

# **Local Pension Board of the Warwickshire Pension Fund**

**14 November 2019**

## **Pension Fund Administration – Matters Arising Updates**

### **Recommendation**

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

Note and comment on the latest developments in pensions administration and note the progress made since the last meeting.

### **1.0 Introduction**

1.1 This report updates the Board on key developments affecting pension fund administration since the last meeting. In addition, details are provided on some of the issues that were raised in relation to overall governance and performance management of the Pensions Administration Service. Some of the updates relate specifically to issues raised in the recent review of the service that has been commissioned and delivered by an independent consultant.

### **2.0 Matters arising from the meetings of 8 July 2019 and 19 September 2019**

2.1 There were a number of matters arising from the previous two Board meetings and updates on these are set out in the main body of the report:

- Pension Scheme Administration
- Payroll Reports
- Clearing of Backlog
- Fund Administration Costs
- Audit Reports
- Performance Information
- GMP Reconciliation

### **3.0 Pension Scheme Administration**

3.1 In recognition of recent issues, the Board has previously been advised that the Council has commissioned a strategic piece of work from an independent consultant to review the current arrangements within the service. The scope of the work has included a review to provide an overall assessment of current service delivery and of the current working arrangements with the Board.

Members of the Board have been involved in the review and a report of the findings is set out elsewhere on the agenda.

- 3.2 In response to the review, an action plan has been developed and it is proposed that updates on progress will be provided to the Board on a regular basis. A number of specific issues and concerns were raised at the last meeting relating to some backlogs of work that had developed and progress in addressing these is set out later in the report.

#### **4.0 Payroll Reports**

- 4.1 It was reported to the Board that several reports required from the payroll system were not being received. In response to this:

- A programme of the reports required by the Pensions Administration Service and the timetable for these has been drafted and shared with the WCC Payroll Service. The reports are currently being developed and it is planned that these will have been finalised by 31<sup>st</sup> October. This is an important development as there are currently several manual workarounds in place to ensure that the data is captured and updated in the pensions system. This is both time-consuming and inefficient. Improvements to the reports will continue to be made thereafter.
- There is a need for employee and employer contribution data to be passed between the payroll and pensions services and in the absence of the I-Connect system, the data has to be made available through a report generated from the payroll system. A report is available but further enhancements are being made to minimise the manual intervention required within the pension administration service. This is a short-term solution pending the longer-term solution of the implementation of the i-Connect system.
- A process of data quality checks is being developed, which will aim to identify issues early and allow swift resolution.
- A Service Level Agreement is being developed to reinforce the Pensions Administration Strategy and Working Together operational document already in place. The purpose of the SLA is to set out the requirements from the payroll service and the agreement will incorporate strong performance management arrangements. This will ensure that there is an agreed framework that can be monitored on a monthly basis and that any issues of non-performance can be identified and, where necessary, escalated for swift resolution. The target date for implementing the SLA is 31st December.

## 5.0 Clearing the Backlog

5.1 A summary of the latest position for changes notified between April and August is set out in the table below and shows that good progress has been made:

	Starters		Leavers		Changes		Total	
	No.	%	No.	%	No.	%	No.	%
Requests Received Apr-Aug 2019	1,496		1,792		308		3,596	
Requests outstanding @ 19 <sup>th</sup> Sept	343	22.9%	1,356	75.7%	13	4.2%	1,712	47.6%
% of requests outstanding @ 31 <sup>st</sup> Oct	0	0%	77	4.3%	0	0.0%	77	2.1%

5.2 The Starters and Changes backlogs has been cleared and outstanding work of 4.3% is deemed to be at or below a reasonable “business as usual” level of workload for Leavers. (Note that priority is given to new starters, firstly so that contributions can be set up and collected as soon as possible, and secondly, where staff are moving between posts within the same organisation, to ensure they are set up in their new posts before they are recorded as leaving their previous post).

5.3 Since the last meeting the September payroll data has been received. This generated a further 1,044 requests, of which 66% had been cleared by 31st October. This is in line with expectations, particularly as September generates the highest number of monthly changes, largely due to it being the start of the new school year. The remainder of the requests are being worked on and a verbal update on the position will be provided at the meeting.

5.4 Since August 2019 the Pensions Administration Team has also been monitoring other outstanding queries. These are largely to resolve issues around data accuracy. All queries raised to the end of June have been resolved. 3% of queries raised in July and 3% of queries raised in August are outstanding. Some queries can take time to resolve due to their nature and this level of outstanding queries is considered to be reasonable.

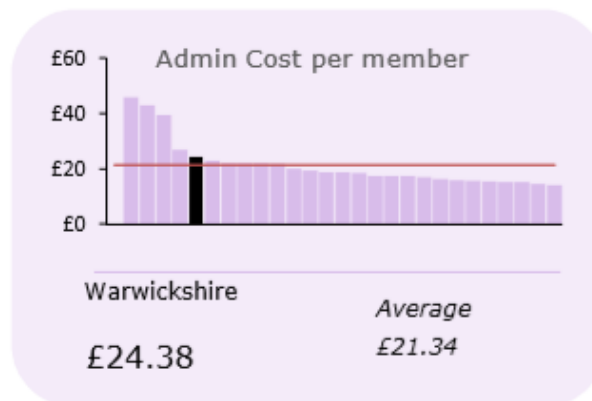
5.5 A further 744 queries were raised in September and are currently being addressed. Whilst work is underway to clear these queries, a large proportion of them would be resolved at source by the employers with greater use of technical solutions. Many organisations have implemented the I-Connect system or its equivalent, which means that data anomalies can be identified when payroll information is transferred from the employer to the Pensions Administration Team. These anomalies are then reported automatically and returned to employers for resolution.

The need to implement the I-Connect system is recognised and work is currently underway with Heywoods, the system provider, to scope the requirements and develop a plan for its implementation. This however is a longer-term solution and will not be in place until 30<sup>th</sup> September 2020 at the earliest.

