council has commissioned a strategic piece of work from an independent consultant to review current arrangements within the Pensions Administration Service. The scope of the work has included an overall assessment of current service delivery against The Pensions Regulator's nine categories of requirements and other developing areas.

2.0 Findings

2.1 The consultant has reviewed the Pensions Administration Service's performance against TPR's 46 requirements and 3 developing areas, based on documented evidence and interviews with key staff and representatives of the Board.

2.2 Of the 46 requirements, 24 have been rated as green, 16 as amber and 6 as red. Of the three developing areas, 2 have been rated as red and one as amber.

2.3 The consultant will be available at the meeting to provide a verbal report on his findings and to respond to question from the Board.

3.0 Action Plan

3.1 In response to these findings an action plan has been produced and is included at Appendix A of this report.

Appendix A: Pensions Administration Action Plan October 2019

	TPR Category	RA G	Recommendation	Action	By Whom	By When
1	<i>Knowledge and understanding</i>					
a)	Members of the Pension Board require a working knowledge and understanding of the LGPS and how it operates in Warwickshire.	A	Whilst the members of the Pension Board are offered the opportunity to gain a working knowledge and understanding of the LGPS, there is a need to continually refresh the training on the role and responsibilities of the Pension Board.	LPB training day to be delivered 15-Oct-19. See further actions below.	Pensions Admin Lead	15-Oct-19
b)	An annual training programme should be available.	A	An adequate range of training opportunities is made available to members of the Pension Board but there is no annual training programme. Such a programme would enable the members to better plan their attendance at training sessions. More joint training opportunities with members of the Investment Sub Committee could help to increase understanding of the respective roles of the two bodies.	Two bespoke one-day training events to be scheduled each year for Local Pensions Board. Schedule of external conferences to be shared with LPB. Training needs assessment to be undertaken which will inform a forward plan of training events, for approval by the Board.	Pensions Admin Manager / Pensions Admin Lead	To be initiated from 14-Nov-19 (next LPB meeting)
c)	Training logs should be maintained for the Pension Board as a whole and for each individual member of the Board.	R	Set up training logs as per the requirement.	Training logs to be created and continuously maintained.	Pensions Admin Manager / Pensions Admin Lead	31-Oct-19
d)	The Pension Board should meet at least quarterly.	R	The frequency of meetings of the Pension Board has only recently been increased from two to three times	Change to quarterly meetings to be agreed at LPB meeting 14-Nov-19	Strategy & Commissioning Manager, Investments, Treasury & Audit	14-Nov-19

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			each year and needs revising to four times.	as part of Forward Plan report.		
e)	Pension Board members should aim to attend every meeting and members should be removed if their attendance is judged to be unsatisfactory	G		No actions currently required		
f)	There should be a Pension Board Business Plan	G		No actions currently required		
g)	There should be an annual report incorporating a review of performance	G		No actions currently required		
h)	The MIFID 2 regulations have effectively extended the knowledge and understanding requirements to members of the Pension Fund Investment Sub Committee	G		No actions currently required		
2	Conflicts of interest					
a)	There should be a process to identify, monitor and manage conflicts of interest.	G		No actions currently required		
b)	There should be a conflicts of interest policy.	A	A conflicts of interest policy for the Pension Board needs to be reviewed and agreed by the Pension Board annually.	Conflicts of interest policy to be updated in conjunction with Legal Services	Strategy & Commissioning Manager, Investments, Treasury & Audit	30-Nov-19
c)	A register of conflicts should be maintained.	G		No actions currently required		
3	Publishing information					
a)	Annual Report and Accounts	G		No actions currently required		
b)	Funding Strategy Statement	G		No actions currently required		

