



Contributing together for your future

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The Pensions Regulator

newcodeofpractice@tpr.gov.uk

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Dear Sirs

The Pensions Regulator's Single Code of Practice

Background

The West Midlands Pension Fund is one of the largest UK Pension Funds serving in excess of 340,000 public sector employees and more than 750 employers across the West Midlands Region, holding assets under management of around £18 billion across a diversified portfolio designed to serve and deliver cashflow in support of our members' pension benefits.

The Fund has a long-standing history across the West Midlands region. Borne out of the historic West Midlands County Council, we work on behalf of the seven Metropolitan District Council Authorities to provide opportunities for members to build and realise their retirement plans.

As a public service pension scheme, the West Midlands Pension Fund is focused on delivering value to our customers and stakeholders, ensuring information and support is available at the right time to enable pension members to effectively plan for their retirement and to support our employers in performing their role as they participate in the statutory local government pension scheme.

Now, more than ever, there is a motivation across the public and our own member and employers' appetite to do more to address environmental and social issues, as we look forward over 2021 and consider our focus and priorities to 2026, we remain committed to ensuring our customers have access to and can engage with information about their pension savings through a program of Strong Governance, Customer Focus, Global Influence and a commitment to Deliver for Local People.

Visits can be made to the Fund's offices on the 6th Floor, Mander House, Wolverhampton



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Working with the Regulator

The West Midlands Pension Fund has regularly engaged with the Pensions Regulator on a wide range of projects from the initial roundtable discussions on the proposed single code of practice, to participating in the Regulator's "deep dive" of LGPS Funds in 2018/19 working at that time, to assist, develop and enhance understanding of public sector schemes and their operation.

It is welcoming to see that feedback from the LGPS has been taken into consideration with the Regulator's explicit acknowledgement of the scheme and the different ways it, and individual Funds are governed under Local Government legislation.

General Comments

From roundtable discussions, we note the approach in this code to be one which sets out the starting blocks for good standards of governance, acknowledging that a "one size fits all" approach would not work for the myriad of schemes which operate across the pensions sector. In reflecting on this point, it would be beneficial for Administering Authorities of the LGPS, if the Regulator acknowledged at the outset the individual arrangements for LGPS Funds in their governance structures determined by local delegation. We note the potential for lack of clarity in determining the role and responsibility of "Governing Body" as set out in the single code, and have interpreted each section to apply based on the role and function of our Pension Committee and Local Pension Board as set out in our own constitution.

Understanding the measure of "effectiveness" would also be useful. We believe it would assist Funds to interpret the code, if the Regulator highlighted outcome indicators to give direction and greater purpose to proposed Governance measures.

The presentation of the Code works well, with clearly defined modules, an overall glossary would further assist in supporting readers' understanding and use. In particular reference to public sector schemes and pension boards, scheme manager and committee are collectively defined throughout the document as 'governing bodies' which is useful in the context of the modules, and we note the Regulator has previously commented that the statutory definition of each is individual and therefore we understand the Regulator accepts the responsibility of each is defined within Fund's own local delegations and would suggest this is referenced to support Fund's compliance.

The website module is useful and works well as a navigation tool. Enhancements to this could be in the form of version history and track back links to identify where current versions are derived from or where updates have been made. This would support all users in reviewing which code was effective at the time decisions were made. The FCA has a similar approach in their management of their handbook and the approach used by [legislation.gov.uk](https://www.legislation.gov.uk) is a useful example¹

The addition of sections on investment governance and climate change may be useful points of reference for the LGPS but we feel further clarity is needed on the expectations the Regulator will hold for the LGPS, noting the wider legislation and guidance applying to LGPS Funds and the significant scope for inconsistencies in approach.

¹ <https://www.legislation.gov.uk/changes/affected/ukpga/1972/70>

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We note the comments and approach on proportionality throughout the draft code and acknowledge the work done to understand the different schemes and their challenges. Notwithstanding this, there are areas which may be considered particularly burdensome on schemes/funds with limited resource and in this regard template documents for reporting may be beneficial.

In terms of priorities on publication of guidance, we are aware that there are a number of topics at the forefront of the pensions industry currently, some noted in tPR's own 15 year strategy, public awareness campaigns, etc. consideration may be given to priority based on public weighting of importance at this time as these are the areas most likely to draw most interest (and challenge) on how funds are effectively governed. In the same vein, with the high level of focus on regulatory change and knowledge and understanding, we would welcome prioritisation to updates for the Public Sector Pensions Toolkit.