- 5.6 In the meantime, there is a need to reduce the number of queries as much as possible. The Pensions Administration team uses a specially designed form, the “CT117”, to collect payroll data from all employers. This form has in-built validation checks which means that most queries or anomalies can be identified in the payroll service before the form is submitted to the Pensions Administration Service. The correct format of this report has not been routinely used within the WCC Payroll Service and this has now been addressed so that use of the form is embedded in their operations.
- 5.7 It is essential that backlogs are not allowed to develop again in the future and ongoing monitoring of completion rates for starters, leavers and changes is in place and will form part of the performance metrics that have been drawn up and against which the Pensions Administration service will be monitored.

### Fund Administration Costs

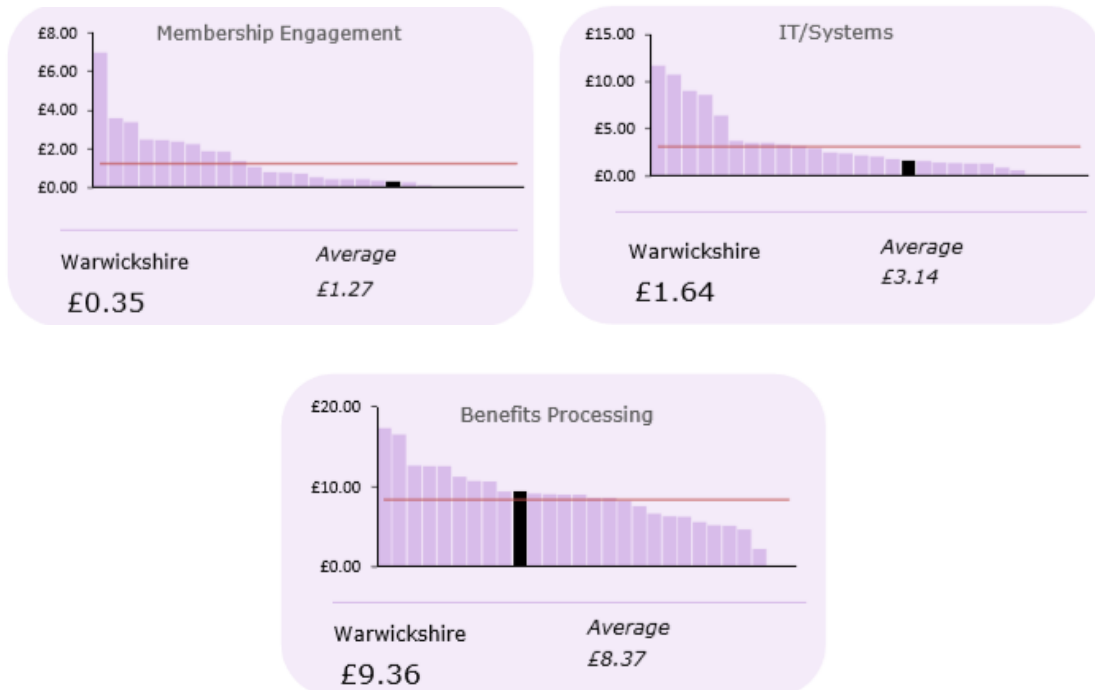
- 5.8 It was agreed at the special Board meeting in September that a report would be brought to this meeting regarding Fund administration costs, and specifically, the WCC payroll costs charged to the Fund. The CIPFA Pensions Administration benchmarking report was published in October 2019 and some of the key cost comparators are set out below. The data shows that overall Warwickshire’s administration cost per member is marginally higher than the average for other Pensions Administration functions.

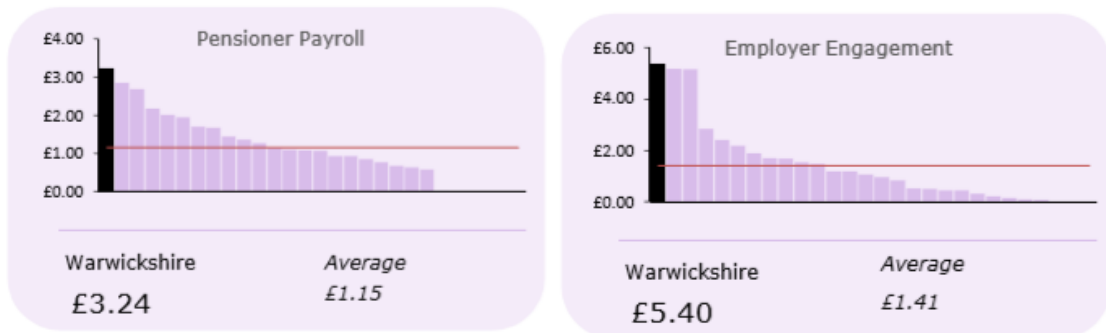


5.9 A summary of the key elements on which the total costs are based is set out in the table below and further supported by the individual graphs.

Analysis of Admin Costs of the Warwickshire Pensions Service Compared to Other Pensions Administration Functions 2018/19		
	Warwickshire Cost per Member £	Average Cost per Member £
Membership Engagement	0.35	1.27
IT/Systems	1.64	3.14
Benefits Processing	9.36	8.37
Pensioner Payroll	3.24	1.15
Employer Engagement	5.40	1.41
Indirect costs	4.38	6.50
Income	0.00	(0.45)

5.10 From the analysis, it is evident that Warwickshire's costs are below the average for Member Engagement, IT/Systems and indirect costs, and close to the average for Benefits Processing but higher than the average for Pensioner Payroll and Employer Engagement. Warwickshire does not currently receive external income towards its net costs. Further analysis is however required to better understand the data to ensure the costs have been applied consistently to other Pensions Administration functions.





5.11 Pensioner Payroll costs have already been highlighted by the Board as an area of concern and are being investigated as a priority, with the support of our independent expert. It is essential that we better understand the cost drivers before any firm conclusions are drawn, and that all costs are considered in the round.

## 6.0 Audit Reports

6.1 At the special meeting held in September it was agreed that a summary of the outcomes of recent Internal Audit reports would be reported to the Board once they had been reported to the Audit and Standards Committee.