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c)	Investment Strategy Statement	G		No actions currently required		
d)	Pension Board Terms of Reference	A	The terms of reference should be reviewed by the Pension Board annually.	LPB ToRs to be added to Forward Plan, for review and approval by LPB at its first meeting in 2020, and annually thereafter.	Pensions Policy and Governance Lead	For consideration by LPB at its first meeting in 2020, and no later than 31-Mar-20.
e)	Governance Compliance Statement	G		No actions currently required		
f)	Environmental, Social and Governance (ESG) Policy	R	The Border to Coast ESG Policy has been adopted by Warwickshire CC and reported to the Pension Board. However, there should be a separate Warwickshire ESG Policy and the Pension Board has a responsibility to ensure that the Border to Coast ESG Policy delivers the requirements of the Warwickshire ESG Policy.	Produce a Warwickshire ESG policy for approval by the LPB. Review the Borders to Coast ESG policy to ensure it delivers the requirements of the Warwickshire ESG policy and seek approval from the LPB to this.	Pensions and Investment Manager	For consideration by LPB at its first meeting in 2020, and no later than 31-Mar-20.
4	Managing risks - internal controls					
a)	Maintain an active risk register specific to the Fund.	A	A risk register is maintained but the latest version is dated 10 December 2018. The risk register should be reviewed quarterly by both the Investment Sub Committee and the Pension Board.	Add a review of the risk register to each quarterly meeting of the LPB and Investment Sub-Committee in their forward plans, starting in 2020.	Pensions Administration Lead	For consideration by LPB and Investment Sub-Committee at their first meetings in 2020, and no

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						later than 31-Mar-20.
b)	Maintain internal control procedures to deter fraud or misappropriation of assets.	A	Internal Audit undertakes regular audits of the Fund but their reports are not presented to the Pension Board. Consider presenting audit reports to the Board.	Summary of audits to be reported to LPB following approval by Audit and Standards Committee.	Pensions Administration Lead	Starting from meeting on 14-Nov-19.
c)	The safe custody and security of Fund assets.	G		No actions currently required		
d)	Undertake a regular screen of the existence of pensioners, including pensioners domiciled outside of the UK.	G		No actions currently required		
e)	Key person risk	A	This is recognised as an increasing risk in the risk register. The restructure which is underway should reduce this risk.	Implement Finance Service Redesign which will create a new Pensions Governance and Policy technical specialist role and also increase capacity within the Pensions Administration and Investments Teams.	Assistant Director, Finance	Most posts will be filled by 31-Dec-2019. If external recruitment is required this may take until 31-Mar-2020
f)	Cyber security	R	Cyber security has been included as a new risk in the most recent version of the risk register but with insufficient detail on addressing the risk. TPR regards this as one of its three key areas for attention in 2019/20. The Fund needs to ensure that the Warwickshire CC cyber security	Liaise with WCC Enabling Services to understand the authority's policy on cyber security and review any amendments necessary in order to adopt this policy for the Fund.	Pensions Policy & Governance Lead Pensions Policy & Governance Lead	31-Dec-19 30-Jun-20 30-Jun-20

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			arrangements meet the requirements of the Fund.	Report the proposed policy to LPB in the first half of 2020 for approval. ICT to be invited to present policy to LPB.	Pensions Administration Lead	
5	Record keeping					
a)	Monthly, rather than annual, member data collection.	G		No actions currently required In medium term plan is to implement member self-service		
b)	Conduct a regular review of data quality	G		No actions currently required		
c)	Maintain a data improvement plan.	A	Actions arising from reviews of data quality should be gathered into an annual plan.	Review data quality using the actuary's feedback from the valuation process plus local intelligence, and produce annual improvement plan. Produce a business case for approval by Transformation Board for the implementation of i-Connect for employer self-service.	Pensions Administration Manager / Pensions Administration Lead Service Manager, Finance Transformation	31-Dec-19 30-Nov-19

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d)	Maintain a pensions administration strategy.	A	The strategy is in the process of being updated. It should be presented to the Pension Board for review and comments.	Finalise the updated strategy for review and comments at the LPB's meeting on 14-Nov-19, prior to going to Staff and Pensions Committee for approval in Dec-19.	Pensions Policy & Governance Lead	31-Dec-19
e)	Accurate and timely production of annual benefit statements.	R	89% of annual benefit statements were distributed by the deadline. This should be reported to TPR as a breach as it is an issue that particularly interests TPR. A plan should be developed to ensure this does not recur.	Add this breach to the Breaches Register and report to TPR. Document and implement actions required to ensure ABSs are issued on time in future.	Pensions Administration Manager / Pensions Administration Lead Strategy & Commissioning Manager	18-Oct-19 Ongoing
f)	Maintain service level agreements with employers in the Fund.	A	The document Working Together is useful but it is not a service level agreement (SLA). A formal SLA would probably be welcomed by a number of the employers.	Ensure SLAs are in place between WCC and all employers. Secure agreement from all employers to adopt the SLAs, prioritising WCC as the largest employer in the Fund.	Pensions Administration Manager / Pensions Administration Lead	31-Dec-19 31-Mar-20
g)	Requirements under the General Data Protection Regulation.	G		No actions currently required		