Role of Governing Body

It is helpful in some ways that the single term of Governing Body is used throughout the draft code, for simplicity of reference but we note it would and could apply to different elements of the LGPS governance arrangements in different ways, within the different modules of the code, which is likely to require further interpretation for the LGPS and individual Funds within, to avoid confusion and mis interpretation, it would be beneficial to the document as a whole to have a single Glossary of defined terms (notwithstanding individual references at the end of each module).

For public sector schemes, a note confirming the individual statutory definitions of each "governing body" would be useful noting it is individual to each Fund the role each body plays in their local delegations.

It may be construed on reading that "scheme manager", "local pension board" and "committee" mean the same thing when referenced in the round as "Governing Bodies", when their role, function and responsibilities are unique, subject to the local choice on delegation for decision making

We believe the overarching expectations set out to be clear. Although would note, that LGPS Funds and how they are governed and administered, are mandated by Local Government legislation.

Recognising the multitude of reporting and publication requirements on LGPS funds, it would be helpful for the Regulator to acknowledge and accept of Funds using cross references, for example, information required to be published as part of the statutory annual report and accounts is also presented in the code for publication (investment performance, risk management, communication to members).

For LGPS Funds, we ask that recognition is given to the wider role of elected Councillors, noting their duty in the public arena, and responsibilities beyond their role on pensions committees which, by their nature, require high regard to standards of governance.

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Remuneration Policy

The content in this module refers to what we would determine to be "contract fees for services" which we believe should be monitored and managed under contract management arrangements, rather than as a "remuneration policy". With the majority of LGPS administration services being provided in-house we would welcome clarity on our understanding of this point.

Knowledge and Understanding

We are supportive of a standard of knowledge and understanding for those charged with decision making and management of the Fund, and are aware of the work undertaken by CIPFA in this area together with the outcomes from the LGPS Scheme Advisory Board's Good Governance Review which includes recommendations for enhanced training requirements.

Value for Members

We are supportive of the need to outline value for members and would welcome wider publication of industry research and information (including that undertaken by the Regulator) to inform benchmarking as a tool to assist in determining value for money.

Risk Management and Internal Controls

The requirement to undertake "Own Risk Assessments", we would interpret, to be a close out on the year in terms of reporting governance, assurance and exceptions and would reference compliance through a matrix or framework of compliance (rather than re-publishing existing information). Reporting we believe to be covered in other areas of the code as ongoing reporting and publication responsibilities. It would be helpful if the Regulator could more clearly confirm its approach and expectations in this area in particular.

Here again, we note the Regulator's comments of reference to existing guidance and note the recommendations outlined in the Scheme Advisory Board for the LGPS Good Governance review on some issues highlighted in this section such as conflicts of interest.

Funding and Investments

We believe the information set out in this module to be a helpful guide but note the majority does not apply to the LGPS. However, we recognize the value to be had in some aspects of investment governance which may assist in developing assurance frameworks where operational activity is in common with other schemes in the industry.

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Administration

In relation to transfers we note the requirements outlined in the Pensions Act 2021 and assume this will be updated and reflected in this draft code.

In relation to data monitoring and management, we note there is no reference in this code to a “Data Management Strategy” previously referred to in Code 14. We believe this should be reinserted into this single code as it will support delivery of an anticipated statutory requirement (as opposed to option) for Funds to have a Pension Administration Strategy, setting out the performance requirements of employers to comply and supply good data practices.

Information to members

Noting the comments and concerns raised by tPR in their 15 year strategy and an individual’s ability to plan for their retirement and the duty of their employer and pension scheme to support their knowledge and awareness of this topic, it would be helpful to understand the Regulator’s expectations of Funds in this space in providing or facilitating the provision of member information, guidance and advice.

Trustee Toolkit

We anticipate the issuance of a revised Trustee Toolkit in light of this code, consideration and comparators of this with the work being undertaken by CIPFA on their knowledge and skills framework would be useful in supporting Funds within the LGPS develop and implement local policies to support the development and retention of knowledge requirements, with particular relevance to new members of their governing bodies.

We ask that the Regulator priorities development of the toolkit and continues to retain key modules relevant to the public sector pension schemes.

Yours Sincerely



Rachel Brothwood
Director of Pensions

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