6.2 On 9<sup>th</sup> November the Audit and Standards Committee received a summary of an internal audit of Investment Management, which received an opinion of Limited Assurance. The scope of the audit was to provide assurance on the arrangements for the first transfer of funds to the Borders to Coast Pension Partnership. The key audit findings were as follows:

- *The termination of the Threadneedle account, with assets valued at in excess of £240 million was authorised by members and senior staff, including the instruction to the custodian, but an instruction to the fund manager was signed by more junior staff;*
- *There was no evidence of a reconciliation to provide assurance that only necessary activity had occurred on the Threadneedle fund on the lead up to the transfers;*
- *A third-party assurance report, for the whole investment, had been received as expected, soon after the transfer, but there was no assurance over the WCC proportion of the investment.*

6.3 An appropriate action plan has been agreed to address the issues identified and these are being monitored through the follow up process. Further audit work in these areas will be considered as part of the planning risk-based process for 2020/21.

## 7.0 Performance Information

7.1 Following discussions at the July meeting the Pensions Administration Manager has investigated the approaches to measuring performance adopted by other Funds via the Altair User Group. Other uses of the Altair system appear to have different system configurations which enable easier reporting of key performance indicators (KPIs). It is proposed that a fundamental review of KPI reporting requirements is carried out when implementing the i-Connect employer self-service system.

7.2 A number of KPIs were reported to the Board in July 2019. The table below shows performance against these indicators in 2019/20 to date, compared with performance in 2018/19. The review described in 8.1 above will consider whether these are the appropriate measures for managing performance effectively and current practice is being developed to ensure that service performance is improved.

Performance Indicator	Target	2018/19	2019/20 To Date
Retirements Lump Sums paid within 30 days of retirement	100%	42%	42%
Retirements Lump Sums paid within 10 days of receiving all relevant paperwork	100%	82%	91%
Death grants paid 10 days of receiving paperwork	100%	95%	94% (Note: only recorded from Aug '19)
Refunds processed within 10 days of receiving paperwork	100%	Data not available	96% (Note: only recorded from Aug '19)
Transfers paid within 10 days of receiving paperwork	100%	81%	43% (Note: only recorded from Aug '19)
Deferred benefits calculated and notified within 10 days of receiving paperwork	100%	81%	93% (where paperwork is received by post)
Scheme employer contributions received by 19 <sup>th</sup> of the month following deduction	100%	92%	86%
Scheme employer monthly returns received by 19 <sup>th</sup> of the month following deduction	100%	80%	80%

## 8.0 GMP Reconciliation

8.1 No further information is available at this time regarding the GMP reconciliation. The actuary has confirmed that they are awaiting final data from HMRC and this is expected in November or December 2019.

## **9.0 Breaches**

- 9.1 From the Board meeting on 8th July up until 22<sup>nd</sup> October, 181 items have been added to the Breaches Log. 179 of these are green and relate either to the late return of payroll data or to the late payment or return of contributions by employers.
- 9.2 Two new breaches have been categorised as Red and have been reported to The Pensions Regulator (TPR), and details have been shared with the Board.
- Warwickshire Pension Fund was not able to issue 100% of the Annual Benefit Statements (ABS) for active and deferred members by the 31 August 2019.
  - Warwickshire Pension Fund issued five Pension Saving Statements (PSSs) to members who exceeded their annual allowance in the year 2017/18. Upon investigation when issuing PSSs for 18/19 it became apparent that 27 PSSs should have been sent in addition to these five.
- 9.3 The causes of these breaches and actions to address them have been set out in the reports to TPR. No response has been received from TPR at the time of writing this report. Remedial action is underway within the service to ensure these breaches do not reoccur.

## **10.0 Performance Management Framework and Performance Monitoring**

- 10.1 As part of the Council's Transformation Programme a service redesign is currently underway within the Finance function. The redesign has reviewed the Council's financial framework across the piece, and this has included reviewing the performance management framework for Pensions Administration. As a result, a new framework will be put in place to ensure the effective governance and performance of the Pensions Administration service. The key tenets of this framework are set out in Appendix A.

### ***Data Accuracy***

- 10.2 The Pension Regulator (TPR) requires public service pension schemes to undertake a review of the quality of the data they hold on members at least once a year. The purpose is to identify whether improvements are needed to record-keeping, and the review is designed to show what percentage of members have full and accurate data. The results have to be submitted to The Pensions Regulator in every Scheme return.



The reviews are based on Common Data and Scheme Specific Data, and Warwickshire's review has been carried out by its pension system provider, based on the data held on the system.

10.3 Common Data is defined as:

- National Insurance number
- Name
- Sex and Date of Birth
- Date Commenced and Normal Retirement Date
- Status
- Status and Invalid data view
- Address
- Status and Valid data view

10.4 Scheme Specific Data is categorised as:

- Member Benefits
- Member details
- Care benefits
- HMRC
- Contracted-out

10.5 For Common Data, six out of eight categories met the highest benchmark of greater than 98%, with two categories rounded as 100%. The lowest category is *member address* with a score of 92.3%. The overall percentage tests passed is 98.5%.

10.6 For Scheme Specific Data the overall percentage tests passed is 96.1%.

10.7 Comparing the results with the previous data analysis, the overall quality of Common Data has increased from 98.4% to 98.5%. The number of member records without a single common data failure is 88.6% - a reduction of 1% from 89.6% in 2017.

10.8 For Scheme Specific Data, the percentage of member records without a single data failure is 83.6% which is an improvement of 17.9% over the 2017 report of 65.7%.

10.9 This report will be used to identify areas for correction and also for the purposes of drafting the Data Improvement Plan, as referenced in the External Review Action Plan.

### ***Strategy and Policy Updates***

10.10 The maintenance of up-to-date strategies and policies is a key element of effective governance of the Pensions Administration function. Appendix B sets out the strategies and policies that the Pensions Administration service is required to hold, with the plan for annual review and updates.

Updates of the Breaches Policy, Communications Strategy and Conflicts of Interest Policy are attached as appendices for the Board's comments.