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h)	Maintenance and regular review of performance indicators.	A	A relatively small number of performance indicators are maintained. Additional work is required to develop more extensive performance monitoring information.	<p>Ensure PIs already identified are regularly reported, monitored and corrective action taken.</p> <p>Review the PIs in use and develop the information available to support and improve service delivery, making reference to those employed by other pension funds.</p>	Pensions Administration Manager / Pensions Administration Lead	<p>31-Oct-19</p> <p>31-Mar-20</p>
i)	Progress on reconciliation of Guaranteed Minimum Pensions.	G		No actions currently required		
6	Maintaining contributions					
a)	Ensure that payroll providers understand the requirements of the Fund.	R	Significant issues have arisen due to a breakdown in communications between the Fund and Warwickshire CC payroll. A new payroll system has been implemented which did not take into account the specific requirements of the Fund. The problems have been compounded by the time taken to resolve the issues arising. Belatedly, substantial management resources are now being invested in resolving the issues.	<p>Produce and implement an action plan to resolve outstanding issues with WCC Payroll, escalating to Assistant Director and/or Strategic Director as necessary to expedite matters.</p> <p>Review and report progress against the action plan monthly as a minimum and more frequently wherever necessary until there is clear evidence that issues have been</p>	Service Manager, Finance Transformation	<p>31-Oct-19</p> <p>Ongoing</p>

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				resolved and improvements can be sustained.		
b)	Regularly assess the covenant of all participating employers.	A	The covenant is only assessed as part of the triennial valuation. Interim assessments should be undertaken of higher risk employers.	As soon as the new organisational structure is in place, put in place appropriate measures to assess employer covenants.	Team Leader, Employer Engagement and External Relations	31-Mar-20
c)	Consider the acceptance of a variety of types of security.	G		No actions currently required		
d)	Maintain a policy for when employers exit from the Fund.	G		No actions currently required (Policy in question is Admissions and Terminations Policy).		
e)	Consider charging employers for any failure to meet their obligations to the Fund.	A	The pensions administration strategy is being amended to enable the Fund to recover from employers any losses incurred from the direct action of those employers. There is no provision to levy penalty charges on employers for late provision of information. Such a charging policy would probably be welcomed by a number of employers	Consider the introduction of charges to employers where they fail to meet their obligations as part of updating the Administration Strategy.	Pensions Administration Manager / Pensions Administration Lead	31-Mar-20
7	Providing information to members					
a)	Information sent to members should be clear, precise and free from jargon	G		No actions currently required		

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b)	Maintain a communications strategy	G		No actions currently required. Updated communications strategy to be included in Pensions Admin update to LPB on 14-Nov-19		
c)	Actively promote the benefits of joining the Fund	G		No actions currently required		
8	Internal dispute resolution					
a)	Operation of a compliant Internal Dispute Resolution Procedure (IDRP).	G		No actions currently required		
b)	Ensure that clear information about the IDRP is available to employers and members.	G		No actions currently required		
c)	IDRP complaints and outcomes should be reported to the Pension Board	G		No actions currently required		
9	Reporting breaches of the law					
a)	Maintain a breaches policy and register.	A	The policy is in the process of being updated.	Update the Breaches Policy and report to the LPB.	Pensions Administration Manager / Pensions Administration Lead	14-Nov-19
b)	Reporting of breaches to TPR.	A	This is being clarified in the update of the breaches policy.	Update the Breaches Policy and report to the LPB.	Pensions Administration Manager / Pensions Administration Lead	14-Nov-19
c)	Reporting of breaches to the Pension Board.	R	Each meeting of the Pension Board should be informed of any new breaches entered onto the breaches log.	Update the Breaches Policy and report to the LPB.	Pensions Administration Manager / Pensions Administration Lead	14-Nov-19

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1 0	TPR developing areas					
a)	Cyber risk	R	This has been of growing concern to TPR and is discussed above (See 4 (f)).	See 4 (f) above	See 4 (f) above	See 4 (f) above
b)	Climate change risk strategy	R	This needs to be developed.	To be incorporated into ESG statement (See 3 (f) above) or alternatively develop a separate strategy - TBC.	Pensions Policy & Governance Lead	31-Mar-20
c)	Reporting on voting and engagement activity.	A	There is a comprehensive Stewardship and Voting Policy but a record of activity needs to be maintained and reported to the Pension Board.	Start reporting on voting activity to the LPB.	Pensions and Investment Manager	31-Mar-20