### **11.0 Local Pension Board Training Plan**

- 11.1 The TPR requires the Local Pension Board to have a working knowledge and understanding of the LGPS and how it operates in Warwickshire. Best practice is to have an annual training programme for Board members and to maintain training logs for the Board as a whole and for individual members. Actions to meet these requirements are set out as part of the Governance Review Action Plan elsewhere on this agenda.

### **12.0 New Employers**

- 12.1 There are several applications from new employers for consideration at the December meeting of the Staff and Pensions Committee and these will be reported to the next Board meeting.

### **13.0 Appendices**

Appendix A: Performance Management Framework

Appendix B: Strategy and Policy Updates

Appendix C: Breaches Policy

Appendix D: Communications Policy

Appendix E: Conflicts of Interest Policy

## Appendix A: Pensions Administration Performance Management Framework

	Requirement	Input	Outcome / Impact	Status
1.	Fit for purpose staffing structure	The Pensions Administration team will have sufficient numbers of staff with the right skills, knowledge and experience, taking into account the number of members and employers in the scheme and developments in the wider statutory requirements of the scheme.	Provision of an efficient and effective service	Staff consultation is underway on a new staffing structure which increases capacity at both a strategic and operational level.
2.	Effective training programme	<p>An annual training programme will be established for Local Pension Board members, based on regular training needs analysis.</p> <p>Qualification, skills and knowledge requirements for Pensions Administration staff are set out in job descriptions and support for formal training is provided by WCC.</p> <p>Pensions Administration staff will receive regular sector-related development updates.</p> <p>Pensions Administration staff will each have a Personal Development Plan (PDP) focussed on their individual requirements.</p>	<p>Board members have sufficient knowledge and understanding to provide constructive feedback and comment on Pensions Administration activity and performance, as a means of enhancing the quality of the service.</p> <p>Skilled workforce provides a high quality and professional service to scheme members and other stakeholders, and adapts quickly and effectively to changing demands.</p>	<p>Training programme for Board members is in development.</p> <p>New job descriptions have been drafted for staff, setting out essential requirements.</p> <p>New management structure will take responsibility for ensuring dissemination of sector specific knowledge across the team.</p> <p>PDPs to be in place for all staff by 31<sup>st</sup> March 2020.</p>
3.	Compliance with TPR regulations	<p>An annual review of compliance with TPR regulations will be undertaken and an action plan maintained and monitored regularly.</p> <p>The assessment of compliance with TPR regulations will be reported to the Local Pensions Board annually.</p>	Service can provide assurance on compliance, ensure management action is taken when necessary and escalate any issues swiftly.	<p>An independent review of compliance has been undertaken and an action plan prepared. Progress against the action plan will be monitored monthly.</p> <p>Further compliance reviews will be undertaken annually.</p>
4.	Up-to-date Strategies and Policies	All strategies and policies, as required by TPR will be reviewed and updated annually, taking into	The Fund has a clear governance framework within which it operates, and this is transparent	The Local Pensions Board Forward Plan will set out the timetable for reviewing

	Requirement	Input	Outcome / Impact	Status
		account feedback from the Local Pensions Board.	and accessible to all stakeholders.  The Pensions Administration function can be held to account for operating within this governance framework.	all of the strategies and policies required by TPR.
5.	Effective Performance Monitoring and Management	A set of key performance indicators (KPIs) will be agreed and monitored monthly.  KPI information and comparative benchmarks within the sector will be used to set performance targets.	Effective performance management and swift escalation of any issues.  Monitoring and management of services delivery against targets will be used to drive a high performing culture.	A number of KPIs are already being recorded and will be developed further when the new staffing structure is in place.
6.	Management of Data Quality	Reports will be developed to provide information regarding quality of pensions data.  Employer and member self-service will be implemented to improve the integrity of data, enhance reporting facilities, streamline processes and improve efficiency.	Data quality reports will be used to focus effort on any areas requiring improvement.  Employer and member self-service will improve the integrity of data, enhance reporting facilities, streamline processes and improve efficiency.	Following the 2019 valuation the actuary will provide feedback on data quality to the service.  The business case for implementing i-Connect is being produced and discussions with the system provider and the actuary have taken place regarding how the project could be implemented.

## Appendix B: Strategy and Policy Updates

Strategy / Policy	Status	LPB Review Date
Breaches Policy	Updated and draft attached at Appendix C for comments.	November 2019
Communications Strategy	Updated and draft attached at Appendix D for comments.	November 2019
Conflicts of Interest Policy	Updated and draft attached at Appendix E for comments.	November 2019
Pensions Administration Strategy	Draft in progress	March 2020
Environmental, Social and Governance (ESG) Policy	Warwickshire has currently adopted the Borders to Coast ESG policy. A separate Warwickshire policy will be developed and the Borders to Coast policy reviewed to ensure it delivers on Warwickshire's requirements.	March 2020
Climate Change Risk Strategy	TPR developing area. To be produced.	March 2020
Cyber Security Policy	TPR developing area. To be produced.	June 2020
Admissions and Terminations Policy	Policy in place. Amended regulations are expected imminently and review will take place at this point.	June 2020
Funding Strategy	Strategy in place.	September 2020
Investment Strategy	Strategy in place.	September 2020



# Policy for reporting breaches of the law to The Pensions Regulator



## Introduction

In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) on the Governance and administration of public service pension schemes. This is not a statement of law but nonetheless it carries great weight. Some of its contents refer to statutory requirements, whilst others are advisory. A court or tribunal must take into account the Code when determining whether any pensions related legal requirements have been met.

## Legal Requirements

Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;
- the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

Those who have an obligation to report ('reporters') for public service pension schemes are:

- scheme managers (meaning, in the case of the Warwickshire Pension Fund (WPF), the Staff and Pensions Committee);
- members of the pension board (meaning, in the case of the WPF, the Local LGPS Pension Board);
- any person who is otherwise involved in the administration of the Fund (and thus members of the Pension Fund Investment Sub-Committee and all of the Fund's officers);
- employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers;
- professional advisers including auditors, actuaries, legal advisers and fund managers; and
- any person who is otherwise involved in advising the managers of the scheme in relation to the scheme (and thus the Fund's three external advisers).

## **Non- compliance under LGPS regulations**

Non-compliance with the LGPS regulations can cover many aspects of the management and administration of the scheme and includes;

- Failure to do anything required under the LGPS Regulations
- Failure to comply with policies and procedures e.g. the Funds statement of investment principles, funding strategy, discretionary policies etc.

## **Requirement to report a breach of the Law**

Breaches of the law which affects pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on the following;

- If there is reasonable cause to believe there has been a breach of the law
- If so, is the breach likely to be of material significant to the Regulator

## **Reasonable Cause**

Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated there must be a factual basis.

Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets because they have seen in the annual accounts that the value of the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behavior of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to consult the Pension Services Manager, or Assistant Director Finance , or the Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk) , regarding what has happened.

If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach.



## Determining whether the breach is likely to be of material significance

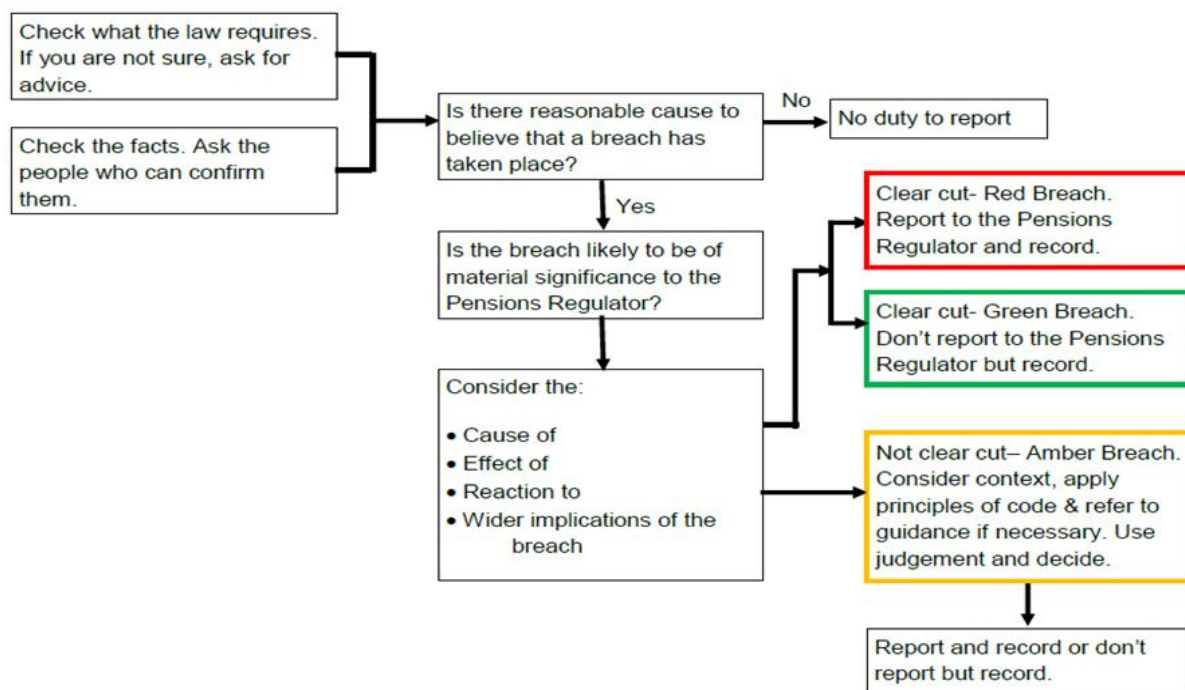
In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- cause of the breach;
- effect of the breach;
- reaction to the breach; and
- the wider implications of the breach.

The reporter should use the traffic light framework set out by the described in Appendix A to help assess whether the breach is of material significance and to formally support and document their decision. It will be necessary to consider a number of factors:

Cause	e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law.
Effect	Does the nature of the breach lead to an increased likelihood of further material breaches? Is it likely to cause, for example, ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring.
Reaction	e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate.
Wider Implications	e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future.

Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator. A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.



## Submitting a report to the Regulator

Before you submit a report you should obtain clarification of the law around the suspected breach. If:

- you are a member of the Staff and Pensions Committee, Investment Sub-committee, Local Pension Board or you are an external adviser, please contact the Monitoring Officer;
- you are an actuary, auditor or other external agent, please contact the Pensions Services Manager
- you represent an employer, please contact the Pensions Services Manager
- you are an officer of the Fund and you work in Administration, please contact Strategy and Commissioning Manager (Treasury, Pension, Audit & Risk).

The person you contact will consider in the round whether the Regulator would regard the breach as being material. They will also clarify any facts, if required. If the case is difficult, they will seek advice, as required.

Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded (see later).

Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to

be definitive about what constitutes a breach that must always be reported, but one test is: might it reasonably lead to a criminal prosecution or a serious loss in public confidence?

Any report that is made (which must be in writing and made as soon as reasonably practicable) should be dated and include as a minimum:

- full name of the Fund;
- description of the breach or breaches;
- any relevant dates;
- name of the employer or scheme manager (where known);
- name, position and contact details of the reporter; and
- role of the reporter in relation to the Fund.

Additional information that would help the Regulator includes:

- the reason the breach is thought to be of material significance to the Regulator;
- the address of the Fund;
- the pension scheme's registry number (if available); and
- whether the concern has been reported before.

Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

The Regulator will acknowledge all reports within five working days of receipt; however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.

The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more

serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

### **Recording breaches that are not reported to the Regulator**

Breaches that are found not to be material to the Regulator must still be recorded. This is so that if similar breaches continue, then they become material. Recording all breaches also highlights where improvements are required, to try and prevent similar breaches.

Breaches that are not being reported should be recorded on the breaches log on the pension fund website. Please contact the Pension Fund Services manager.

### **Whistleblowing protection and confidentiality**

The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

The statutory duty to report does not, however, override 'legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. The Regulator will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

### **Warwickshire County Council whistleblowing policy**

The Council has its own whistleblowing policy. The person contacted about the potential breach, will take this into account when assessing the case.

## **Further information**

If you require further information about reporting breaches or this procedure, please contact:

Liz Firmstone

Service Manager – Transformation

**Email:** [lizfirmstone@warwickshire.gov.uk](mailto:lizfirmstone@warwickshire.gov.uk)

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Neil Buxton

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**Email:** [neilbuxton@warwickshire.gov.uk](mailto:neilbuxton@warwickshire.gov.uk)

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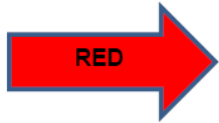
Warwickshire Pension Fund, Shire Hall, Warwick, CV34 4RL

Email: [pensions@warwickshire.gov.uk](mailto:pensions@warwickshire.gov.uk)

Website: [www.warwickshirepensionfund.org.uk](http://www.warwickshirepensionfund.org.uk)

## Breaches Log Appendix A

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

**Example:** An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to Standard Life. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the Standard Life. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that is relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

**Example:** An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which is relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.



GREEN

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

**Example:** An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

All breaches should be recorded even if the decision is not to report. *Appendix B* shows an example record of recording breaches. A log of breaches recorded are available on our website - <https://www.warwickshirepensionfund.org.uk/employers>

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

<https://www.thepensionsregulator.gov.uk/en/document-library/code-related-guidance/the-notifiable-events-framework>





## Appendix D: Communications Policy

### WARWICKSHIRE PENSION FUND

#### Communications Policy Statement

This statement has been prepared by Warwickshire County Council (the Administering Authority) to set out the communication strategy for the Warwickshire Pension Fund (the Fund) in accordance with the Local Government Pension Scheme Regulations.

Warwickshire County Council, in its capacity as Administering Authority for the Local Government Pension Scheme deals with over 200 employers and approximately 50,000 members.

This policy statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

#### **Any enquiries in relation to this policy statement should be made to:**

The Pensions Administration Manager  
Warwickshire Pension Fund  
Shire Hall  
Warwick  
CV34 4RL

#### **1. Introduction**

The aim of the Warwickshire Pension Fund is to provide secure pensions effectively and efficiently. The Fund is committed to providing comprehensive information to all stakeholders through the most appropriate communication methods. This document outlines the ways in which the Fund aims to meet this objective.

The Fund is part of a group of neighbouring local authority pension fund authorities who share a common aim of excellent communications. The funding and resourcing of some of the Fund's communications is shared, for example in respect of annual benefit statements and newsletters.

#### **2. Principles of Communication**

The Fund has adopted five key principles that supports all of its communications. The Fund is committed to ensuring that:

1. Communication is factual and presented in plain language
2. Communication is designed in a manner appropriate to its audience
3. Communication involves dialogue with others
4. Communication uses the developments and improvements in new technology
5. Communication is planned, co-ordinated and evaluated

The Fund will make every effort to make communication materials available in large print, Braille, audio tape and different languages on request.

The pensions administration team is committed to responding to members requests for information, whether it is face to face, email or by letter.

### **3. Who are the Fund's Key Stakeholders?**

The Fund has a wide range of stakeholders who have different communication needs. The key stakeholders are:

- Active Scheme members
- Deferred Scheme members
- Scheme pensioners and their dependents
- New employees
- Employees who are not Scheme members
- Scheme employers
- Pensions Administration staff
- Pension Actuaries
- Pension Fund Managers
- Borders to Coast Pension Partnership
- Custodian
- Investment Advisers
- Government Departments
- Trade Unions
- Press and Media

Section 5 sets out the information that is provided to these different stakeholders.

### **4. How does the Fund communicate with Stakeholders?**

#### **4.1. *Printed / Electronic literature***

The Fund produces all paper and electronic based communications in a corporate style, be that brochures, guides or individual letters. PDF format communications are produced and made available as appropriate, on our website.

#### **4.2. *Drop in service***

For those members who prefer 'face to face' communication the Fund's office is centrally situated in Warwick and easily accessible. Appointments can be made to discuss specific pension options or problems but generally this is not necessary as a member of the team is usually available. In exceptional circumstances, members of the team are available for home visits or to other council or scheme employer offices in Warwickshire.

#### **4.3. Telephone**

All Fund communications have a published telephone number for the team member dealing with the request.

#### **4.4. Internet**

The Fund has a website: [www.warwickshirepensionfund.org](http://www.warwickshirepensionfund.org)

The site is available for members and all stakeholders as a source of information. Electronic copies of Fund literature are available for download. There are limited on-line forms for members to complete.

#### **4.5. Fax, Mail and Email**

For general communications, the Fund has an email account and postal address. These details can be found at the back of this document. The fund retains a fax number but only for use with fund managers where the investment management agreement requires it.

#### **4.6. Presentations and Courses**

The Fund delivers standard or tailored presentations on a range of subjects for employers and their staff. These presentations may be provided at the request of Employers or may be instigated by the fund.

#### **4.7. Newsletters**

The Fund produces periodical newsletters to keep members informed of topical pension news, articles and the latest information about the Scheme.

*Ragged Staff* is the Fund's newsletter for retired members, and is a useful way of providing updates on relevant changes in legislation, topical news, and members' articles.

Deferred members also receive a newsletter, when information needs to be communicated with them, again providing updates on relevant changes in legislation, topical news and reminding members to keep the Fund notified of changes in personal circumstances and address.

Employers will also receive news updates.

#### **4.8. Annual Report, Accounts and Meeting**

The aim of the Annual Report is to highlight the important issues affecting the Fund over the previous twelve months, along detail on investments and administration performance. The Report and Accounts are summarised at the Annual Meeting held in November. Employers are invited to the Annual Meeting of the Fund.

The Fund holds a further meeting in November / December for all employers to attend. This is aimed at scheme employers who have the responsibility of administering the LGPS. The

meeting is tailored to their needs with the aim of resolving queries they may have and also to keep them up to date with developments in the LGPS.

From time to time the Fund will host meetings for specific groups of employers, for example, academies, which are significant proportion of scheme employers. These meetings will deal with specific areas affecting that sector.

## **5. Information for Key Stakeholders**

### **5.1. *Active & Deferred Scheme Members Certificate of Membership***

Within thirteen weeks of joining the Fund, each member receives a Statutory Notification detailing the information recorded on the Pension Administration System about them, such as date they joined the Scheme and whether or not they have transferred service into the Fund from elsewhere. A new notification is issued every time a member's record is amended.

### **5.2. *Annual Benefit Statement***

An Annual Benefit Statement is sent direct to the home address of all active and deferred members. The Statements include various pension details including the current value of benefits within the scheme. The format of the statements is continually being developed to provide members with the information they require in a clear and concise manner.

### **5.3. *Scheme Literature***

A large range of literature is produced by the Administering Authority and is made available to both Employers and Scheme members. The literature includes Guides and Information sheets. A different guide is available for councillors to whom different rules apply.

### **5.4. *Retirement Booklet***

All active members on reaching retirement receive a comprehensive booklet providing information on the Scheme and the retirement process.

### **5.5. *Prospective Scheme Members Scheme Booklet***

The Fund produces an information booklet on the Local Government Pension Scheme. This should be provided by Scheme Employers to all new employees as part of their letter of employment, terms and conditions – some Employers choose to email this to new employees.

### **5.6. *Scheme Website***

The Fund's website contains specific information on joining the Scheme and the benefits to membership: [www.warwickshirepensionfund.org](http://www.warwickshirepensionfund.org)

**5.7. Promotional Campaigns**

Periodically the Fund produces dedicated marketing literature that is sent to those who choose not to join or opt to leave the Scheme. This literature promotes the benefits of having an occupational pension and gives an option to join the Scheme.

**5.8. Corporate Induction Courses**

Officers of the fund are invited to attend or to contribute to Corporate Inductions (including e-learning) for prospective members.

**5.9. Other Employer Communications**

The increasing role of communication within all organisations means that more Employers have staff newsletters, intranets and other broadcast communications. The Fund actively works to provide their employees with the best information and opportunities in regard to the Scheme

**5.10. Retired Members Pay Advices**

The Fund issues a pay advice slip to scheme pensioners only when net pension payments vary by £5 or more from the previous month. Online access to Payslips and P60s Members can view P60's and payslips by logging onto a secure area on the website, called MyView.

**5.11. P60s**

Every retired member and/or their dependents will receive a P60 each year normally at the end of April.

**5.12. Annual Pension Increase**

Retired members will receive a pension increase notification each year to inform them of the inflation increase on their pension. This letter will include details of the monetary value of their revised pension and details of the amount to be paid in April.

Validation - Retired Members Living Abroad - the Fund undertakes a regular exercise conducted through correspondence in order to establish the continued existence of pensions living abroad.

**5.13. Employing Authorities Employer Meetings & Training Sessions**

Meetings and training sessions are arranged for employers as appropriate. They are used to communicate major issues with employers, specifically benefit regulation changes, employer contribution rates and the funding level of the Warwickshire Fund.

**5.14. Employers' Guide**

An Employers' Guide is issued via email to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities.

**5.15. Employers Bulletin**

A technical newsletter/bulletin is periodically sent out to all employers. It aims to inform employers on common problems, issues, queries and regulatory changes. The bulletin is also used to communicate any consultations in regard to policy and regulations

**5.16. Team Meetings**

Meetings involving all staff are held on a monthly basis

**5.17. Training**

The Fund seeks to continually improve the ability of staff to communicate effectively and to understand the importance of good communication. Both general and pension specific training is provided to all staff as part of the Fund's commitment to staff development.

**5.18. Intranet and E-Mail**

Each member of staff has access to e-mail and the storage drive which contains electronic copies of many of the Key documents, manuals, minutes and circulars.

**5.19. Local Authority Pensions Web**

All senior members of the pension's team have access to the Local Authority Pensions Web where information can be exchanged with other Local Authority Pension colleagues.

**6. Communication with Other Bodies**

- 6.1. **Actuaries** - The Fund performs an Actuarial Valuation every three years as required by the Regulations. The actuary deals with valuations and information and advice on a range of issues affecting the Fund, such as new employers, bulk transfers and regulatory changes.
- 6.2. **Fund Managers** – The fund will liaise with fund managers including through direct meetings from time to time.
- 6.3. **Border to Coast** – The fund liaises with the Border to Coast Pension Partnership – providing input into the development and management of new funds.
- 6.4. **Custodian** – The fund has arrangement in place to communicate with BNYM, its custodian.
- 6.5. **Advisers** – The fund is in regular contact with its investment advisers and its independent financial advisers.
- 6.6. **Government Departments** - The Fund communicates with Government departments on proposals for change to the scheme and with regard to providing information under disclosure regulations.

- 6.7. **Trade Unions** - The Fund will communicate with Trade Unions where appropriate, for example in supporting continued access to the Local Government Pension Scheme.
- 6.8. **Press & Media** - The Fund in conjunction with the Council's communications staff will responds to and engage with the press and other media organisations in order to ensure clarity of facts and fair representation.

## **7. Compliments, Complaints and Comments**

- 7.1. Compliments and complaints are recorded. The fund aims to learn from the feedback received and make improvements to the service provided.

## **8. Breaches of the Law**

- 8.1. The fund maintains a Breaches Policy and on its website a publicly available log of breaches in respect of pension fund activity.

## **9. Investments**

- 9.1. The fund publishes an investment strategy statement and funding strategy statement. These are available on the website and form a part of the Annual Report.

## **10. Data Protection**

- 10.1. To protect personal information held in relation to Scheme members, the Fund is registered under the Data Protection Act 1998, as part of Warwickshire County Council. The Fund is fully compliant with the General Data Protection Regulations (GDPR) introduced in May 2018.

## **11. Disclosure**

- 11.1. The Fund may, if necessary, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's Actuary. Pensions staff also receive regular training on data protection issues.

## **12. National Fraud Initiative**

- 12.1. The Fund participates in the National Fraud Initiative exercise by passing information about pensions in payment on to the Audit Commission. The information is matched to national databases to help prevent and detect fraud. The Fund's participation in this exercise is mandatory.

## Annex: Publications and Communications Summary

### Fund Publications and Communications

Communication Document	When issued	Available to	Format	When reviewed
Brief pension guide	Commencement of employment / when requested	Prospective / Active / Deferred / Retired Members	Paper / website	Regulation changes
Scheme leaflets	Upon request	Active / Deferred / Retired Members	Paper / website	Regulation changes / periodical review / new leaflets introduced
Benefit statements	Annually	Active / Deferred members	Paper	Annually
Encouraging new members literature	Annually	Prospective members	Poster	Annually From January 2020
Poster campaigns Eg. Death benefits, 50 / 50.	As and when	Active members vis employers	Poster	As and when
Members newsletters	Annually and as required	Active / Deferred / retired members	Paper / website	Annually / regulation changes
Pension consultations	As required	Active / Deferred members	Face to face	As required
Serious health consultations	As required	Active / Deferred members	Face to face / home visit	As required
Presentations	As required	Active / prospective members	Presentation	As required via the employer
Service statements	When member joins	Active members	Paper	As required
Retirement courses	When requested	Retiring members	Presentation	When requested by scheme employer
Website	Available	All stakeholders		Monthly
Annual meeting	Annually November	Employers	Presentation	Annually
Employer Forum	Annually November / December	Employers	Presentations	Annually
Employer sector meetings	As and when required	Employers	Presentations	As and when required
Group Employer training	When identified	Employers	Presentations	As and when required
Employer visits	As and when requested or identified	Employers	Face to face	As and when requested or identified



Annual report	Annually	All members / employers / Fund Managers / Committee / Board members	Paper / website	Anually
Telephone	Within office hours	All members / employers / fund managers	Telephone	Within office hours
Email	Continually (within office hours)	All members / employers / fund managers	Email	As required
correspondence	Continually (within office hours)	All members / employers / fund managers	Paper / email	As required
Advice slip	Monthly	Retired members	Paper / email	Monthly
P60	Annually	Retired members	Paper	Annually (issued by payroll services)
Pensioner Newsletter	Annually	Retired members	Paper / website	Annually
Pensions Increase	Annually	Retired members	Paper	Annually (issued by payroll services)
Age 100 pensioners	As required	Retired members	Birthday card	As required
Pensioners living abroad	Annually	Retired members	Life certificate Email	Annually
Employers Guide	As required	Employers	Website	As required
Abridged reports and accounts	Annually	All members	Website	Annually
Valuation report	Triennial	Employing authorities	Paper / Website / Annual meeting	Triennial

## Appendix E: Conflicts of Interest Policy

### Annex A to Terms of Reference for the Local Pension Board for the Warwickshire Pension Fund Conflicts of Interest Policy

#### Introduction

The Public Sector Pensions Act 2013 requires that members of the Local Pension Board (the Board) do not have conflicts of interests. As such all Board Members (Members) will be required to declare any interests and any potential conflicts of interests in line with legal requirements in the Act and the Pension Regulator's code. These declarations are required as part of the appointment process, as well as regular intervals throughout a Member's tenure to the Scheme Manager's satisfaction.

#### Conflict of Interests – General Principles

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. The basic principle in relation to conflicts of interest can be found in the High Court case of *Re Thompson's Settlement* [1986] where the Court held that:

*'...a man must not put himself in a position where duty and [personal] interest conflict or where his duty to one conflicts with his duty to another unless expressly authorised'*

Conflicts of interest may arise for Members and their advisers. This simply reflects the fact that individual Members and their advisers will have a variety of other roles and responsibilities outside the Board.

Members and their advisers must be able to identify potential conflicts of interest and have procedures in place to manage them. This document outlines the procedure the Members have adopted to do this.

#### Procedure

For this procedure to work the Members have agreed that they must:

- declare any actual or potential conflict of interest they may have;
- be open with each other on any conflicts of interest they may have;
  - provide information reasonably requested to assess whether there is any actual or potential conflict of interest;
  - adopt practical solutions; and
  - plan ahead and agree on how they will manage any conflicts of interest which arise.

With these objectives in mind the Members have adopted the following procedure:

1. Maintaining a register of Members' interests which could give rise to a conflict.
2. Maintaining a register of interests which could give rise to a conflict covering the Members' advisers.

3. Each Member and adviser will sign an annual return confirming that their information contained in the register of interests is correct. The updated register will then be circulated to all Members and the Scheme Manager. These two events will be added to the Members' calendar of events distributed with each set of Member meeting papers.
4. The Board's Administration Manager is to identify any potential or actual conflicts of interest and to advise the Chair. The Chair in conjunction with the Scheme Manager is to decide on the action required and to advise the Members of any actions taken.
5. Any Member who feels that they, another Member or adviser has a conflict of interest must seek early advice from the Administration Manager.
6. Any member or advisor must withdraw from a Board meeting if they have a conflict of interest. The conflict of interest and the action taken must be recorded in the minutes.
7. If a conflict is identified outside of a Board meeting the Chair shall consult with the other Members prior to making a decision. The conflict of interest and the action taken must be recorded.

### **Management of confidential information**

With regard to Members sharing confidential information received by them in their capacity as a Board Member with other parties, it is important to remember that each Member has a fundamental responsibility to act on behalf of the Board and this duty should not be compromised by acting on behalf of other groups.

### **Advisors**

There may be circumstances where advisors are asked to give advice to the Board but this can only happen where there is no conflict of interest. All of the Board's advisors have a professional responsibility to advise the Members if any circumstances arise in which they feel they are conflicted. These responsibilities and guidelines for dealing with actual or potential conflicts of interest are covered by rules of their respective professional bodies.